

CITY OF NATIONAL CITY

Basic Financial Statements  
and Supplementary Data

For the Year Ended June 30, 2011

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CITY OF NATIONAL CITY  
National City, California

Basic Financial Statements  
and Supplementary Data

For the Year Ended June 30, 2011

1243 National City Blvd.  
National City, California 91950  
Phone: (619) 336-4241  
Fax: (619) 336-4239  
[www.nationalcityca.gov](http://www.nationalcityca.gov)

Prepared by the Finance Department

Tina Norrdin  
Finance Director

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CITY OF NATIONAL CITY

Basic Financial Statements  
and Supplementary Data

For the Year Ended June 30, 2011

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CITY OF NATIONAL CITY

Basic Financial Statements  
and Supplementary Data

For the Year Ended June 30, 2011

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FINANCIAL SECTION





## Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200  
Irvine, California 92612  
949-474-2020 ph  
949-263-5520 fx  
www.mhm-pc.com

To the Honorable Mayor and Members of the City Council  
of the City of National City, California

### INDEPENDENT AUDITORS' REPORT

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

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

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

As described further in note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

The City has not presented *management's discussion and analysis* that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

To the Honorable Mayor and Members of the City Council  
of the City of National City, California  
Page Two

The information identified in the accompanying table of contents as *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2011 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Irvine, California  
December 21, 2011

## Basic Financial Statements

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CITY OF NATIONAL CITY

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and investments (note 2)	\$ 72,075,878	15,591	72,091,469
Accounts receivable	1,085,040	-	1,085,040
Property tax receivable	194,122	-	194,122
Interest receivable	105,133	-	105,133
Due from other governmental entities	4,622,851	-	4,622,851
Total current assets	<u>78,083,024</u>	<u>15,591</u>	<u>78,098,615</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash and investments with fiscal agents (note 2)	42,031,002	1,738,710	43,769,712
Inventories	11,128	-	11,128
Prepaid items and deposits	43,101	132,638	175,739
Land held for resale	9,392,509	-	9,392,509
Contracts, notes and loans receivable (note 4)	9,391,187	-	9,391,187
Deferred charges	1,495,528	-	1,495,528
Subtotal	<u>62,364,455</u>	<u>1,871,348</u>	<u>64,235,803</u>
Capital assets (note 5):			
Non-depreciable	26,422,305	528,382	26,950,687
Depreciable, net	90,340,545	6,687,958	97,028,503
Total capital assets	<u>116,762,850</u>	<u>7,216,340</u>	<u>123,979,190</u>
Total noncurrent assets	<u>179,127,305</u>	<u>9,087,688</u>	<u>188,214,993</u>
Total assets	<u>257,210,329</u>	<u>9,103,279</u>	<u>266,313,608</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	3,726,631	165,396	3,892,027
Interest payable	1,792,703	-	1,792,703
Salaries payable	1,147,597	-	1,147,597
Deposits payable	347,630	89,922	437,552
Total current liabilities	<u>7,014,561</u>	<u>255,318</u>	<u>7,269,879</u>
Long-term liabilities (note 7):			
Due within one year	8,279,798	218,492	8,498,290
Due beyond one year	91,501,497	2,058,393	93,559,890
Total noncurrent liabilities	<u>99,781,295</u>	<u>2,276,885</u>	<u>102,058,180</u>
Total liabilities	<u>106,795,856</u>	<u>2,532,203</u>	<u>109,328,059</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	93,567,130	4,939,455	98,506,585
Restricted for:			
Community development	33,109,741	-	33,109,741
Public safety	3,035,845	-	3,035,845
Transportation	1,604,977	-	1,604,977
Culture and leisure	4,101,046	-	4,101,046
Housing	1,472,075	1,631,621	3,103,696
Total restricted	<u>43,323,684</u>	<u>1,631,621</u>	<u>44,955,305</u>
Unrestricted	<u>13,523,659</u>	-	<u>13,523,659</u>
Total net assets	<u>\$ 150,414,473</u>	<u>6,571,076</u>	<u>156,985,549</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

Statement of Activities

For the Year Ended June 30, 2011

	Program Revenues				Total Program Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 6,813,807	2,924,037	59,096	-	2,983,133
Public safety	32,287,471	2,564,953	1,675,155	-	4,240,108
Transportation	3,642,820	-	611,542	-	611,542
Community development	19,204,057	945,733	13,713,332	-	14,659,065
Health	6,846,972	7,418,448	528,300	-	7,946,748
Culture and leisure	5,734,894	216,746	175,633	-	392,379
Interest and fiscal charges	4,091,247	-	-	-	-
Total governmental activities	<u>78,621,268</u>	<u>14,069,917</u>	<u>16,763,058</u>	<u>-</u>	<u>30,832,975</u>
Business-type activities:					
Community development commission	<u>2,313,011</u>	<u>2,208,044</u>	<u>-</u>	<u>-</u>	<u>2,208,044</u>
Total business-type activities	<u>2,313,011</u>	<u>2,208,044</u>	<u>-</u>	<u>-</u>	<u>2,208,044</u>
Total primary government	<u>\$ 80,934,279</u>	<u>16,277,961</u>	<u>16,763,058</u>	<u>-</u>	<u>33,041,019</u>

General revenue and transfers:

Taxes:

Property taxes, net

Sales taxes

Franchise taxes

Motor vehicle in-lieu, unrestricted

Transient occupancy taxes

Total taxes

Investment earnings

Other miscellaneous revenues

Rent

Total general revenues

Change in net assets

Net assets at beginning of year, as restated (note 12)

Net assets - end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(3,830,674)	-	(3,830,674)
(28,047,363)	-	(28,047,363)
(3,031,278)	-	(3,031,278)
(4,544,992)	-	(4,544,992)
1,099,776	-	1,099,776
(5,342,515)	-	(5,342,515)
(4,091,247)	-	(4,091,247)
<u>(47,788,293)</u>	<u>-</u>	<u>(47,788,293)</u>
<u>-</u>	<u>(104,967)</u>	<u>(104,967)</u>
<u>-</u>	<u>(104,967)</u>	<u>(104,967)</u>
<u>(47,788,293)</u>	<u>(104,967)</u>	<u>(47,893,260)</u>
14,184,279	-	14,184,279
21,731,925	-	21,731,925
1,949,759	-	1,949,759
5,219,884	-	5,219,884
838,255	-	838,255
43,924,102	-	43,924,102
374,153	3,404	377,557
365,734	-	365,734
868,535	-	868,535
<u>45,532,524</u>	<u>3,404</u>	<u>45,535,928</u>
(2,255,769)	(101,563)	(2,357,332)
<u>152,670,242</u>	<u>6,672,639</u>	<u>159,342,881</u>
<u>\$ 150,414,473</u>	<u>6,571,076</u>	<u>156,985,549</u>

CITY OF NATIONAL CITY  
Balance Sheet  
Governmental Funds  
June 30, 2011

	Special Revenue Funds			
	General Fund	Section 8 Housing Assistance	Other Special Revenue	Nutrition Program
<u>ASSETS</u>				
Cash and investments	\$ 11,287,422	1,531,378	8,833,738	220,466
Restricted cash and investments with fiscal agents	-	-	-	-
Accounts receivable	729,435	8,639	93,547	65,042
Property tax receivable	-	-	-	-
Interest receivable	58,917	-	3,373	-
Due from other funds (note 3)	701,701	-	-	-
Due from other governmental entities	3,368,938	-	223,092	-
Land held for resale	-	-	-	-
Contracts, notes and loans receivable (note 4)	-	-	-	-
Advances to other funds (note 3)	-	-	509,605	-
Total assets	\$ 16,146,413	1,540,017	9,663,355	285,508
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,167,720	46,509	303,909	11,251
Salaries payable	766,047	21,433	125,085	53,148
Due to other funds (note 3)	-	-	-	-
Due to other governmental entities	-	-	-	-
Deposits payable	128,398	-	131,732	-
Deferred revenue	13,794	-	35,769	-
Advances from other funds (note 3)	509,605	-	-	-
Total liabilities	2,585,564	67,942	596,495	64,399
Fund balances (deficit):				
Spendable:				
Restricted for:				
Debt service	-	-	-	-
Community development	-	-	246,228	-
Public safety	-	-	657,448	-
Transportation	-	-	1,701,142	-
General services	-	-	6,462,042	221,109
Public housing	-	1,472,075	-	-
Low and moderate income housing	-	-	-	-
Total restricted	-	1,472,075	9,066,860	221,109
Committed for:				
Debt service	1,435,557	-	-	-
Public safety	45,875	-	-	-
Transportation	160,982	-	-	-
General services	28,843	-	-	-
Community development	-	-	-	-
Total committed	1,671,257	-	-	-
Assigned for:				
Accrued employment benefits	2,679,900	-	-	-
Post-employment benefits	1,707,000	-	-	-
Transportation	442,900	-	-	-
Total assigned	4,829,800	-	-	-
Unassigned (Note 14)	7,059,792	-	-	-
Total fund balances	13,560,849	1,472,075	9,066,860	221,109
Total liabilities and fund balances	\$ 16,146,413	1,540,017	9,663,355	285,508

See accompanying notes to the basic financial statements.



<u>Special Revenue Funds</u>		<u>Debt Service</u>	<u>Capital Project Funds</u>	<u>Other</u>	<u>Total</u>
<u>Sewer Service</u>	<u>Low and Moderate Income Housing Program</u>	<u>Community Development Commission</u>	<u>Redevelopment Fund</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
15,131,737	9,586,932	2,695,979	713,160	8,386,359	58,387,171
-	-	6,878,357	34,006,196	1,100,685	41,985,238
8,783	30,565	-	76,396	402	1,012,809
-	37,191	148,764	8,167	-	194,122
25,733	10,043	-	1,343	5,724	105,133
-	-	-	-	-	701,701
-	-	-	2,796	1,028,025	4,622,851
-	360,000	-	9,032,509	-	9,392,509
-	7,767,650	-	824,151	799,386	9,391,187
<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,009,605</u>
<u>16,666,253</u>	<u>17,792,381</u>	<u>9,723,100</u>	<u>44,664,718</u>	<u>11,320,581</u>	<u>127,802,326</u>
28,316	62,992	1,062,333	192,257	390,143	3,265,430
19,170	3,670	-	52,497	53,604	1,094,654
-	-	-	-	701,701	701,701
-	-	-	-	-	-
-	-	-	87,500	-	347,630
-	1,621,072	-	-	101,480	1,772,115
-	-	-	739,966	760,034	2,009,605
<u>47,486</u>	<u>1,687,734</u>	<u>1,062,333</u>	<u>1,072,220</u>	<u>2,006,962</u>	<u>9,191,135</u>
-	-	8,660,767	-	778,533	9,439,300
-	-	-	43,592,498	5,095,729	48,934,455
-	-	-	-	444,821	1,102,269
-	-	-	-	827,001	2,528,143
16,618,767	-	-	-	702,991	24,004,909
-	-	-	-	-	1,472,075
-	16,104,647	-	-	-	16,104,647
<u>16,618,767</u>	<u>16,104,647</u>	<u>8,660,767</u>	<u>43,592,498</u>	<u>7,849,075</u>	<u>103,585,798</u>
-	-	-	-	-	1,435,557
-	-	-	-	-	45,875
-	-	-	-	-	160,982
-	-	-	-	138,808	167,651
-	-	-	-	1,863,788	1,863,788
-	-	-	-	2,002,596	3,673,853
-	-	-	-	-	2,679,900
-	-	-	-	-	1,707,000
-	-	-	-	-	442,900
-	-	-	-	-	4,829,800
-	-	-	-	(538,052)	6,521,740
<u>16,618,767</u>	<u>16,104,647</u>	<u>8,660,767</u>	<u>43,592,498</u>	<u>9,313,619</u>	<u>118,611,191</u>
<u>16,666,253</u>	<u>17,792,381</u>	<u>9,723,100</u>	<u>44,664,718</u>	<u>11,320,581</u>	<u>127,802,326</u>

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CITY OF NATIONAL CITY

Reconciliation of the Governmental Funds Balance Sheet  
to the Government-Wide Statement of Net Assets

June 30, 2011

Fund balances of governmental funds	\$ 118,611,191
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds balance sheet. Excluding the internal service funds capital assets which are reported below, capital assets were adjusted as follows:	
- Capital assets	190,544,175
- Accumulated depreciation	(76,604,922)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds balance sheet.	(1,792,703)
Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in funds.	1,772,115
Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the government-wide statement of net assets.	8,187,141
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds balance sheet. This amount excludes long-term liabilities reported in Internal Service funds.	<u>(90,280,998)</u>
Net assets of governmental activities	<u>\$ 150,435,999</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

	General Fund	Special Revenue Funds		
		Section 8 Housing Assistance	Other Special Revenue	Nutrition Program
<b>Revenues:</b>				
Taxes	\$ 31,750,265	-	-	-
Licenses and permits	767,876	-	4,450	-
Fines and forfeitures	1,434,437	-	74,841	-
Interest and rents	381,692	-	27,550	-
Intergovernmental	684,993	9,618,037	2,011,022	323,005
Charges for services	1,011,635	-	834,464	-
Other revenues	740,928	-	533,243	170,448
<b>Total revenues</b>	<b>36,771,826</b>	<b>9,618,037</b>	<b>3,485,570</b>	<b>493,453</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,893,535	-	2,322,495	-
Public safety	25,671,368	-	1,906,715	-
Transportation	1,212,963	-	40,424	-
Community development	-	9,224,997	235,150	722,521
Health	-	-	121,912	-
Culture and leisure	1,736,096	-	1,077,084	-
Capital outlay	286,219	-	968,455	-
<b>Debt service:</b>				
Principal	227,360	-	-	-
Interest and fiscal charges	57,831	-	-	-
Cost of issuance	-	-	-	-
<b>Total expenditures</b>	<b>33,085,372</b>	<b>9,224,997</b>	<b>6,672,235</b>	<b>722,521</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>3,686,454</b>	<b>393,040</b>	<b>(3,186,665)</b>	<b>(229,068)</b>
<b>Other financing sources (uses):</b>				
Payment to bond escrow agent	-	-	-	-
Issuance of long-term debt	-	-	-	-
Original discount on issuance	-	-	-	-
Transfers in (note 3)	1,760,491	-	2,877,588	366,260
Transfers out (note 3)	(3,712,121)	-	(105,000)	-
<b>Total other financing sources (uses)</b>	<b>(1,951,630)</b>	<b>-</b>	<b>2,772,588</b>	<b>366,260</b>
<b>Net change in fund balances</b>	<b>1,734,824</b>	<b>393,040</b>	<b>(414,077)</b>	<b>137,192</b>
Fund balances, beginning of year, as restated (note 12)	11,826,025	1,079,035	9,480,937	83,917
<b>Fund balances, end of year</b>	<b>\$ 13,560,849</b>	<b>1,472,075</b>	<b>9,066,860</b>	<b>221,109</b>

See accompanying notes to the basic financial statements.

Special Revenue Funds		Debt Service	Capital Project Funds	Other	Total
Sewer Service	Low and Moderate Income Housing Program	Community Development Commission	Redevelopment Fund	Governmental Funds	Governmental Funds
-	2,767,741	11,070,963	-	1,392,969	46,981,938
-	-	-	-	-	772,326
-	-	-	-	64,753	1,574,031
90,528	244,321	8,836	126,764	92,037	971,728
-	-	-	56,896	4,805,019	17,498,972
7,258,981	-	-	-	56,890	9,161,970
9,893	32,974	-	34,233	644,737	2,166,456
<u>7,359,402</u>	<u>3,045,036</u>	<u>11,079,799</u>	<u>217,893</u>	<u>7,056,405</u>	<u>79,127,421</u>
93,969	-	-	-	285,279	6,595,278
-	-	-	-	53,624	27,631,707
-	-	-	-	691,970	1,945,357
-	384,247	2,613,680	2,978,693	1,593,134	17,752,422
6,720,324	-	-	-	-	6,842,236
-	-	-	-	2,314,024	5,127,204
-	-	-	1,927,618	3,286,550	6,468,842
-	-	2,525,000	-	575,000	3,327,360
-	-	1,706,646	11,250	680,913	2,456,640
-	-	-	439,442	-	439,442
<u>6,814,293</u>	<u>384,247</u>	<u>6,845,326</u>	<u>5,357,003</u>	<u>9,480,494</u>	<u>78,586,488</u>
<u>545,109</u>	<u>2,660,789</u>	<u>4,234,473</u>	<u>(5,139,110)</u>	<u>(2,424,089)</u>	<u>540,933</u>
-	-	-	-	(3,115,000)	(3,115,000)
-	-	-	39,660,000	3,115,000	42,775,000
-	-	-	(1,056,085)	-	(1,056,085)
-	-	5,062,931	5,408,287	1,394,751	16,870,308
-	(861,864)	(5,408,287)	(5,012,225)	(1,096,607)	(16,196,104)
-	(861,864)	(345,356)	38,999,977	298,144	39,278,119
545,109	1,798,925	3,889,117	33,860,867	(2,125,945)	39,819,052
<u>16,073,658</u>	<u>14,305,722</u>	<u>4,771,650</u>	<u>9,731,631</u>	<u>11,439,564</u>	<u>78,792,139</u>
<u>16,618,767</u>	<u>16,104,647</u>	<u>8,660,767</u>	<u>43,592,498</u>	<u>9,313,619</u>	<u>118,611,191</u>

CITY OF NATIONAL CITY

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Governmental-Wide Statement of Activities

For the Year Ended June 30, 2011

Changes in fund balances of governmental funds	\$ 39,819,052
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year, net of disposals.	(5,078,239)
The issuance of long-term debt provides current financial resources to the funds but has no effect on on the Government-Wide Statement of Net Assets.	(42,775,000)
Repayment of bond principal and capitalized lease obligations are expenditures in governmental funds, but the repayments reduces long-term liabilities in the government-wide statement of net assets.	6,442,360
Bond issuance costs are amortized in the Statement of Activities, but are not reflected in the governmental funds.	1,495,527
Interest expense on long-term debt was reported in the government-wide statement of activities but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest.	(1,547,727)
To record as an expense the net change in compensated absences in the statement of activities.	170,357
To record as an expense the net change in other post employment benefits liability in the statement of activities.	(29,909)
Revenues in the government-wide statement of activities that did not provide current financial resources were not reported as revenues in the governmental funds.	182,079
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue (expense) of the internal service funds are reported with governmental activities.	<u>(912,743)</u>
Change in net assets of governmental activities	<u>\$ (2,234,243)</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Enterprise Funds			Governmental Activities -
	Kimball Towers	Morgan Towers	Total	Internal Service Funds
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments (note 2)	\$ 6,760	8,831	15,591	13,688,707
Restricted cash and investments with fiscal agents (note 2)	1,131,053	607,657	1,738,710	45,764
Accounts receivable	-	-	-	72,231
Inventories	-	-	-	11,128
Prepaid items and deposits	51,689	80,949	132,638	43,101
Total current assets	1,189,502	697,437	1,886,939	13,860,931
Noncurrent assets:				
Capital assets (note 5):				
Nondepreciable assets	315,814	212,568	528,382	1,644,621
Depreciable assets, net of accumulated depreciation	4,378,567	2,309,391	6,687,958	1,178,976
Total capital assets, net	4,694,381	2,521,959	7,216,340	2,823,597
Total noncurrent assets	4,694,381	2,521,959	7,216,340	2,823,597
Total assets	5,883,883	3,219,396	9,103,279	16,684,528
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable and accrued liabilities	75,316	90,080	165,396	461,201
Salaries payable	-	-	-	52,943
Capital leases payable - due within one year	-	-	-	88,203
Compensated absences - due within one year	-	-	-	135,464
Note payable - due within one year	-	218,492	218,492	-
Self-insurance claims payable - due within one year	-	-	-	1,578,371
Total current liabilities	75,316	308,572	383,888	2,316,182
Noncurrent liabilities (note 7):				
Tenant security deposit liability	44,879	45,043	89,922	-
Capital leases payable - due in more than one year	-	-	-	1,645,576
Note payable - due in more than one year	-	2,058,393	2,058,393	-
Self-insurance claims payable - due in more than one year	-	-	-	4,535,629
Total noncurrent liabilities	44,879	2,103,436	2,148,315	6,181,205
Total liabilities	120,195	2,412,008	2,532,203	8,497,387
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	4,694,381	245,074	4,939,455	2,823,597
Restricted for:				
Housing	1,069,307	562,314	1,631,621	-
Unrestricted	-	-	-	5,363,544
Total net assets	\$ 5,763,688	807,388	6,571,076	8,187,141

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Kimball Towers	Morgan Towers	Total	
Operating revenues:				
Rental income	\$ 982,146	1,211,218	2,193,364	-
Service charges	-	-	-	8,997,696
Other revenues	<u>7,358</u>	<u>7,322</u>	<u>14,680</u>	<u>115,008</u>
Total operating revenues	<u>989,504</u>	<u>1,218,540</u>	<u>2,208,044</u>	<u>9,112,704</u>
Operating expenses:				
Personnel services	-	-	-	1,978,193
Maintenance and operations	904,613	827,695	1,732,308	7,007,307
Depreciation	<u>187,350</u>	<u>226,219</u>	<u>413,569</u>	<u>279,082</u>
Total operating expenses	<u>1,091,963</u>	<u>1,053,914</u>	<u>2,145,877</u>	<u>9,264,582</u>
Operating income (loss)	<u>(102,459)</u>	<u>164,626</u>	<u>62,167</u>	<u>(151,878)</u>
Nonoperating revenues (expenses):				
Interest income	2,596	808	3,404	220
Interest expense	<u>-</u>	<u>(167,134)</u>	<u>(167,134)</u>	<u>(86,880)</u>
Total nonoperating revenues (expenses)	<u>2,596</u>	<u>(166,326)</u>	<u>(163,730)</u>	<u>(86,660)</u>
Income (loss) before transfers	(99,863)	(1,700)	(101,563)	(238,538)
Transfers in (note 3)	-	-	-	4,211
Transfers out (note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(678,415)</u>
Change in net assets	(99,863)	(1,700)	(101,563)	(912,742)
Net assets at beginning of year	<u>5,863,551</u>	<u>809,088</u>	<u>6,672,639</u>	<u>9,099,883</u>
Net assets, end of year	<u>\$ 5,763,688</u>	<u>807,388</u>	<u>6,571,076</u>	<u>8,187,141</u>

See accompanying notes to the basic financial statements.



CITY OF NATIONAL CITY  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities -
	Kimball Towers	Morgan Towers	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from customers/other funds	\$ 983,538	1,220,218	2,203,756	8,999,747
Cash payments to suppliers	(927,354)	(725,263)	(1,652,617)	(6,737,079)
Cash payments for general and administrative	(48,681)	(197,557)	(246,238)	(2,020,201)
Cash received from (payments to) other	7,358	7,322	14,680	115,008
Net cash provided (used by) operating activities	<u>14,861</u>	<u>304,720</u>	<u>319,581</u>	<u>357,475</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	4,211
Cash paid to other funds	-	-	-	(678,415)
Net cash provided (used by) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(674,204)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	-	-	(1,245,445)
Payment on lease payable	-	-	-	(21,381)
Principal payments of note payable	-	(204,777)	(204,777)	-
Interest paid	-	(166,434)	(166,434)	(86,880)
Net cash provided (used by) capital and related financing activities	<u>-</u>	<u>(371,211)</u>	<u>(371,211)</u>	<u>(1,353,706)</u>
Cash flows from investing activities:				
Interest income	2,596	808	3,404	220
Net cash provided (used by) investing activities	<u>2,596</u>	<u>808</u>	<u>3,404</u>	<u>220</u>
Net increase (decrease) in cash and cash equivalents	17,457	(65,683)	(48,226)	(1,670,215)
Cash and equivalents, beginning of year	1,120,356	682,171	1,802,527	15,404,686
Cash and equivalents, end of year	<u>\$ 1,137,813</u>	<u>616,488</u>	<u>1,754,301</u>	<u>13,734,471</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (102,459)	164,626	62,167	(151,878)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	187,350	226,219	413,569	279,082
Changes in current assets and liabilities:				
Accounts receivable	490	700	1,190	2,051
Inventories	-	-	-	3,521
Prepaid items and deposits	25,290	(669)	24,621	(43,101)
Accounts payable and accrued liabilities	(95,810)	(86,156)	(181,966)	79,810
Salaries payable	-	-	-	1,087
Compensated absences	-	-	-	(43,097)
Self-insurance claims payable	-	-	-	230,000
Total adjustments	<u>117,320</u>	<u>140,094</u>	<u>257,414</u>	<u>509,353</u>
Net cash provided (used) by operating activities	<u>\$ 14,861</u>	<u>304,720</u>	<u>319,581</u>	<u>357,475</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011

	<u>Library Private- Purpose Trust</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and investments (note 2)	\$ 49,668	963,676	1,013,344
Interest receivable	<u>83</u>	<u>-</u>	<u>83</u>
Total assets	<u>49,751</u>	<u>963,676</u>	<u>1,013,427</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	22,942	22,942
Deposits payable	<u>-</u>	<u>940,734</u>	<u>940,734</u>
Total liabilities	<u>-</u>	<u>963,676</u>	<u>963,676</u>
<u>NET ASSETS</u>			
Held in trust for private purposes	<u>\$ 49,751</u>	<u>-</u>	<u>49,751</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year Ended June 30, 2011

	<u>Library Private- Purpose Trust</u>
Additions:	
Investment income	<u>\$ 282</u>
Total additions	<u>282</u>
Net increase (decrease)	282
Net assets, beginning of year	<u>49,469</u>
Net assets, end of year	<u><u>\$ 49,751</u></u>

See accompanying notes to the basic financial statements.

## Notes to the Basic Financial Statements

# CITY OF NATIONAL CITY

## Notes to the Basic Financial Statements

For the Year Ended June 30, 2011

### (1) Summary of Significant Accounting Policies

The basic financial statements of the City of National City, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### A. *Reporting Entity*

The City was incorporated September 17, 1887 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides basic local governmental services including public safety (police and fire), maintenance and construction of public improvements, cultural, recreation, planning, zoning, transportation, health services and general administration. In addition, the City operates the Community Development Commission (including Morgan Towers and Kimball Towers Enterprise Funds).

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units:

*Community Development Commission of the City of National City* - The Community Development Commission of the City of National City (the "CDC") was established in April 1967 pursuant to provisions of the California Health and Safety Code. The CDC was created to undertake and carry out the redevelopment of certain areas within the City which the CDC has determined to be blighted areas by encouraging development of residential, commercial, industrial, recreational and public facilities and to assist neighborhood redevelopment through residential property improvement loans and housing assistance payments to low and moderate income earners. The City Council is the Governing Board of the CDC. Separate CDC financial statements may be obtained from the City's Finance Department located at 1243 National City Boulevard, National City, California 91950.

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (1) Summary of Significant Accounting Policies, (Continued)

*National City Joint Powers Financing Authority* - The National City Joint Powers Financing Authority (the "NCJPFA") was created pursuant to a joint exercise of powers agreement entered into by and between the City and the CDC on April 16, 1991. The purpose of such agreement was to provide for the financing and construction of a new police facility and a new community center. The NCJPFA is administered by a commission consisting of the members of the City Council and all voting power of the NCJPFA resides in the commission. The NCJPFA exclusively benefits the City. There are no separate financial statements available.

*Parking Authority of the City of National City* - In July 1977, the Parking Authority of the City of National City (the "Authority") was activated pursuant to the Parking Law of 1949 for the financing and construction of the Plaza Bonita Parking Facility. The City Council is the governing board of the Authority. The Authority exclusively benefits the City. The capital assets of the Authority have been included in the Government-Wide Financial Statements. There are no separate financial statements available.

#### *B. Basis of Accounting and Measurement Focus*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-Wide Financial Statements*

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in the Government-wide statements.

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (1) Summary of Significant Accounting Policies, (Continued)

These basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Assets, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Loans receivable/related deferred revenue
- Advances to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (1) Summary of Significant Accounting Policies, (Continued)

##### Fund Financial Statements

##### Governmental Funds Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.



CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

The City reported the following types of major governmental funds:

**General Fund**

This fund is used to account for resources, which are not required legally or by sound financial management to be accounted for in another fund.

**Section 8 Housing Assistance Special Revenue Fund**

This fund is used to account for the activities of Section 8 Housing Assistance Program. The program provides rental assistance to low income families by subsidizing a portion of the rent directly to landlords on behalf of low income households.

**Other Special Revenue Fund**

This represents a combination of minor and less active funds that the City has combined for reporting purposes.

**Nutrition Program Special Revenue Fund**

This fund is used for operations of the Nutrition grant.

**Sewer Service Special Revenue Fund**

This fund is used to account for the collection of sewer connection fees and monthly sewer service charges used for the construction and maintenance of City sewers.

**Low and Moderate Income Housing Fund**

This fund is used to account for the Community Development Commission 20% Set Aside.

**Community Development Commission Debt Service Fund**

This fund is used to account for debt service of the Community Development Commission.

**Redevelopment Capital Project Fund**

This fund is used to account for the administrative expenditures of the Community Development Commission and redevelopment capital projects.

*Proprietary Fund Financial Statements*

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund.

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (1) Summary of Significant Accounting Policies, (Continued)

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reported the following types of major proprietary funds:

#### **Kimball Towers**

This fund is used to account for activities relating to the operations of Kimball Tower, which is used to provide housing to low and moderate income seniors.

#### **Morgan Towers**

This fund is used to account for activities relating to the operations of Morgan Tower, which is used to provide housing to low and moderate income seniors.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

The City also reports the following fund types:

Internal Service Funds

These funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services to the departments of the City on a continuing basis be financed or recovered primarily by charges to the user departments.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets and a Statement of Changes in Fiduciary Net Assets. The City's fiduciary funds represent private-purpose trust fund and agency funds. The private-purpose trust fund is used to account for resources legally held in trust for special purposes. The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for using an accrual basis of accounting.

C. *Use of Restricted/Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

D. *Cash, Cash Equivalents and Investments*

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

The City participates in an investment pool managed by the State of California, entitled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

*E. Restricted Cash and Investments*

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects.

*F. Interfund Transactions*

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/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Governmental-Wide Financial Statements as "internal balances."

Advances between funds, reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

*G. Inventories and Prepaid Items*

Inventories are stated at cost using the average cost method. Payments made to vendors for services that will benefit periods beyond June 30, 2008 are recorded as prepaid items. The City uses the consumption method when reporting prepaid items. Prepaid items are recorded as an asset and are offset by a reserve in the fund financial statements.

*H. Land Held for Resale*

Land held for resale is recorded at the lower of cost or, upon entering into a contract for sale, the estimated net realizable value. Fund balances are reserved in amounts equal to the carrying value of land and buildings held for resale, because such assets are not available to finance the City's current operations.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

*I. Capital Assets*

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting general capital assets at \$5,000 (including infrastructure assets). Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings and Improvements	10 -50 years
Machinery and Equipment	2 -20 years
Infrastructure	25 -75 years

In June 1999, the GASB issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructures in the Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, water purification and distribution system, sewer collection and treatment system, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land.

These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2003. This appraisal determined the estimated historical cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Estimated historical costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line,

# CITY OF NATIONAL CITY

## Notes to the Basic Financial Statements

(Continued)

### (1) Summary of Significant Accounting Policies, (Continued)

unrecovered cost method was computed using industry accepted life expectancies for each infrastructure system. The book value was then computed by deducting the accumulated depreciation from the estimated historical cost.

#### *J. Interest Payable*

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

#### *K. Compensated Absences*

In the governmental fund financial statements, compensated absences are recorded as expenditures in the year paid, as it is the City's policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available and expendable resources. Accordingly, the entire unpaid liability for employee compensated absences related to governmental fund types is recorded in the government-wide financial statements and is typically liquidated by the General Fund.

For proprietary funds, the estimated value of the total accrued vacation and vested sick leave is recorded as current liability in the fund financial statements and government-wide financial statements and is typically liquidated by the respective enterprise and internal service funds.

#### *L. Long-Term Debt*

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

*M. Fund Balances – Nonspendable and Spendable*

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

Fund balances are reported in the fund statements in the following classifications:

**Nonspendable Fund Balance**

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

**Spendable Fund Balance**

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Council action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The City considers a resolution, an ordinance, or a minutes action to constitute a formal action of City Council for the purposes of establishing committed fund balance.

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (1) Summary of Significant Accounting Policies, (Continued)

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has been granted to the City Manager.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the city's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

#### *N. Net Assets*

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

#### *O. Property Taxes*

The City has elected, by ordinance, that the duties of assessing and collecting property taxes be performed by the San Diego County Assessor and Tax Collector, respectively. Tax levies cover the period from July 1 to June 30 of each year. All tax liens attach annually on the first day in March preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date.

Secured property taxes are levied against real property and are due and payable in two equal installments. The first installment is due on November 1 and becomes delinquent if not paid by December 10. The second installment is due on February 1 and becomes delinquent if not paid by April 10. Unsecured personal property taxes are due on July 1 each year. These taxes become delinquent if not paid by August 31.

The City records property tax revenues in the fiscal year to which they relate rather than at the related lien date.



CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies, (Continued)

One of the CDC's primary sources of revenue is from property tax increments. The assessed valuation of all property within the Downtown Redevelopment Project area was determined on the date of adoption of the Redevelopment Plan. Property tax related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the CDC; all taxes on the "frozen" assessed valuation of the property are allocated to the City and unrelated taxing agencies.

*P. Community Development Commission Rental Revenue*

Rental revenues received from tenants in the CDC's Morgan Towers Housing Project (an enterprise fund) are subsidized with Federal government funds under a Section 8 contract with the U.S. Department of Housing and Urban Development (HUD). The rent subsidy received from HUD is equal to the excess of the fair market rent of the apartment units over the amounts paid by the tenants. The amounts paid by the tenants are subject to certain Section 8 eligibility requirements and application procedures.

*Q. Use of Estimates*

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

(2) Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 72,091,469
Restricted cash and investments with fiscal agents	43,769,712
Statement of Fiduciary Net Assets:	
Cash and investments	<u>1,013,344</u>
Total cash and investments	<u>\$ 116,874,525</u>

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	\$ 3,287
Deposits with financial institutions	6,270,256
Investments	<u>110,600,982</u>
Total cash and investments	<u>\$ 116,874,525</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agent that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Investment Types Authorized by State Law</u>	<u>Authorized By Investment Policy</u>	<u>*Maximum Maturity</u>	<u>*Maximum Percentage Of Portfolio</u>	<u>*Maximum Investment in One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	5%	5%
Commercial Paper	Yes	180 days	15%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	15%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are generally authorized for investments held by fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Certificates of Deposit	None	None	None
Repurchase Agreements	None	None	None
Mortgage Pass-Through Securities	None	None	None
State Bonds or Notes	None	None	None
Municipal Bonds or Notes	None	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
U.S. Agency Securities	\$ 13,212,247	-	1,057,172	12,155,075
Certificates of Deposit-CDARS	2,000,000	2,000,000	-	-
Local Agency Investment Fund	51,108,733	51,108,733	-	-
Commercial Paper	510,320	510,320	-	-
Held by Fiscal Agent:				
Treasury Coupon Securities	1,094,028	282,719	290,939	520,370
Money Market Fund	5,967,159	5,967,159	-	-
Local Agency Investment Fund	305,907	305,907	-	-
Commercial Paper	2,344,000	2,344,000	-	-
Money Market Mutual Funds	<u>34,058,588</u>	<u>34,058,588</u>	-	-
Total	<u>\$110,600,982</u>	<u>96,577,426</u>	<u>1,348,111</u>	<u>12,675,445</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AA+	AAA	Not Rated
U.S Agency Securities	\$ 13,212,247	AAA	-	13,212,247	-
Certificates of Deposit-CDARS	2,000,000	N/A	-	-	2,000,000
Local Agency Investment Fund	51,108,733	N/A	-	-	51,108,733
Commercial Paper	510,320	A	510,320	-	-
Held by Fiscal Agent					
Treasury Coupon Securities	1,094,028	AAA	-	1,094,028	-
Money Market Fund	5,967,159	N/A	-	-	5,967,159
Local Agency Investment Fund	305,907	N/A	-	-	305,907
Commercial Paper	2,344,000	N/A	-	-	2,344,000
Money Market Mutual Funds	<u>34,058,588</u>	A	-	<u>34,058,588</u>	-
Total	<u>\$110,600,982</u>		<u>510,320</u>	<u>48,364,863</u>	<u>61,725,799</u>

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (2) Cash and Investments, (Continued)

##### 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.

For investments identified herein as held by fiscal agent, the fiscal agent generally selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

##### Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Restricted Cash and Investments of Community Development Commission Enterprise Fund

The activities of Morgan Towers and Kimball Towers activities are recorded in and presented as Community Development Commission Enterprise Fund. In accordance with HUD requirement, the CDC maintains the following:

Morgan Towers:	
Replacement reserve	\$ 363,634
Residual receipts reserve	227,690
MIP and insurance impounds reserve	<u>16,333</u>
Total Morgan Towers	<u>607,657</u>
Kimball Towers:	
Residual receipts reserve	305,907
Other	<u>825,146</u>
Total Kimball Towers	<u>1,131,053</u>
Total restricted cash and investments	<u>\$1,738,710</u>

**Morgan Towers**

- Reserve for replacements of \$363,634 represents a monthly deposit of \$3,127, less current use for replacement, plus income earned thereon. The balance of this reserve will be used for the future replacement of property with HUD's approval.
- Residual receipts reserve of \$227,690 is an accumulation of surplus cash as calculated by HUD's Computation of Surplus Cash, Distributions and Residual Receipts, which can be expended only with HUD's approval.
- Reserve for MIP and insurance impounds of \$9,656 and \$6,677, respectively, totaling \$16,333, which represents amounts held for the future payment of property and mortgage insurance.

**Kimball Towers**

- Residual receipts reserve of \$305,907 is an accumulation of surplus cash as calculated by HUD's Computation of Surplus Cash, Distributions and Residual Receipts, which can be expended only with HUD's approval.
- Other restricted cash and investments totaling \$825,146 are included in the accompanying basic financial statements.

CITY OF NATIONAL CITY  
Notes to the Basic Financial Statements  
(Continued)

(3) Interfund Transactions

**Due To/From Other Funds**

Current interfund receivable and payable balances at June 30, 2011 are as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Nonmajor Other Governmental Funds	<u>\$701,701</u>
		<u>\$701,701</u>

Interfund balances are primarily related to short-term borrowings to cover deficit cash balances at June 30, 2011.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Transactions, (Continued)

**Interfund Transfers**

For the year ended June 30, 2011, interfund transfers were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 1,275,220 (a)
Other Special Revenue Fund	General Fund	2,066,430 (b)
Nutrition Program Fund	General Fund	366,260 (c)
Internal Service Funds	General Fund	4,211
<b>Total General Fund</b>		<b><u>3,712,121</u></b>
General Fund	Other Special Revenue Funds	105,000 (d)
Community Development Debt Service Fund	Community Development Low and Moderate Housing Fund	861,864 (e)
Community Development Capital Projects Fund	Community Development Debt Service Fund	5,408,287 (f)
Community Development Debt Service Fund	Community Development Capital Projects Fund	4,201,068 (g)
Other Special Revenue Fund	Community Development Capital Projects Fund	811,157 (h)
<b>Total Community Development Capital Projects Fund</b>		<b><u>5,012,225</u></b>
General Fund	Other Governmental Funds	977,076 (i)
Other Governmental Funds	Other Governmental Funds	119,531 (j)
<b>Total Other Governmental Funds</b>		<b><u>1,096,607</u></b>
General Fund	Internal Service Funds	<u>678,415</u>
<b>Total</b>		<b><u>\$16,874,519</u></b>

Significant interfund transfers were primarily to: (a) to subsidize National City Library and parks maintenance operations; (b) to provide funding for the Voluntary Separation Program, retention incentive pay for Executive and Management personnel and employee leave sellbacks; (c) to subsidize nutrition program for seniors and to reimburse for the cost of materials to repair public restrooms; (d) to provide funding for various General Fund programs and services; (e) to fund a portion of the 1999 and 2005 (Series A) Tax Allocation Bonds debt service payments that related to low and moderate development; (f) to subsidize redevelopment operations and capital projects; (g) to establish the 2011 TAB Reserve subaccount; (h) to provide funding for the General Plan update and retention incentive pay for Executive and Management personnel; (i) to reimburse General Fund for street related expenditures and various literacy and community services programs; (j) to subsidize various General Fund programs and services.



CITY OF NATIONAL CITY  
Notes to the Basic Financial Statements  
(Continued)

(3) Interfund Transactions, (Continued)

**Interfund Advances**

Long-term interfund receivables and payables as of June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Service Fund	Other Special Revenue Fund	\$ 760,034 (a)
	Community Development	
	Capital Project Fund	<u>739,966 (b)</u>
Total Sewer Service Fund		<u>1,500,000</u>
Other Special Revenue Fund	General Fund	<u>509,605 (c)</u>
		<u>\$2,009,605</u>

- (a) To borrow funding for the fiscal year 2010-11 street resurfacing improvements program: the loan establishes a 5 year re-payment agreement with the Tax Increment fund for the first three years at an interest rate of 0.75% per annum.
- (b) To borrow funding for the fiscal year 2010-11 street resurfacing improvements program: the loan establishes a 5 year re-payment agreement with the TransNet (Prop A) fund for the last two years at an interest rate of 0.75% per annum.
- (c) To borrow funding for the purchasing of a new fire truck: the loan established a 10 year re-payment agreement with the NCFD at an interest equal to 3.69% per annum.

(4) Contracts, Notes and Loans Receivable

As of June 30, 2011, the Contracts, Notes and Loans Receivable consisted of the following:

	<u>Outstanding at June 30, 2011</u>
Copper Hills Apartments, LP	\$7,863,787
Plaza Manor	512,473
Single-Family Housing Rehabilitation Loan Program	190,776
Young Trust	129,778
Big Jackel Trust	54,664
Miles of Cars	<u>639,709</u>
Total	<u>\$9,391,187</u>

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

(4) Contracts, Notes and Loans Receivable, (Continued)

**Copper Hills Apartments, LP** – CDC Residual Receipts Note dated February 19, 1999 disclosed a loan of \$2,400,000 with 3% interest per annum for 55 years, funded by HOME and Low & Moderate Income Housing Funds. A second and junior to the CDC Residual Receipts Note was made on June 3, 1999 for \$4,400,000, referred to as CDC Rehabilitation Note with 3% interest per annum for 55 years and funded by Low & Moderate Income Housing Fund. These loans were made to acquire, develop, rehabilitate and operate the multi-family apartments located at “Q” Avenue in National City, Ca. This project will contain 134 apartment dwelling units following rehabilitation and renovation.

**Plaza Manor** – CDC of the City of National City entered into a loan agreement with Plaza Manor Preservation, LP on December 18, 2001 in the amount of \$500,000 with 3% compound interest per annum and shall end on April 15, 2032. The borrower has acquired a property located in the City of National City with aid of the said loan and with the intention to operate a 372 unit project as a very low and low income housing project. Funding sources for this loan were HOME (48%) and Low & Moderate Income Housing Funds (52%).

**Single-Family Housing Rehabilitation Loan Program** – Prior to 2005, the CDC of the City of National City provided loans to eligible low-income homeowners to make repairs and basic home improvements that maintain the quality of their housing and created a positive effect in the surrounding neighborhood. Loans were offered at below-market interest rates utilizing federal HOME Investment Partnerships Program funds.

**Young Trust** – A Promissory Note secured by Deed of Trust was made on December 17, 2003 between CDC of the City of National City and Robert Dale Young and Deborah Mae Young in the amount of \$230,000 with interest of 5% per year. This loan is in reference to the California Community Redevelopment Law, where CDC appeals to redevelop a portion of the National City Redevelopment project, which is bounded by the location at Harrison Avenue, National City.

**Big Jackel Trust** – CDC of the City of National City entered into a Memorandum of Understanding with Big Jackel Trust to establish a rehabilitation loan for an amount not-to-exceed \$200,000 on April 4, 1995. The loan was not subject to principal payments and did not accrue interest for the initial two years. For eighteen years thereafter, the loan would be subject to regular monthly payments with 3% interest per annum. The purpose of the loan was to rehabilitate and enhance Big Ben Market in National City with additional storage space, improved signage and lighting, exterior and interior paint, and repaving of parking surfaces and striping.

**Miles of Cars** – CDC of the City of National City entered into Freeway Sign Rehabilitation Loan Agreement with the Mile of Cars Association, a nonprofit, mutual benefit corporation on July 8, 2010 for the amount of \$660,000 with 2% interest per annum with a term of 20 years from the date of initial disbursement. The loan requires quarterly payments of principal and interest. The purpose of the loan was to rehabilitate existing freeway signage equipment and improvements.

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

(4) Contracts, Notes and Loans Receivable, (Continued)

**Casa Familiar** – CDC of the City of National City entered in an Acquisition, Rehabilitation and Permanent Loan Agreement with Casa Familiar, Inc. on October 1, 2009 amounting to \$516,900 with 2% per annum from the date of the disbursement. Interest shall accrue, however, no payments shall be due under the CDC Note until July 1, 2011, and annually on July 1 of each year during the term of the CDC note, and Borrower shall make payments to the CDC in the manner provided in the CDC note until 55 years. This loan was intended to acquire, rehabilitate and permanently finance the property located at 304 East Fifth Street, National City, CA and is comprised entirely of HUD HOME funds all of which shall be used for HOME eligible purposes. As of June 30, 2011, an allowance has been established for the entire amount of the note outstanding as collection of this note is not expected at this time.

**Plaza City** – CDC of the City of National City entered into a Loan Agreement with Plaza City Apartments, LP on November 1, 2005 in the amount of \$2,700,000 with 3% interest per annum for 55 years. It was amended per Resolution No. 2006-202 dated September 19, 2006 which increased the loan amount by \$722,000 for a total of \$3,422,000. This loan will be used by the borrower to pay the balance of the purchase price and additional costs relating to the acquisition, demolition and development of certain real property located at 1535 Plaza Blvd., National City, CA. As of June 30, 2011, an allowance has been established for the entire amount of the note outstanding as collection of this note is not expected at this time.

**Constellation** – CDC of the City of National City entered into a Loan Agreement with Constellation Property Group (A Avenue) LP, a Delaware limited partnership, on December 13, 2007 for the amount of \$2,500,000 with interest of 10%, non-compounded, requiring no interim payment of principal and interest and maturing on December 13, 2010. The purpose of the loan was to assist with the development of the Centro Condominium project on A Avenue in National City – a 91,199 square foot, four story condominium project housing 61 residential units and 108 parking spaces. As of June 30, 2011, an allowance has been established for the entire amount of the note outstanding as collection of this note is not expected at this time.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets

The following is a summary of changes in the capital assets for governmental activities at June 30, 2011:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Governmental-type activities:				
Depreciable:				
Buildings and improvements	\$ 44,343,967	-	-	44,343,967
Machinery and equipment	14,070,632	1,005,599	(142,806)	14,933,425
Infrastructure	<u>111,876,502</u>	<u>2,980,992</u>	<u>(1,506,690)</u>	<u>113,350,804</u>
Total cost of depreciable capital assets	<u>170,291,101</u>	<u>3,986,591</u>	<u>(1,649,496)</u>	<u>172,628,196</u>
Less accumulated depreciation:				
Buildings and improvements	(17,143,453)	(1,389,908)	-	(18,533,361)
Machinery and equipment	(9,398,002)	(878,482)	-	(10,276,484)
Infrastructure	<u>(52,223,729)</u>	<u>(2,715,381)</u>	<u>1,461,304</u>	<u>(53,477,806)</u>
Total accumulated depreciation	<u>(78,765,184)</u>	<u>(4,983,771)</u>	<u>1,461,304</u>	<u>(82,287,651)</u>
Net depreciable capital assets	91,525,917	(997,180)	(188,192)	90,340,545
Non-depreciable:				
Land	20,025,598	-	-	20,025,598
Rights of way	4,245,088	-	-	4,245,088
Construction in progress	<u>5,078,125</u>	<u>1,644,620</u>	<u>(4,571,126)</u>	<u>2,151,619</u>
Total non-depreciable capital assets	<u>29,348,811</u>	<u>1,644,620</u>	<u>(4,571,126)</u>	<u>26,422,305</u>
Capital assets, net	<u>\$120,874,728</u>	<u>647,440</u>	<u>(4,759,318)</u>	<u>116,762,850</u>

Depreciation expense for governmental activities for the year ended June 30, 2011 of \$4,983,771 was allocated as follows:

General Government	\$ 352,750
Community Development	1,520,605
Public Safety	879,669
Transportation	<u>2,230,747</u>
	<u>\$4,983,771</u>

CITY OF NATIONAL CITY  
Notes to the Basic Financial Statements  
(Continued)

(5) Capital Assets, (Continued)

The following is a summary of changes in the capital assets for business-type activities at June 30, 2011:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Business-type activities:				
Depreciable:				
Buildings and improvements	\$ 15,684,584	-	-	15,684,584
Machinery and equipment	<u>462,153</u>	<u>-</u>	<u>-</u>	<u>462,153</u>
Total depreciable capital assets	16,146,737	-	-	16,146,737
Less accumulated depreciation	<u>(9,045,210)</u>	<u>(413,569)</u>	<u>-</u>	<u>(9,458,779)</u>
Total depreciable assets, net	<u>7,101,527</u>	<u>(413,569)</u>	<u>-</u>	<u>6,687,958</u>
Non-depreciable assets:				
Land	<u>528,382</u>	<u>-</u>	<u>-</u>	<u>528,382</u>
Total non-depreciable capital assets	<u>528,382</u>	<u>-</u>	<u>-</u>	<u>528,382</u>
Capital assets, net	<u>\$7,629,909</u>	<u>(413,569)</u>	<u>-</u>	<u>7,216,340</u>

Depreciation expense for business-type activities for the year ended June 30, 2011 was allocated as follows:

Kimball Towers	\$ 187,350
Morgan Towers	<u>226,219</u>
Total depreciation expense	<u>\$413,569</u>

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (6) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and workers' compensation claims. A self-insurance (internal service) fund is used to account for the City's insurance programs. Operating revenues of this fund represent payments from other City funds and are based upon estimated umbrella insurance premium expenses, self-insurance losses and other operating expenses.

The City is a member of the San Diego Pooled Insurance Program Authority (the "Program Authority"), a joint powers authority established to provide insurance and insurance-related services to its members. The Program Authority's governing board consists of one member from each participating city and is responsible for the selection of management as well as budgeting and finance. Insurance activities are financed by charges to member cities. Each participating city has its own self-insured retention level. The City is insured for general liability with a self-insured retention of \$150,000.

Losses between the self-insured retention level and \$2,000,000 are shared by the participant cities. Excess liability insurance coverage is provided by the Program Authority for losses greater than \$2,000,000 up to \$35,000,000. Losses in excess of \$35,000,000 are not covered and are self-funded by the City. The City is completely self-insured for unemployment claims.

The City is also a member of CSAC Excess Insurance Authority ("CSAC"), a joint powers authority, for workers compensation claims. The City is self-insured for workers compensation claims and losses up to \$500,000 per occurrence. Losses between the self-insured retention level and \$5,000,000 are shared by the participant cities. Losses in excess of \$5,000,000 up to \$200,000,000 are reinsured by a commercial insurance carrier. The City is completely self-insured for unemployment claims.

During the current year, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, the settlements have not exceeded the City's insurance coverage.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(6) Risk Management, (Continued)

At June 30, 2011, the City accrued \$6,114,000 of workers' compensation and general liability claims representing estimates of amounts to be paid for actual and incurred but not reported claims based upon past experience, modified for current trends and information. Allocated claim adjustment expenses are included in claim liabilities. While the ultimate amount of losses incurred through June 30, 2011 is dependent on future developments, based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. For the past three years, no settlements or claims payments have exceeded the amount of the applicable coverage. For the past two fiscal years, the changes in the City's liability for claims payable are summarized as follows:

	<u>Fiscal Year 2010-11</u>	<u>Fiscal Year 2009-10</u>
Unpaid claims, July 1	\$ 5,884,000	4,825,000
Incurred claims and adjustments	1,061,409	1,832,888
Claims paid	<u>(831,409)</u>	<u>(773,888)</u>
Total	<u>\$ 6,114,000</u>	<u>5,884,000</u>

CITY OF NATIONAL CITY  
Notes to the Basic Financial Statements  
(Continued)

(7) Long-Term Debt

Following is a summary of long-term debt transactions for the fiscal year ended June 30, 2011:

	Balance at <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2011</u>	<u>Classification</u>	
					<u>Amount Due Within One Year</u>	<u>Amount Due Beyond One Year</u>
Governmental Activities:						
National City Joint Powers Financing Authority:						
Lease Revenue Refunding Bonds	\$ 3,280,000	3,115,000	(3,280,000)	3,115,000	400,000	2,715,000
Community Development Commission:						
1999 Tax Allocation Bonds	4,090,000	-	(125,000)	3,965,000	130,000	3,835,000
2004 Tax Allocation Bonds	4,620,000	-	(275,000)	4,345,000	285,000	4,060,000
2005 Series A and B Tax Allocation Bonds	28,745,000	-	(2,125,000)	26,620,000	3,060,000	23,560,000
2011 Tax Allocation Bonds	-	39,660,000	-	39,660,000	-	39,660,000
General Obligation Bonds	5,285,000	-	(165,000)	5,120,000	175,000	4,945,000
HUD 108 Bond 2003 A	<u>5,750,000</u>	<u>-</u>	<u>(245,000)</u>	<u>5,505,000</u>	<u>260,000</u>	<u>5,245,000</u>
Total Bonds	51,770,000	42,775,000	(6,215,000)	88,330,000	4,310,000	84,020,000
Claims Payable	5,884,000	1,061,409	(831,409)	6,114,000	1,578,371	4,535,629
Compensated Absences	3,028,792	1,798,481	(2,011,932)	2,815,341	2,012,000	803,341
Other Postemployment Benefits	53,795	126,454	(75,020)	105,229	-	105,229
Capitalized Lease Obligations	<u>2,611,714</u>	<u>-</u>	<u>(194,992)</u>	<u>2,416,722</u>	<u>379,427</u>	<u>2,037,295</u>
Total Governmental Activities	63,348,301	45,761,344	(9,328,350)	99,781,295	8,279,798	91,501,497
Business-type Activities:						
Note Payable	<u>2,481,662</u>	<u>-</u>	<u>(204,777)</u>	<u>2,276,885</u>	<u>218,492</u>	<u>2,058,393</u>
Total Primary Government	<u>\$65,829,963</u>	<u>45,761,344</u>	<u>(9,533,127)</u>	<u>102,058,180</u>	<u>8,498,290</u>	<u>93,559,890</u>



CITY OF NATIONAL CITY  
Notes to the Basic Financial Statements  
(Continued)

(7) Long-Term Debt, (Continued)

**National City Joint Powers Financing Authority (NCJPFA) Lease Revenue Refunding Bonds**

The NCJPFA issued \$3,115,000 of refunding bonds on September 28, 2010 to provide funds for the advance refunding of the previously issued bonds. Interest on the bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2011. The bonds are special obligations of NCJPFA secured by a pledge of revenues which consist of lease payments received by NCJPFA, as lessor, from the City, as lessee.

The annual debt service payments for the bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 400,000	87,450	487,450
2013	415,000	75,225	490,225
2014	430,000	62,550	492,550
2015	445,000	49,425	494,425
2016	460,000	35,850	495,850
2017	475,000	21,825	496,825
2018	<u>490,000</u>	<u>7,350</u>	<u>497,350</u>
Total	<u>\$3,115,000</u>	<u>339,675</u>	<u>3,454,675</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**Community Development Commission 1999 Tax Allocation Bonds**

In June 1999, the Commission issued \$5,050,000 in Tax Allocation Bonds for the Q Avenue Redevelopment project. The bonds consist of \$1,085,000 in serial bonds which mature from 2000 to 2010 in amounts ranging from \$45,000 to \$125,000, and \$1,425,000 in term bonds which mature in 2019, and \$2,540,000 in term bonds which mature in 2029. Interest is payable semi-annually on February 1 and August 1, at interest rates ranging from 3.30% to 4.50%.

The annual debt service requirements for the 1999 Tax Allocation Bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 130,000	198,175	328,175
2013	135,000	191,550	326,550
2014	145,000	184,550	329,550
2015	150,000	177,176	327,176
2016	155,000	169,550	324,550
2017	165,000	161,549	326,549
2018	175,000	153,050	328,050
2019	180,000	144,175	324,175
2020	190,000	134,925	324,925
2021	200,000	125,050	325,050
2022	210,000	114,543	324,543
2023	220,000	103,525	323,525
2024	235,000	91,866	326,866
2025	245,000	79,566	324,566
2026	260,000	66,625	326,625
2027	270,000	53,044	323,044
2028	285,000	38,822	323,822
2029	300,000	23,831	323,831
2030	<u>315,000</u>	<u>8,072</u>	<u>323,072</u>
Total	<u>\$3,965,000</u>	<u>2,219,644</u>	<u>6,184,644</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**Community Development Commission 2004 Tax Allocation Bonds**

In June 2004, the Commission issued \$5,860,000 Tax Allocation Bonds to finance a portion of the cost to construct a fire station, library, and community art center. The bonds consist of \$3,045,000 in serial bonds, which mature from 2005-2015 in amounts ranging from \$220,000 to \$330,000, and \$1,085,000 in term bonds, which matures in fiscal year 2033. Interest is paid semi-annually on February 1 and August 1, at interest rates ranging from 1.50% to 5.50%.

The annual debt service requirements for the 2004 Tax Allocation Bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 285,000	210,010	495,010
2013	295,000	199,750	494,750
2014	305,000	188,540	493,540
2015	315,000	176,340	491,340
2016	330,000	163,425	493,425
2017	-	149,400	149,400
2018	-	149,400	149,400
2019	-	149,400	149,400
2020	-	149,400	149,400
2021	-	149,400	149,400
2022	-	149,400	149,400
2023	-	149,400	149,400
2024	-	149,400	149,400
2025	-	149,400	149,400
2026	-	149,400	149,400
2027	345,000	149,400	494,400
2028	360,000	134,150	494,150
2029	380,000	114,150	494,150
2030	400,000	94,150	494,150
2031	420,000	74,150	494,150
2032	445,000	49,150	494,150
2033	<u>465,000</u>	<u>29,150</u>	<u>494,150</u>
Total	<u>\$4,345,000</u>	<u>3,076,365</u>	<u>7,421,365</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**Community Development Commission 2005 Tax Allocation Bonds**

In January 2005, the Commission issued 2005 Tax Allocation Bonds Series A & B, in the aggregate principal amount of \$27,940,000 and \$9,840,000, respectively. The bonds were issued for the purpose of refunding the 2001 Tax Allocation Refunding Bonds Series A & B. Interest on the bonds is payable semiannually on August 1 and February 1, commencing August 1, 2005, at rates ranging from 2.9% to 5.25% per annum.

The annual debt service requirements for the 2005 Tax Allocation Bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,060,000	1,164,193	4,224,193
2013	3,200,000	1,021,743	4,221,743
2014	3,345,000	869,536	4,214,536
2015	3,505,000	706,808	4,211,808
2016	3,670,000	533,690	4,203,690
2017	760,000	444,693	1,204,693
2018	790,000	415,813	1,205,813
2019	825,000	385,003	1,210,003
2020	855,000	352,003	1,207,003
2021	890,000	317,803	1,207,803
2022	570,000	277,753	847,753
2023	595,000	253,528	848,528
2024	780,000	227,943	1,007,943
2025	815,000	194,013	1,009,013
2026	855,000	153,263	1,008,263
2027	555,000	110,513	665,513
2028	435,000	81,375	516,375
2029	250,000	58,538	308,538
2030	200,000	45,413	245,413
2031	210,000	34,913	244,913
2032	220,000	23,888	243,888
2033	<u>235,000</u>	<u>12,338</u>	<u>247,338</u>
Total	<u>\$26,620,000</u>	<u>7,684,763</u>	<u>34,304,763</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**2011 Tax Allocation Bonds**

In February 2011, the Commission issued \$39,660,000 in Tax Allocation Bonds for the purpose of fund redevelopment and low and moderate income housing projects within the Project Area. The bonds consist of \$9,790,000 in serial bonds which mature from 2012-2021 in amounts ranging from \$325,000 to \$1,825,000, \$5,830,000 in term bonds which mature in fiscal year 2024, and \$24,040,000 terms bonds which mature in 2032. Interest is paid semi-annually on February 1 and August 1, at interest rates ranging from 3.00% to 5.75%.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	1,054,513	1,054,513
2013	325,000	2,565,031	2,890,031
2014	325,000	2,555,281	2,880,281
2015	320,000	2,542,281	2,862,281
2016	315,000	2,529,481	2,844,481
2017	1,145,000	2,515,700	3,660,700
2018	1,255,000	2,458,450	3,713,450
2019	1,315,000	2,395,700	3,710,700
2020	1,445,000	2,329,950	3,774,950
2021	1,520,000	2,254,088	3,774,088
2022	1,825,000	2,166,688	3,991,688
2023	1,930,000	2,061,750	3,991,750
2024	1,890,000	1,936,300	3,826,300
2025	2,010,000	1,813,450	3,823,450
2026	2,140,000	1,682,800	3,822,800
2027	2,285,000	1,533,000	3,818,000
2028	2,505,000	1,373,050	3,878,050
2029	2,880,000	1,197,700	4,077,700
2030	3,095,000	996,100	4,091,100
2031	3,635,000	779,450	4,414,450
2032	3,635,000	525,000	4,160,000
2033	<u>3,875,000</u>	<u>271,250</u>	<u>4,136,250</u>
Total	<u>\$39,660,000</u>	<u>39,537,013</u>	<u>79,197,013</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**2002 General Obligation Bonds**

The City issued \$6,000,000 of general obligation bonds, Election of 2002, Series A on April 24, 2003 to provide funds for a new public library. The bonds mature annually through August 1, 2028 in the amounts ranging from \$120,000 to \$425,000 beginning August 1, 2003. The interest of the bonds is payable semi-annually on each February 1 and August 1, commencing February 1, 2004. The interest rate of the bonds ranges from 3.70% to 6.10%. The bonds are payable solely from and secured by ad valorem taxes of all property subject to taxation by the City. The bonds are subject to optional and mandatory early redemption provisions.

The annual debt service payments for the bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 175,000	224,658	399,658
2013	185,000	213,889	398,889
2014	200,000	204,870	404,870
2015	210,000	197,075	407,075
2016	220,000	188,580	408,580
2017	230,000	179,580	409,580
2018	240,000	170,030	410,030
2019	255,000	159,725	414,725
2020	265,000	148,673	413,673
2021	280,000	136,850	416,850
2022	295,000	124,235	419,235
2023	310,000	110,770	420,770
2024	330,000	96,370	426,370
2025	345,000	81,010	426,010
2026	365,000	64,634	429,634
2027	385,000	47,291	432,291
2028	405,000	29,022	434,022
2029	<u>425,000</u>	<u>9,828</u>	<u>434,828</u>
Total	<u>\$5,120,000</u>	<u>2,387,090</u>	<u>7,507,090</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**2003 A HUD 108 Bond**

The City issued \$6,900,000 of HUD 108 Bonds, Series A on August 7, 2003 to provide funds for the construction of a fire station. The bonds mature annually through 2024 in the amount ranging from \$170,000 to \$635,000 beginning in 2005. The interest of the bonds is payable semi-annually on each February 1 and August 1, commencing February 1, 2004.

The annual debt service payments for the bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 260,000	286,413	546,413
2013	280,000	274,117	554,117
2014	305,000	260,227	565,227
2015	325,000	244,850	569,850
2016	350,000	227,967	577,967
2017	380,000	209,233	589,233
2018	410,000	188,528	598,528
2019	440,000	165,847	605,847
2020	475,000	141,044	616,044
2021	510,000	113,975	623,975
2022	545,000	84,640	629,640
2023	590,000	52,770	642,770
2024	<u>635,000</u>	<u>18,066</u>	<u>653,066</u>
Total	<u>\$5,505,000</u>	<u>2,267,677</u>	<u>7,772,677</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**Morgan Towers Note Payable**

The note payable is secured by a deed of trust and is payable to GMAC. The original note was dated March 1, 1978 in the amount of \$5,125,000. Payments of principal and interest at 6.5% aggregating \$30,005 are made monthly with the final payment due August 1, 2019. The unpaid principal portion of the note at June 30, 2010 was \$2,481,662. The note is insured by HUD and is secured by substantially all property and equipment of the Morgan Towers Enterprise Fund.

The annual principal payments of the note payable outstanding are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 218,492	141,568	360,060
2013	233,124	126,936	360,060
2014	248,736	111,324	360,060
2015	265,395	94,665	360,060
2016	283,170	76,890	360,060
2017	302,136	57,924	360,060
2018	322,368	37,692	360,060
2019	343,957	16,103	360,060
2020	<u>59,507</u>	<u>503</u>	<u>60,010</u>
Total	<u>\$2,276,885</u>	<u>663,605</u>	<u>2,940,490</u>

**Defeasance of Debt**

As of June 30, 2011, the outstanding balance of defeased issues are as follows:

1998 Tax Allocation Bonds	\$10,165,000
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CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(8) City Defined Benefit Pension Plan (PERS)

The City of National City contributes to the California Public Employees Retirement System (PERS). The miscellaneous employees of the City and the safety employees are part of a single-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustment, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Miscellaneous and safety participants are required to contribute 8% and 9%, respectively, of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. The contribution rate indicated for the period is 29.383% of payroll for the safety plan and 16.656% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in the financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2010 to June 30, 2011.

A summary of principle assumptions and methods used to determine the ARC is shown below.

	<u>City Miscellaneous Employees Group</u>	<u>Safety Employees Group</u>
Valuation Date	June 30, 2008	June 30, 2008
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	25 Years as of the Valuation Date	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(8) City Defined Benefit Pension Plan (PERS), (Continued)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll. The schedule of funding progress, presented below presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Required Supplementary Information –City Miscellaneous Employees Group*

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/08	\$75,995,058	67,252,370	8,742,688	88.5%	11,798,468	74.5%
6/30/09	82,507,216	70,686,597	11,820,619	85.7%	11,644,870	101.5%
6/30/10	86,337,687	74,371,003	11,966,684	86.1%	11,057,807	108.2%

*Required Supplementary Information – Safety Employees Group*

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/08	\$112,532,571	91,454,242	21,078,329	81.3%	10,600,069	198.9%
6/30/09	122,308,588	95,876,636	26,431,952	78.4%	11,268,294	234.6%
6/30/10	128,928,110	100,895,281	28,032,829	78.3%	12,140,600	230.9%

*Three-Year Trend Information*

Annual Pension Cost (Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/09	\$3,199,780	1,901,577	100%	-0-
6/30/10	3,461,800	1,871,038	100%	-0-
6/30/11	3,277,155	1,683,420	100%	-0-

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(9) Other Postemployment Benefit Plan

*Plan Description:* The City provides a fixed dollar monthly contribution equal to \$5 (\$10 for management and executive employees) times the number of years of service. Safety employees may receive the contribution towards non-City health insurance, if evidence of coverage is provided. The City's contribution is payable to age 65 or Medicare eligibility, if earlier. Management and executive employees are eligible for the City's contribution during their lifetime.

*Eligibility:* Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 20 years of service (10 years for management and executive employees). Membership of the plan consisted of the following at June 30, 2011, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	46
Active plan members	<u>280</u>
Total	<u>326</u>

*City's Funding Policy:* The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2010-11, the City contributed \$75,020 to the plan for current premiums.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(9) Other Postemployment Benefit Plan, (Continued)

Annual required contribution	\$126,454
Interest on net OPEB obligation	2,690
Adjustments to annual required contributions	<u>(2,690)</u>
Annual OPEB cost (expense)	126,454
Contributions made (including premiums paid)	<u>(75,020)</u>
Increase in net OPEB obligation	51,434
Net OPEB obligation-beginning of year	<u>53,795</u>
Net OPEB obligation-end of year	<u>\$105,229</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$110,954	68%	\$ 34,624
6/30/10	110,954	83%	\$ 53,795
6/30/11	126,454	59%	\$105,229

*Funded Status and Funding Progress.* The funded status of the plan as of June 30, 2011, was as follows:

Actuarial accrued liability (AAL)	\$1,370,805
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,370,805</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	18,322,000
UAAL as a percentage of covered payroll	7.5%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(9) Other Postemployment Benefit Plan, (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions included a 5% percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date. The UAAL is being amortized as a level percentage of projected payroll over 20 years. It is assumed the City's payroll will increase 3.25% per year.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a-b)/c)
7/01/08	\$ -	\$1,058,356	\$1,058,356	0%	\$22,466,000	4.7%
7/01/10	\$ -	\$1,370,805	\$1,370,805	0%	\$18,322,000	7.5%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(10) Commitments and Contingencies

A. *Lawsuits in the Normal Course of Business*

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. *Federal and State Grant Programs*

The City participates in several federal and state grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the federal Single Audit Act, as amended and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

(11) Pledged Revenues

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Tax increment revenues	\$11,070,963	4,682,338	42%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(12) Prior Period Adjustments

The accompanying financial statements include adjustments that resulted in the restatements of beginning fund balances/net assets. The following summarizes the effect of the prior period adjustments to beginning fund balance net assets as of July 1, 2010:

	Capital Projects Fund – Redevelopment Fund	Low and Moderate Income Housing Special Revenue Fund	HOME Program Special Revenue Fund
Fund balance-beginning of year, as previously reported	\$12,231,631	12,874,593	4,216,400
To adjust notes receivable for notes previously not recorded and to adjust note balances for allowance for doubtful accounts.	<u>(2,500,000)</u>	<u>1,431,129</u>	<u>(817,574)</u>
Fund balance-beginning of year, as restated	<u>\$ 9,731,631</u>	<u>14,305,722</u>	<u>3,398,826</u>

The following summarizes the effect of the prior period adjustments to beginning net assets as of July 1, 2010:

	<u>Government-Wide Statement of Net Assets</u>
Net Assets-beginning of year, as previously reported	\$ 162,782,730
To adjust notes receivable for notes previously not recorded and to adjust note balances for allowance for doubtful accounts.	<u>(10,112,488)</u>
Net Assets-beginning of year, as restated	<u>\$ 152,670,242</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(13) Accumulated Fund Deficits

The following funds had fund deficits at June 30, 2011:

STP/Local Transnet Highway Special Revenue Fund	\$(476,515)
Traffic Congestion Relief Special Revenue Fund	(61,537)

The City is in the process of identifying a repayment method of the funds noted. The deficit fund balances will remain on the books until an agreed upon method is approved by the City Council of the City of National City.

(14) Fund Balance - Unassigned

To strengthen its ability to withstand unexpected financial emergencies such as may result from natural disaster, revenue shortfalls, or unanticipated expenditures of a non-recurring nature and to accumulate funds for large scale purchases, the City had established a policy to maintain and accumulate a General Fund Contingency Reserve. Per the City Policy Number 201, the General Fund Contingency Reserve should be between 25% and 50% of a single year's General Fund operating expenditures. At a minimum, based on current year expenditures, this amount should be equal to 9\$ million. It is the City's intent to assign \$7 million of the unassigned fund balance for the General Fund Contingency Reserve.



REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF NATIONAL CITY

### Notes to Required Supplementary Information

For the Year Ended June 30, 2011

#### (1) Budgetary Information

Annual budgets are adopted for the general, special revenue, debt service, and capital projects funds. All unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are carried forward in the subsequent fiscal year.

The City Manager is authorized to transfer budgeted amounts within a fund. However, any revisions that increase the total budget of any fund must be approved by the City Council. All necessary supplemental appropriations were adopted by the City Council and are included in the reported data. For the fiscal year ended June 30, 2011, supplemental appropriations requiring City Council approval were insignificant. The legal level of control for appropriations is exercised at the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The following is the budget comparison schedules for the General Fund and all major special revenue funds.

CITY OF NATIONAL CITY  
General Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 29,819,949	29,819,949	31,750,265	1,930,316
Licenses and permits	613,604	613,604	767,876	154,272
Fines and forfeitures	1,380,168	1,380,168	1,434,437	54,269
Interest and rents	374,492	374,492	381,692	7,200
Intergovernmental	520,348	520,348	684,993	164,645
Charges for services	992,115	992,115	1,011,635	19,520
Other revenues	665,724	665,724	740,928	75,204
Total revenues	34,366,400	34,366,400	36,771,826	2,405,426
<b>Expenditures:</b>				
<b>Current:</b>				
General government	4,741,836	4,741,836	3,893,535	848,301
Public safety	28,825,500	28,825,500	25,671,368	3,154,132
Transportation	1,423,320	1,423,320	1,212,963	210,357
Culture and leisure	2,008,734	2,008,734	1,736,096	272,638
Capital outlay	900,202	900,202	286,219	613,983
<b>Debt service:</b>				
Principal	232,948	232,948	227,360	5,588
Interest and fiscal charges	59,256	59,256	57,831	1,425
Total expenditures	38,191,796	38,191,796	33,085,372	5,106,424
Excess (deficiency) of revenues over (under) expenditures	(3,825,396)	(3,825,396)	3,686,454	7,511,850
<b>Other financing sources (uses):</b>				
Transfers in	3,463,960	3,463,960	1,760,491	(1,703,469)
Transfers out	(3,706,094)	(3,706,094)	(3,712,121)	(6,027)
Total other financing sources (uses)	(242,134)	(242,134)	(1,951,630)	(1,709,496)
Net change in fund balances	(4,067,530)	(4,067,530)	1,734,824	5,802,354
Fund balance, beginning of year	11,826,025	11,826,025	11,826,025	-
Fund balance, end of year	\$ 7,758,495	7,758,495	13,560,849	5,802,354

CITY OF NATIONAL CITY  
Section 8 Housing Assistance Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		<u>          </u>
Revenues:				
Interest and rents	\$ 7,500	7,500	-	(7,500)
Intergovernmental	<u>9,514,464</u>	<u>9,514,464</u>	<u>9,618,037</u>	<u>103,573</u>
 Total revenues	 <u>9,521,964</u>	 <u>9,521,964</u>	 <u>9,618,037</u>	 <u>96,073</u>
Expenditures:				
Current:				
Community development	<u>9,269,516</u>	<u>9,269,516</u>	<u>9,224,997</u>	<u>44,519</u>
Total expenditures	<u>9,269,516</u>	<u>9,269,516</u>	<u>9,224,997</u>	<u>44,519</u>
 Net change in fund balances	 252,448	 252,448	 393,040	 140,592
Fund balance, beginning of year	<u>1,079,035</u>	<u>1,079,035</u>	<u>1,079,035</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,331,483</u></u>	<u><u>1,331,483</u></u>	<u><u>1,472,075</u></u>	<u><u>140,592</u></u>

CITY OF NATIONAL CITY  
Other Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
<b>Revenues:</b>				
Licenses and permits	\$ 15,000	15,000	4,450	(10,550)
Fines and forfeitures	60,085	60,085	74,841	14,756
Interest and rents	23,021	23,021	27,550	4,529
Intergovernmental	3,021,386	3,021,386	2,011,022	(1,010,364)
Charges for services	948,506	948,506	834,464	(114,042)
Other revenues	467,214	467,214	533,243	66,029
Total revenues	<u>4,535,212</u>	<u>4,535,212</u>	<u>3,485,570</u>	<u>(1,049,642)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	3,418,441	3,418,441	2,322,495	1,095,946
Public safety	4,222,047	4,222,047	1,906,715	2,315,332
Transportation	52,146	52,146	40,424	11,722
Community development	270,000	270,000	235,150	34,850
Health	224,665	224,665	121,912	102,753
Culture and leisure	1,236,173	1,236,173	1,077,084	159,089
Capital outlay	3,527,652	3,527,652	968,455	2,559,197
Total expenditures	<u>12,951,124</u>	<u>12,951,124</u>	<u>6,672,235</u>	<u>6,278,889</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,415,912)</u>	<u>(8,415,912)</u>	<u>(3,186,665)</u>	<u>5,229,247</u>
<b>Other financing sources:</b>				
Transfers in	2,871,561	2,871,561	2,877,588	6,027
Transfers out	(105,000)	(105,000)	(105,000)	-
Total other financing sources	<u>2,766,561</u>	<u>2,766,561</u>	<u>2,772,588</u>	<u>6,027</u>
Net change in fund balances	(5,649,351)	(5,649,351)	(414,077)	5,235,274
Fund balance, beginning of year	<u>9,480,937</u>	<u>9,480,937</u>	<u>9,480,937</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,831,586</u>	<u>3,831,586</u>	<u>9,066,860</u>	<u>5,235,274</u>

CITY OF NATIONAL CITY  
Nutrition Program Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 345,729	345,729	323,005	(22,724)
Other revenues	<u>156,500</u>	<u>156,500</u>	<u>170,448</u>	<u>13,948</u>
Total revenues	<u>502,229</u>	<u>502,229</u>	<u>493,453</u>	<u>(8,776)</u>
<b>Expenditures:</b>				
Current:				
Community development	<u>817,711</u>	<u>817,711</u>	<u>722,521</u>	<u>95,190</u>
Total expenditures	<u>817,711</u>	<u>817,711</u>	<u>722,521</u>	<u>95,190</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(315,482)</u>	<u>(315,482)</u>	<u>(229,068)</u>	<u>86,414</u>
<b>Other financing sources:</b>				
Transfers in	<u>366,260</u>	<u>366,260</u>	<u>366,260</u>	<u>-</u>
Total other financing sources	<u>366,260</u>	<u>366,260</u>	<u>366,260</u>	<u>-</u>
Net change in fund balances	50,778	50,778	137,192	86,414
Fund balance, beginning of year	<u>83,917</u>	<u>83,917</u>	<u>83,917</u>	<u>-</u>
Fund balance, end of year	<u>\$ 134,695</u>	<u>134,695</u>	<u>221,109</u>	<u>86,414</u>

CITY OF NATIONAL CITY  
Sewer Service Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 105,050	105,050	90,528	(14,522)
Charges for services	7,117,910	7,117,910	7,258,981	141,071
Other revenues	<u>-</u>	<u>-</u>	<u>9,893</u>	<u>9,893</u>
Total revenues	<u>7,222,960</u>	<u>7,222,960</u>	<u>7,359,402</u>	<u>136,442</u>
Expenditures:				
Current:				
General government	93,794	93,794	93,969	(175)
Health	<u>12,743,611</u>	<u>12,743,611</u>	<u>6,720,324</u>	<u>6,023,287</u>
Total expenditures	<u>12,837,405</u>	<u>12,837,405</u>	<u>6,814,293</u>	<u>6,023,112</u>
Net change in fund balances	(5,614,445)	(5,614,445)	545,109	6,159,554
Fund balance, beginning of year	<u>16,073,658</u>	<u>16,073,658</u>	<u>16,073,658</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,459,213</u>	<u>10,459,213</u>	<u>16,618,767</u>	<u>6,159,554</u>

CITY OF NATIONAL CITY  
 Low and Moderate Income Housing Program Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,817,500	2,817,500	2,767,741	(49,759)
Interest and rents	1,553	1,553	244,321	242,768
Other revenues	239,054	239,054	32,974	(206,080)
<b>Total revenues</b>	<u>3,058,107</u>	<u>3,058,107</u>	<u>3,045,036</u>	<u>(13,071)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Community development	2,306,966	2,306,966	384,247	1,922,719
<b>Total expenditures</b>	<u>2,306,966</u>	<u>2,306,966</u>	<u>384,247</u>	<u>1,922,719</u>
Excess (deficiency) of revenues over (under) expenditures	<u>751,141</u>	<u>751,141</u>	<u>2,660,789</u>	<u>1,909,648</u>
<b>Other financing sources (uses):</b>				
Transfers out	(861,866)	(861,866)	(861,864)	2
<b>Total other financing sources (uses)</b>	<u>(861,866)</u>	<u>(861,866)</u>	<u>(861,864)</u>	<u>2</u>
<b>Net change in fund balances</b>	<u>(110,725)</u>	<u>(110,725)</u>	<u>1,798,925</u>	<u>1,909,650</u>
Fund balance, beginning of year, as restated	<u>14,305,722</u>	<u>14,305,722</u>	<u>14,305,722</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 14,194,997</u>	<u>14,194,997</u>	<u>16,104,647</u>	<u>1,909,650</u>



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## NON-MAJOR GOVERNMENTAL FUNDS

### **SPECIAL REVENUE FUNDS:**

#### **General Capital Outlay Fund**

This fund is used to account for funds set aside from the proceeds of sale of and rental from surplus real property for the City's five-year capital improvement program.

#### **Library Fund**

This fund is used to account for the operation of the National City Library.

#### **Parks Maintenance Fund**

This fund is used to account for operating and maintaining the City's parks.

#### **Library Capital Outlay Fund**

This fund is used to account for revenues from real property transfer taxes set aside to finance capital outlay and capital improvement expenditures of the National City Library.

#### **Gas Tax Fund**

This fund is used to account for the City's share of state gas tax revenue restricted for street improvement and maintenance.

#### **Parks and Recreation Capital Outlay Fund**

This fund is used to account for revenues from dwelling fees set aside for capital improvement expenditures of the Parks and Recreation Department.

#### **Community Development Block Grant Fund**

This fund is used to account for federal funds received from the U.S. Department of Housing and Urban Development – Community Development Block Program.

#### **HUD Program Income Fund**

This fund is used to provide for the funding of CDBG program activities as approved by the City Council utilizing HUD program income.

#### **Home Program Fund**

This fund is used to account for federal funds received from the U.S. Department of Housing and Urban Development Home Program.

#### **Asset Forfeiture Fund**

This fund is used to account for the receipt and expenditure of funds provided by the federal government's asset seizure fund to be used exclusively for law enforcement purposes.

#### **Brownfield Grant**

This grant is to provide a Revolving Loan Fund for the community to assist funding cleanup planning and remediation activities.

## NON-MAJOR GOVERNMENTAL FUNDS, (CONTINUED)

### **DEBT SERVICE FUND:**

#### **National City Joint Powers Financing Authority Fund**

This fund is used to account for funds maintained by the trustee bank solely for the purpose of paying, when due and payable, the principal of or interest on the lease revenue bonds and lease revenue refunding bonds issued by the National City Joint Powers Financing Authority.

#### **Library Bond Debt Service Fund**

This fund is used to account for debt service of the Library.

### **CAPITAL PROTECTS FUNDS:**

#### **Library Construction Project Capital Projects Fund**

This fund is used to account for activities of the library construction.

#### **Proposition “A” Capital Projects Fund**

This fund is used to account for the City’s allocation of the 2% transactions and use tax imposed by Proposition “A” (San Diego Transportation Improvement Program Ordinance) passed by the voters in San Diego County in November 1987.

#### **STP Local/TransNet Highway Fund**

This fund is used to account for funds received from the San Diego Association of Governments (“SANDAG”) for TransNet projects.

#### **State-Local Partnership Fund**

This fund is used to account for the receipt and expenditures of funds provided by the State under the State-Local Transportation Partnership Program.

#### **Traffic Congestion Relief Fund**

This fund is used for the maintenance, rehabilitation and reconstruction of transportation related to Capital Projects; specifically pertaining to local streets and roads.

#### **Fire Construction Project Capital Projects Fund**

This fund is used to account for activities for fire department construction.

CITY OF NATIONAL CITY  
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2011

	Special Revenue Funds					
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Park and Recreation Capital Outlay
<u>ASSETS</u>						
Cash and investments	\$ 1,011,697	66,751	84,774	853,167	767,205	606,702
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	402
Interest receivable	-	-	-	-	1,204	-
Due from other governmental entities	-	-	-	-	-	-
Contracts, notes and loans receivable	-	-	-	-	-	-
Total assets	<u>\$ 1,011,697</u>	<u>66,751</u>	<u>84,774</u>	<u>853,167</u>	<u>768,409</u>	<u>607,104</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ -	5,700	7,659	1,076	37,683	-
Salaries payable	-	24,039	18,240	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governmental entities	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>29,739</u>	<u>25,899</u>	<u>1,076</u>	<u>37,683</u>	<u>-</u>
Fund balances:						
Spendable:						
Restricted for:						
Debt service	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Transportation	-	-	-	-	730,726	-
General services	-	37,012	58,875	-	-	607,104
Total restricted	<u>-</u>	<u>37,012</u>	<u>58,875</u>	<u>-</u>	<u>730,726</u>	<u>607,104</u>
Committed for:						
General services	-	-	-	-	-	-
Community development	1,011,697	-	-	852,091	-	-
Total committed	<u>1,011,697</u>	<u>-</u>	<u>-</u>	<u>852,091</u>	<u>-</u>	<u>-</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>1,011,697</u>	<u>37,012</u>	<u>58,875</u>	<u>852,091</u>	<u>730,726</u>	<u>607,104</u>
Total liabilities and fund balances	<u>\$ 1,011,697</u>	<u>66,751</u>	<u>84,774</u>	<u>853,167</u>	<u>768,409</u>	<u>607,104</u>

Special Revenue Funds					Debt Service	
Community Development Block Grant	HUD Program Income	HOME Program	Asset Forfeiture	Brownfield Grant	Joint Powers Financing Authority	Library Bonds
-	508,997	2,160,908	444,881	-	-	778,976
-	1,100,000	-	-	-	685	-
-	-	-	-	-	-	-
-	312	2,266	40	-	-	-
358,485	-	669,527	-	-	-	-
-	190,776	608,610	-	-	-	-
<u>358,485</u>	<u>1,800,085</u>	<u>3,441,311</u>	<u>444,921</u>	<u>-</u>	<u>685</u>	<u>778,976</u>
149,386	-	137,966	100	-	-	1,128
5,694	-	1,714	-	-	-	-
203,405	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,987	-	-	-	-
-	-	-	-	-	-	-
<u>358,485</u>	<u>-</u>	<u>145,667</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>1,128</u>
-	-	-	-	-	685	777,848
-	1,800,085	3,295,644	-	-	-	-
-	-	-	444,821	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>1,800,085</u>	<u>3,295,644</u>	<u>444,821</u>	<u>-</u>	<u>685</u>	<u>777,848</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>1,800,085</u>	<u>3,295,644</u>	<u>444,821</u>	<u>-</u>	<u>685</u>	<u>777,848</u>
<u>358,485</u>	<u>1,800,085</u>	<u>3,441,311</u>	<u>444,921</u>	<u>-</u>	<u>685</u>	<u>778,976</u>

(Continued)

CITY OF NATIONAL CITY  
Nonmajor Governmental Funds

Combining Balance Sheet, Continued

June 30, 2011

	Capital Projects Funds						Total Other Governmental Funds
	Library Construction Bonds	Proposition A	STP Local/ TransNet Highway	State- Local Partnership	Traffic Congestion Relief	Fire Construction Project	
<u>ASSETS</u>							
Cash and investments	\$ 138,578	840,661	-	123,062	-	-	8,386,359
Restricted cash and investments with fiscal agent	-	-	-	-	-	-	1,100,685
Accounts receivable	-	-	-	-	-	-	402
Interest receivable	230	1,468	-	204	-	-	5,724
Due from other governmental entities	-	-	13	-	-	-	1,028,025
Contracts, notes and loans receivable	-	-	-	-	-	-	799,386
<b>Total assets</b>	<b>\$ 138,808</b>	<b>842,129</b>	<b>13</b>	<b>123,266</b>	<b>-</b>	<b>-</b>	<b>11,320,581</b>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	9,676	39,769	-	-	-	390,143
Salaries payable	-	3,917	-	-	-	-	53,604
Due to other funds	-	-	436,759	-	61,537	-	701,701
Due to other governmental entities	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	95,493	-	-	101,480
Advances from other funds	-	760,034	-	-	-	-	760,034
<b>Total liabilities</b>	<b>-</b>	<b>773,627</b>	<b>476,528</b>	<b>95,493</b>	<b>61,537</b>	<b>-</b>	<b>2,006,962</b>
Fund balances:							
Spendable:							
Restricted for:							
Debt service	-	-	-	-	-	-	778,533
Community development	-	-	-	-	-	-	5,095,729
Public safety	-	-	-	-	-	-	444,821
Transportation	-	68,502	-	27,773	-	-	827,001
General services	-	-	-	-	-	-	702,991
<b>Total restricted</b>	<b>-</b>	<b>68,502</b>	<b>-</b>	<b>27,773</b>	<b>-</b>	<b>-</b>	<b>7,849,075</b>
Committed for:							
General services	138,808	-	-	-	-	-	138,808
Community development	-	-	-	-	-	-	1,863,788
<b>Total committed</b>	<b>138,808</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,002,596</b>
Unassigned	-	-	(476,515)	-	(61,537)	-	(538,052)
<b>Total fund balances (deficits)</b>	<b>138,808</b>	<b>68,502</b>	<b>(476,515)</b>	<b>27,773</b>	<b>(61,537)</b>	<b>-</b>	<b>9,313,619</b>
<b>Total liabilities and fund balances</b>	<b>\$ 138,808</b>	<b>842,129</b>	<b>13</b>	<b>123,266</b>	<b>-</b>	<b>-</b>	<b>11,320,581</b>

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CITY OF NATIONAL CITY  
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2011

	Special Revenue Funds					
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Park and Recreation Capital Outlay
Revenues:						
Taxes	\$ -	614,682	716,261	62,026	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rents	-	-	-	-	613	-
Intergovernmental	-	6,234	7,264	-	1,405,941	-
Charges for services	-	-	-	56,890	-	-
Other revenues	-	3,330	-	-	-	-
	<u>-</u>	<u>624,246</u>	<u>723,525</u>	<u>118,916</u>	<u>1,406,554</u>	<u>-</u>
Total revenues	-	624,246	723,525	118,916	1,406,554	-
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Transportation	-	-	-	-	691,970	-
Community development	-	-	-	-	-	-
Culture and leisure	-	1,234,303	1,079,721	-	-	-
Capital outlay	1,721	-	-	23,938	-	548,113
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
	<u>1,721</u>	<u>1,234,303</u>	<u>1,079,721</u>	<u>23,938</u>	<u>691,970</u>	<u>548,113</u>
Total expenditures	1,721	1,234,303	1,079,721	23,938	691,970	548,113
Excess (deficiency) of revenues over (under) expenditures	<u>(1,721)</u>	<u>(610,057)</u>	<u>(356,196)</u>	<u>94,978</u>	<u>714,584</u>	<u>(548,113)</u>
Other financing sources (uses):						
Payment to bond escrow agent	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-
Transfers in	-	819,208	456,012	-	-	-
Transfers out	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(700,000)</u>	<u>(125,000)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>819,208</u>	<u>456,012</u>	<u>-</u>	<u>(700,000)</u>	<u>(125,000)</u>
Net change in fund balances	(11,721)	209,151	99,816	94,978	14,584	(673,113)
Fund balances, beginning of year, as restated	<u>1,023,418</u>	<u>(172,139)</u>	<u>(40,941)</u>	<u>757,113</u>	<u>716,142</u>	<u>1,280,217</u>
Fund balances (deficits), end of year	<u>\$ 1,011,697</u>	<u>37,012</u>	<u>58,875</u>	<u>852,091</u>	<u>730,726</u>	<u>607,104</u>



Special Revenue Funds					Debt Service	
Community Development Block Grant	HUD Program Income	HOME Program	Asset Forfeiture	Brownfield Grant	Joint Powers Financing Authority	Library Bonds
-	-	-	-	-	-	-
-	-	-	64,753	-	-	-
-	10,221	73,340	2,922	-	9	-
1,644,864	-	1,155,914	-	72,455	332,504	-
-	-	-	-	-	-	-
-	202,582	-	-	-	-	438,825
<u>1,644,864</u>	<u>212,803</u>	<u>1,229,254</u>	<u>67,675</u>	<u>72,455</u>	<u>332,513</u>	<u>438,825</u>
211,696	-	-	-	72,455	-	1,128
-	-	-	53,624	-	-	-
-	-	-	-	-	-	-
235,542	25,156	1,332,436	-	-	-	-
-	-	-	-	-	-	-
1,015,564	-	-	117,219	-	-	-
245,000	-	-	-	-	165,000	165,000
208,181	71,163	-	-	-	166,829	234,740
<u>1,915,983</u>	<u>96,319</u>	<u>1,332,436</u>	<u>170,843</u>	<u>72,455</u>	<u>331,829</u>	<u>400,868</u>
(271,119)	116,484	(103,182)	(103,168)	-	684	37,957
-	-	-	-	-	(3,115,000)	-
-	-	-	-	-	3,115,000	-
119,531	-	-	-	-	-	-
(123,960)	(119,531)	-	-	-	-	-
<u>(4,429)</u>	<u>(119,531)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(275,548)	(3,047)	(103,182)	(103,168)	-	684	37,957
<u>275,548</u>	<u>1,803,132</u>	<u>3,398,826</u>	<u>547,989</u>	<u>-</u>	<u>1</u>	<u>739,891</u>
<u>-</u>	<u>1,800,085</u>	<u>3,295,644</u>	<u>444,821</u>	<u>-</u>	<u>685</u>	<u>777,848</u>

(Continued)

CITY OF NATIONAL CITY  
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued

For the Year ended June 30, 2011

	Capital Projects Funds						Total Other Governmental Funds
	Library Construction Bonds	Proposition A	STP Local/ TransNet Highway	State- Local Partnership	Traffic Congestion Relief	Fire Construction Project	
Revenues:							
Taxes	\$ -	-	-	-	-	-	1,392,969
Fines and forfeitures	-	-	-	-	-	-	64,753
Interest and rents	788	3,445	-	699	-	-	92,037
Intergovernmental	-	-	179,843	-	-	-	4,805,019
Charges for services	-	-	-	-	-	-	56,890
Other revenues	-	-	-	-	-	-	644,737
<b>Total revenues</b>	<b>788</b>	<b>3,445</b>	<b>179,843</b>	<b>699</b>	<b>-</b>	<b>-</b>	<b>7,056,405</b>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	285,279
Public safety	-	-	-	-	-	-	53,624
Transportation	-	-	-	-	-	-	691,970
Community development	-	-	-	-	-	-	1,593,134
Culture and leisure	-	-	-	-	-	-	2,314,024
Capital outlay	-	1,256,843	323,152	-	-	-	3,286,550
Debt service:							
Principal	-	-	-	-	-	-	575,000
Interest and fiscal charges	-	-	-	-	-	-	680,913
<b>Total expenditures</b>	<b>-</b>	<b>1,256,843</b>	<b>323,152</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,480,494</b>
Excess (deficiency) of revenues over (under) expenditures	788	(1,253,398)	(143,309)	699	-	-	(2,424,089)
Other financing sources (uses):							
Payment to bond escrow agent	-	-	-	-	-	-	(3,115,000)
Issuance of debt	-	-	-	-	-	-	3,115,000
Transfers in	-	-	-	-	-	-	1,394,751
Transfers out	-	-	-	-	-	(18,116)	(1,096,607)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,116)</b>	<b>298,144</b>
<b>Net change in fund balances</b>	<b>788</b>	<b>(1,253,398)</b>	<b>(143,309)</b>	<b>699</b>	<b>-</b>	<b>(18,116)</b>	<b>(2,125,945)</b>
Fund balances, beginning of year, as restated	138,020	1,321,900	(333,206)	27,074	(61,537)	18,116	11,439,564
Fund balances (deficits), end of year	\$ 138,808	68,502	(476,515)	27,773	(61,537)	-	9,313,619

CITY OF NATIONAL CITY  
General Capital Outlay Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Capital outlay	\$ 1,015,736	1,015,736	1,721	1,014,015
Total expenditures	<u>1,015,736</u>	<u>1,015,736</u>	<u>1,721</u>	<u>1,014,015</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,015,736)</u>	<u>(1,015,736)</u>	<u>(1,721)</u>	<u>1,014,015</u>
Other financing sources (uses):				
Transfers out	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balances	(1,025,736)	(1,025,736)	(11,721)	1,014,015
Fund balance, beginning of year	<u>1,023,418</u>	<u>1,023,418</u>	<u>1,023,418</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (2,318)</u></u>	<u><u>(2,318)</u></u>	<u><u>1,011,697</u></u>	<u><u>1,014,015</u></u>

CITY OF NATIONAL CITY  
Library Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes	\$ 605,519	605,519	614,682	9,163
Intergovernmental	6,600	6,600	6,234	(366)
Other revenues	<u>-</u>	<u>-</u>	<u>3,330</u>	<u>3,330</u>
Total revenues	<u>612,119</u>	<u>612,119</u>	<u>624,246</u>	<u>12,127</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,431,327</u>	<u>1,431,327</u>	<u>1,234,303</u>	<u>197,024</u>
Total expenditures	<u>1,431,327</u>	<u>1,431,327</u>	<u>1,234,303</u>	<u>197,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(819,208)</u>	<u>(819,208)</u>	<u>(610,057)</u>	<u>209,151</u>
Other financing sources (uses):				
Transfers in	<u>819,208</u>	<u>819,208</u>	<u>819,208</u>	<u>-</u>
Total other financing sources (uses)	<u>819,208</u>	<u>819,208</u>	<u>819,208</u>	<u>-</u>
Net change in fund balances	-	-	209,151	209,151
Fund balance, beginning of year	<u>(172,139)</u>	<u>(172,139)</u>	<u>(172,139)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (172,139)</u>	<u>(172,139)</u>	<u>37,012</u>	<u>209,151</u>

CITY OF NATIONAL CITY  
Parks Maintenance Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 705,529	705,529	716,261	10,732
Intergovernmental	<u>7,700</u>	<u>7,700</u>	<u>7,264</u>	<u>(436)</u>
Total revenues	<u>713,229</u>	<u>713,229</u>	<u>723,525</u>	<u>10,296</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,169,241</u>	<u>1,169,241</u>	<u>1,079,721</u>	<u>89,520</u>
Total expenditures	<u>1,169,241</u>	<u>1,169,241</u>	<u>1,079,721</u>	<u>89,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(456,012)</u>	<u>(456,012)</u>	<u>(356,196)</u>	<u>99,816</u>
Other financing sources:				
Transfers in	<u>456,012</u>	<u>456,012</u>	<u>456,012</u>	<u>-</u>
Total other financing sources	<u>456,012</u>	<u>456,012</u>	<u>456,012</u>	<u>-</u>
Net change in fund balances	-	-	99,816	99,816
Fund balance, beginning of year	<u>(40,941)</u>	<u>(40,941)</u>	<u>(40,941)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (40,941)</u>	<u>(40,941)</u>	<u>58,875</u>	<u>99,816</u>

CITY OF NATIONAL CITY  
Library Capital Outlay Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 77,760	77,760	62,026	(15,734)
Charges for services	<u>18,200</u>	<u>18,200</u>	<u>56,890</u>	<u>38,690</u>
Total revenues	<u>95,960</u>	<u>95,960</u>	<u>118,916</u>	<u>22,956</u>
<b>Expenditures:</b>				
Capital outlay	<u>75,000</u>	<u>75,000</u>	<u>23,938</u>	<u>51,062</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>23,938</u>	<u>51,062</u>
Net change in fund balances	20,960	20,960	94,978	74,018
Fund balance, beginning of year	<u>757,113</u>	<u>757,113</u>	<u>757,113</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 778,073</u></u>	<u><u>778,073</u></u>	<u><u>852,091</u></u>	<u><u>74,018</u></u>

CITY OF NATIONAL CITY  
Gas Tax Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ 5,025	5,025	613	(4,412)
Intergovernmental	<u>1,658,895</u>	<u>1,658,895</u>	<u>1,405,941</u>	<u>(252,954)</u>
Total revenues	<u>1,663,920</u>	<u>1,663,920</u>	<u>1,406,554</u>	<u>(257,366)</u>
Expenditures:				
Current:				
Transportation	<u>1,452,051</u>	<u>1,452,051</u>	<u>691,970</u>	<u>760,081</u>
Total expenditures	<u>1,452,051</u>	<u>1,452,051</u>	<u>691,970</u>	<u>760,081</u>
Excess (deficiency) of revenues over (under) expenditures	<u>211,869</u>	<u>211,869</u>	<u>714,584</u>	<u>502,715</u>
Other financing sources (uses):				
Transfers out	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Net change in fund balances	(488,131)	(488,131)	14,584	502,715
Fund balance, beginning of year	<u>716,142</u>	<u>716,142</u>	<u>716,142</u>	<u>-</u>
Fund balance, end of year	<u>\$ 228,011</u>	<u>228,011</u>	<u>730,726</u>	<u>502,715</u>

CITY OF NATIONAL CITY  
Park and Recreation Capital Outlay Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Interest and rents	\$ -	-	-	-
Total revenues	-	-	-	-
<b>Expenditures:</b>				
Capital outlay	682,988	663,795	548,113	115,682
Total expenditures	682,988	663,795	548,113	115,682
Excess (deficiency) of revenues over (under) expenditures	(682,988)	(663,795)	(548,113)	115,682
<b>Other financing sources (uses):</b>				
Transfers out	-	(625,000)	(125,000)	(500,000)
Total other financing sources (uses)	-	(625,000)	(125,000)	(500,000)
Net change in fund balances	(682,988)	(1,288,795)	(673,113)	(384,318)
Fund balance, beginning of year	1,280,217	1,280,217	1,280,217	-
Fund balance, end of year	\$ 597,229	(8,578)	607,104	(384,318)



CITY OF NATIONAL CITY  
Community Development Block Grant Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 1,424,740	1,424,740	1,644,864	220,124
Total revenues	<u>1,424,740</u>	<u>1,424,740</u>	<u>1,644,864</u>	<u>220,124</u>
Expenditures:				
Current:				
General government	249,608	249,608	211,696	37,912
Community development	528,450	528,450	235,542	292,908
Capital outlay	1,227,925	1,227,925	1,015,564	212,361
Debt service:				
Principal	-	-	245,000	(245,000)
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>208,181</u>	<u>(208,181)</u>
Total expenditures	<u>2,005,983</u>	<u>2,005,983</u>	<u>1,915,983</u>	<u>90,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(581,243)</u>	<u>(581,243)</u>	<u>(271,119)</u>	<u>310,124</u>
Other financing sources (uses):				
Transfers in	-	-	119,531	119,531
Transfers out	<u>(123,960)</u>	<u>(123,960)</u>	<u>(123,960)</u>	<u>-</u>
Total other financing sources (uses)	<u>(123,960)</u>	<u>(123,960)</u>	<u>(4,429)</u>	<u>119,531</u>
Net change in fund balances	(705,203)	(705,203)	(275,548)	429,655
Fund balance, beginning of year	<u>275,548</u>	<u>275,548</u>	<u>275,548</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (429,655)</u>	<u>(429,655)</u>	<u>-</u>	<u>429,655</u>

CITY OF NATIONAL CITY  
HUD Program Income Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 19,700	19,700	10,221	(9,479)
Other revenues	<u>100</u>	<u>100</u>	<u>202,582</u>	<u>202,482</u>
Total revenues	<u>19,800</u>	<u>19,800</u>	<u>212,803</u>	<u>193,003</u>
Expenditures:				
Current:				
Community development	25,157	25,157	25,156	1
Debt service:				
Principal	245,000	245,000	-	245,000
Interest and fiscal charges	<u>306,650</u>	<u>306,650</u>	<u>71,163</u>	<u>235,487</u>
Total expenditures	<u>576,807</u>	<u>576,807</u>	<u>96,319</u>	<u>480,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(557,007)</u>	<u>(557,007)</u>	<u>116,484</u>	<u>673,491</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(119,531)</u>	<u>(119,531)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(119,531)</u>	<u>(119,531)</u>
Net change in fund balances	(557,007)	(557,007)	(3,047)	553,960
Fund balance, beginning of year	<u>1,803,132</u>	<u>1,803,132</u>	<u>1,803,132</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,246,125</u>	<u>1,246,125</u>	<u>1,800,085</u>	<u>553,960</u>

CITY OF NATIONAL CITY  
HOME Program Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ -	-	73,340	73,340
Intergovernmental	636,617	636,617	1,155,914	519,297
Other revenues	<u>64,143</u>	<u>64,143</u>	<u>-</u>	<u>(64,143)</u>
Total revenues	<u>700,760</u>	<u>700,760</u>	<u>1,229,254</u>	<u>528,494</u>
Expenditures:				
Current:				
Community development	<u>1,684,353</u>	<u>1,684,353</u>	<u>1,332,436</u>	<u>351,917</u>
Total expenditures	<u>1,684,353</u>	<u>1,684,353</u>	<u>1,332,436</u>	<u>351,917</u>
Net change in fund balances	(983,593)	(983,593)	(103,182)	880,411
Fund balance, beginning of year, as restated	<u>3,398,826</u>	<u>3,398,826</u>	<u>3,398,826</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,415,233</u>	<u>2,415,233</u>	<u>3,295,644</u>	<u>880,411</u>

CITY OF NATIONAL CITY  
Asset Forfeiture Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Fines and forfeitures	\$ 171,277	171,277	64,753	(106,524)
Interest and rents	<u>4,925</u>	<u>4,925</u>	<u>2,922</u>	<u>(2,003)</u>
Total revenues	<u>176,202</u>	<u>176,202</u>	<u>67,675</u>	<u>(108,527)</u>
Expenditures:				
Current:				
Public safety	55,143	55,143	53,624	1,519
Capital outlay	<u>156,000</u>	<u>156,000</u>	<u>117,219</u>	<u>38,781</u>
Total expenditures	<u>211,143</u>	<u>211,143</u>	<u>170,843</u>	<u>40,300</u>
Net change in fund balances	(34,941)	(34,941)	(103,168)	(68,227)
Fund balance, beginning of year	<u>547,989</u>	<u>547,989</u>	<u>547,989</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 513,048</u></u>	<u><u>513,048</u></u>	<u><u>444,821</u></u>	<u><u>(68,227)</u></u>

CITY OF NATIONAL CITY  
Brownfield Grant Special Revenue Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,000,000	1,000,000	72,455	(927,545)
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>72,455</u>	<u>(927,545)</u>
Expenditures:				
Current:				
General government	1,000,000	1,000,000	72,455	927,545
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>72,455</u>	<u>927,545</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF NATIONAL CITY  
Joint Powers Financing Authority Debt Service Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Interest and rents	\$ -	-	9	9
Intergovernmental	<u>493,000</u>	<u>493,000</u>	<u>332,504</u>	<u>(160,496)</u>
Total revenues	<u>493,000</u>	<u>493,000</u>	<u>332,513</u>	<u>(160,487)</u>
Expenditures:				
Debt service:				
Principal	325,000	325,000	165,000	160,000
Interest and fiscal charges	<u>161,798</u>	<u>161,798</u>	<u>166,829</u>	<u>(5,031)</u>
Total expenditures	<u>486,798</u>	<u>486,798</u>	<u>331,829</u>	<u>154,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,202</u>	<u>6,202</u>	<u>684</u>	<u>(5,518)</u>
Other financing sources (uses):				
Payment to bond escrow agent	-	-	(3,115,000)	(3,115,000)
Issuance of long-term debt	<u>-</u>	<u>-</u>	<u>3,115,000</u>	<u>3,115,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	6,202	6,202	684	(5,518)
Fund balance, beginning of year	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,203</u>	<u>6,203</u>	<u>685</u>	<u>(5,518)</u>

CITY OF NATIONAL CITY  
Library Bond Debt Service Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues	\$ 404,740	404,740	438,825	34,085
Total revenues	<u>404,740</u>	<u>404,740</u>	<u>438,825</u>	<u>34,085</u>
Expenditures:				
Current:				
General government	-	-	1,128	(1,128)
Principal	165,000	165,000	165,000	-
Interest and fiscal charges	<u>244,500</u>	<u>244,500</u>	<u>234,740</u>	<u>9,760</u>
Total expenditures	<u>409,500</u>	<u>409,500</u>	<u>400,868</u>	<u>8,632</u>
Net change in fund balances	(4,760)	(4,760)	37,957	42,717
Fund balance, beginning of year	<u>739,891</u>	<u>739,891</u>	<u>739,891</u>	<u>-</u>
Fund balance, end of year	<u>\$ 735,131</u>	<u>735,131</u>	<u>777,848</u>	<u>42,717</u>

CITY OF NATIONAL CITY  
Library Construction Capital Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ 1,435	1,435	788	(647)
Total revenues	<u>1,435</u>	<u>1,435</u>	<u>788</u>	<u>(647)</u>
Expenditures:				
Current:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,435	1,435	788	(647)
Fund balance, beginning of year	<u>138,020</u>	<u>138,020</u>	<u>138,020</u>	<u>-</u>
Fund balance, end of year	<u>\$ 139,455</u>	<u>139,455</u>	<u>138,808</u>	<u>(647)</u>



CITY OF NATIONAL CITY  
 Proposition A Capital Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 7,380	7,380	3,445	(3,935)
Intergovernmental	<u>161,000</u>	<u>161,000</u>	<u>-</u>	<u>(161,000)</u>
Total revenues	<u>168,380</u>	<u>168,380</u>	<u>3,445</u>	<u>(164,935)</u>
Expenditures:				
Capital outlay	<u>3,530,363</u>	<u>3,530,363</u>	<u>1,256,843</u>	<u>2,273,520</u>
Total expenditures	<u>3,530,363</u>	<u>3,530,363</u>	<u>1,256,843</u>	<u>2,273,520</u>
Net change in fund balances	(3,361,983)	(3,361,983)	(1,253,398)	2,108,585
Fund balance, beginning of year	<u>1,321,900</u>	<u>1,321,900</u>	<u>1,321,900</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (2,040,083)</u></u>	<u><u>(2,040,083)</u></u>	<u><u>68,502</u></u>	<u><u>2,108,585</u></u>

CITY OF NATIONAL CITY  
STP Local/TransNet Highway Capital Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 846,200	846,200	179,843	(666,357)
Total revenues	<u>846,200</u>	<u>846,200</u>	<u>179,843</u>	<u>(666,357)</u>
Expenditures:				
Capital outlay	945,346	945,346	323,152	622,194
Total expenditures	<u>945,346</u>	<u>945,346</u>	<u>323,152</u>	<u>622,194</u>
Net change in fund balances	(99,146)	(99,146)	(143,309)	(44,163)
Fund balance (deficit), beginning of year	<u>(333,206)</u>	<u>(333,206)</u>	<u>(333,206)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (432,352)</u>	<u>(432,352)</u>	<u>(476,515)</u>	<u>(44,163)</u>

CITY OF NATIONAL CITY  
State - Local Partnership Capital Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 1,270	1,270	699	(571)
Total revenues	<u>1,270</u>	<u>1,270</u>	<u>699</u>	<u>(571)</u>
Net change in fund balances	1,270	1,270	699	(571)
Fund balance, beginning of year	<u>27,074</u>	<u>27,074</u>	<u>27,074</u>	<u>-</u>
Fund balance, end of year	<u>\$ 28,344</u>	<u>28,344</u>	<u>27,773</u>	<u>(571)</u>

CITY OF NATIONAL CITY  
Traffic Congestion Relief Capital Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Capital outlay	2,035	2,035	-	2,035
Total expenditures	2,035	2,035	-	2,035
Net change in fund balances	(2,035)	(2,035)	-	2,035
Fund balance (deficit), beginning of year	(61,537)	(61,537)	(61,537)	-
Fund balance (deficit), end of year	<u>\$ (63,572)</u>	<u>(63,572)</u>	<u>(61,537)</u>	<u>2,035</u>

CITY OF NATIONAL CITY  
Fire Construction Capital Projects Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Interest and rents	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers out	-	-	(18,116)	18,116
Total other financing sources (uses)	-	-	(18,116)	18,116
Net change in fund balances	-	-	(18,116)	18,116
Fund balance, beginning of year	18,116	18,116	18,116	-
Fund balance, end of year	\$ 18,116	18,116	-	18,116

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## **INTERNAL SERVICE FUNDS**

### **Facilities Maintenance Fund**

This fund is used to account for the costs of maintaining all City-owned buildings in a clean, safe, workable, and pleasant condition.

### **Liability Insurance Fund**

This fund is used to account for the costs of maintaining the City's workers' compensation and liability insurance programs.

### **General Services Fund**

This fund is used to account for the costs of maintaining the City's centralized procurement system providing supplies, equipment, and certain services for all City departments.

### **Information Systems Maintenance Fund**

This fund is used to account for the costs of maintaining the City's computer-related information systems.

### **Office Equipment Depreciation Fund**

This fund is used to account for the costs to replace City office equipment.

### **Telecommunications Revolving Fund**

This fund is used to account for the costs of maintaining the City's telecommunications system.

### **General Accounting Services Fund**

This fund is used to account for the costs of general accounting services.

### **Motor Vehicle Services Fund**

This fund is used to account for the City's costs of preventative maintenance and repairs for all City vehicles including police, fire, general administrative, park, sewer and public works equipment.

### **Equipment Replacement Reserve Fund**

This fund is used to account for the costs to replace City general equipment.

### **Unemployment Insurance Reserve Fund**

This fund is used to account for a reserve for unemployment insurance.

CITY OF NATIONAL CITY  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2011

	<u>Facilities Maintenance</u>	<u>Liability Insurance</u>	<u>General Services</u>	<u>Information Systems Maintenance</u>	<u>Office Equipment Depreciation</u>
<u>ASSETS</u>					
Current assets:					
Cash and investments	\$ 147,587	7,718,563	368,396	1,243,964	1,405,626
Cash and investments with fiscal agents	45,764	-	-	-	-
Accounts receivable	-	-	-	72,231	-
Inventories	-	-	11,128	-	-
Prepaid items and deposits	43,101	-	-	-	-
	<u>236,452</u>	<u>7,718,563</u>	<u>379,524</u>	<u>1,316,195</u>	<u>1,405,626</u>
Total current assets					
Noncurrent assets:					
Capital assets:					
Nondepreciable assets	1,644,621	-	-	-	-
Depreciable assets, net of accumulated depreciation	-	-	-	77,024	161,976
	<u>1,644,621</u>	<u>-</u>	<u>-</u>	<u>77,024</u>	<u>161,976</u>
Total capital assets	<u>1,644,621</u>	<u>-</u>	<u>-</u>	<u>77,024</u>	<u>161,976</u>
Total noncurrent assets	<u>1,644,621</u>	<u>-</u>	<u>-</u>	<u>77,024</u>	<u>161,976</u>
Total assets	<u>1,881,073</u>	<u>7,718,563</u>	<u>379,524</u>	<u>1,393,219</u>	<u>1,567,602</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 131,401	72,590	5,606	77,976	89,111
Salaries payable	20,963	716	3,306	3,663	-
Capital leases payable - due within one year	88,203	-	-	-	-
Compensated absences	54,526	1,411	-	14,747	-
Self-insurance claims payable - due within one year	-	1,578,371	-	-	-
	<u>295,093</u>	<u>1,653,088</u>	<u>8,912</u>	<u>96,386</u>	<u>89,111</u>
Total current liabilities	<u>295,093</u>	<u>1,653,088</u>	<u>8,912</u>	<u>96,386</u>	<u>89,111</u>
Noncurrent liabilities:					
Capital leases payable - due in more than one year	1,645,576	-	-	-	-
Self-insurance claims payable - due in more than one year	-	4,535,629	-	-	-
	<u>1,645,576</u>	<u>4,535,629</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,940,669</u>	<u>6,188,717</u>	<u>8,912</u>	<u>96,386</u>	<u>89,111</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	1,644,621	-	-	77,024	161,976
Unrestricted	<u>(1,704,217)</u>	<u>1,529,846</u>	<u>370,612</u>	<u>1,219,809</u>	<u>1,316,515</u>
Total net assets (deficit)	<u>\$ (59,596)</u>	<u>1,529,846</u>	<u>370,612</u>	<u>1,296,833</u>	<u>1,478,491</u>



<u>Telecommunications Revolving</u>	<u>General Accounting Services</u>	<u>Motor Vehicle Services</u>	<u>Equipment Replacement Reserve</u>	<u>Unemployment Insurance Reserve</u>	<u>Total</u>
360,145	539,382	1,652,471	252,573	-	13,688,707
-	-	-	-	-	45,764
-	-	-	-	-	72,231
-	-	-	-	-	11,128
-	-	-	-	-	43,101
<u>360,145</u>	<u>539,382</u>	<u>1,652,471</u>	<u>252,573</u>	<u>-</u>	<u>13,860,931</u>
-	-	-	-	-	1,644,621
-	-	<u>665,357</u>	<u>274,619</u>	-	<u>1,178,976</u>
-	-	<u>665,357</u>	<u>274,619</u>	-	<u>2,823,597</u>
-	-	<u>665,357</u>	<u>274,619</u>	-	<u>2,823,597</u>
<u>360,145</u>	<u>539,382</u>	<u>2,317,828</u>	<u>527,192</u>	<u>-</u>	<u>16,684,528</u>
23,962	7,087	52,419	1,049	-	461,201
1,318	13,601	9,376	-	-	52,943
-	-	-	-	-	88,203
-	38,477	26,303	-	-	135,464
-	-	-	-	-	1,578,371
<u>25,280</u>	<u>59,165</u>	<u>88,098</u>	<u>1,049</u>	<u>-</u>	<u>2,316,182</u>
-	-	-	-	-	1,645,576
-	-	-	-	-	4,535,629
<u>25,280</u>	<u>59,165</u>	<u>88,098</u>	<u>1,049</u>	<u>-</u>	<u>8,497,387</u>
-	-	665,357	274,619	-	2,823,597
<u>334,865</u>	<u>480,217</u>	<u>1,564,373</u>	<u>251,524</u>	<u>-</u>	<u>5,363,544</u>
<u>334,865</u>	<u>480,217</u>	<u>2,229,730</u>	<u>526,143</u>	<u>-</u>	<u>8,187,141</u>

CITY OF NATIONAL CITY

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the Year Ended June 30, 2011

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Operating revenues:					
Services charges	\$ 1,853,015	2,937,069	254,972	1,209,750	-
Other revenues	<u>137</u>	<u>114,871</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>1,853,152</u>	<u>3,051,940</u>	<u>254,972</u>	<u>1,209,750</u>	<u>-</u>
Operating expenses:					
Personnel services	688,862	26,838	90,735	161,772	-
Maintenance and operations	1,656,229	2,484,000	185,736	832,985	342,576
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,854</u>	<u>57,598</u>
Total operating expenses	<u>2,345,091</u>	<u>2,510,838</u>	<u>276,471</u>	<u>1,016,611</u>	<u>400,174</u>
Operating income (loss)	<u>(491,939)</u>	<u>541,102</u>	<u>(21,499)</u>	<u>193,139</u>	<u>(400,174)</u>
Nonoperating revenues (expenses):					
Interest income	220	-	-	-	-
Interest expense	<u>(86,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(86,660)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	(578,599)	541,102	(21,499)	193,139	(400,174)
Transfers in	4,211	-	-	-	-
Transfers out	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(125,000)</u>	<u>(75,000)</u>
Change in net assets	(574,388)	441,102	(121,499)	68,139	(475,174)
Net assets, beginning of year	<u>514,792</u>	<u>1,088,744</u>	<u>492,111</u>	<u>1,228,694</u>	<u>1,953,665</u>
Net assets (deficit), end of year	<u>\$ (59,596)</u>	<u>1,529,846</u>	<u>370,612</u>	<u>1,296,833</u>	<u>1,478,491</u>

<u>Telecommunications Revolving</u>	<u>General Accounting Services</u>	<u>Motor Vehicle Services</u>	<u>Equipment Replacement Reserve</u>	<u>Unemployment Insurance Reserve</u>	<u>Total</u>
-	889,875	1,853,015	-	-	8,997,696
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,008</u>
<u>-</u>	<u>889,875</u>	<u>1,853,015</u>	<u>-</u>	<u>-</u>	<u>9,112,704</u>
55,626	541,087	413,273	-	-	1,978,193
293,129	207,563	980,196	13,103	11,790	7,007,307
<u>-</u>	<u>-</u>	<u>175,976</u>	<u>23,654</u>	<u>-</u>	<u>279,082</u>
<u>348,755</u>	<u>748,650</u>	<u>1,569,445</u>	<u>36,757</u>	<u>11,790</u>	<u>9,264,582</u>
<u>(348,755)</u>	<u>141,225</u>	<u>283,570</u>	<u>(36,757)</u>	<u>(11,790)</u>	<u>(151,878)</u>
-	-	-	-	-	220
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,880)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,660)</u>
(348,755)	141,225	283,570	(36,757)	(11,790)	(238,538)
-	-	-	-	-	4,211
<u>-</u>	<u>(102,653)</u>	<u>-</u>	<u>-</u>	<u>(175,762)</u>	<u>(678,415)</u>
(348,755)	38,572	283,570	(36,757)	(187,552)	(912,742)
<u>683,620</u>	<u>441,645</u>	<u>1,946,160</u>	<u>562,900</u>	<u>187,552</u>	<u>9,099,883</u>
<u>334,865</u>	<u>480,217</u>	<u>2,229,730</u>	<u>526,143</u>	<u>-</u>	<u>8,187,141</u>

CITY OF NATIONAL CITY  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2011

	<u>Facilities Maintenance</u>	<u>Liability Insurance</u>	<u>General Services</u>	<u>Information Systems Maintenance</u>	<u>Office Equipment Depreciation</u>
Cash flows from operating activities:					
Cash received from customers/other funds	\$ 1,853,015	2,937,987	256,105	1,209,750	-
Cash payments to suppliers	(1,728,505)	(2,272,527)	(183,470)	(767,366)	(287,126)
Cash payments for general and administrative	(690,939)	(28,010)	(95,284)	(159,131)	-
Cash received from (payments to) other	<u>137</u>	<u>114,871</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(566,292)</u>	<u>752,321</u>	<u>(22,649)</u>	<u>283,253</u>	<u>(287,126)</u>
Cash flows from capital and related financing activities:					
Acquisition or disposal of capital assets	(1,137,621)	-	-	-	(109,755)
Payment on lease payable	(21,381)	-	-	-	-
Interest paid	<u>(86,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(1,245,882)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,755)</u>
Cash flows from non-capital financing activities:					
Cash received from other funds	4,211	-	-	-	-
Cash paid to other funds	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(125,000)</u>	<u>(75,000)</u>
Net cash provided (used) by non-capital financing activities	<u>4,211</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(125,000)</u>	<u>(75,000)</u>
Cash flows from investing activities					
Interest income	<u>220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,807,743)	652,321	(122,649)	158,253	(471,881)
Cash and investments:					
Beginning of year	<u>2,001,094</u>	<u>7,066,242</u>	<u>491,045</u>	<u>1,085,711</u>	<u>1,877,507</u>
End of year	<u>\$ 193,351</u>	<u>7,718,563</u>	<u>368,396</u>	<u>1,243,964</u>	<u>1,405,626</u>
Cash flows from operating activities:					
Operating income (loss)	\$ (491,939)	541,102	(21,499)	193,139	(400,174)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	21,854	57,598
Changes in current assets and liabilities:					
Accounts receivable	-	918	1,133	-	-
Inventories	-	-	3,521	-	-
Prepaid items and deposits	(43,101)	-	-	-	-
Accounts payable and accrued liabilities	(29,175)	(18,525)	(1,255)	65,619	55,450
Salaries payable	2,324	(313)	(524)	1,587	-
Compensated absences	(4,401)	(861)	(4,025)	1,054	-
Self-insurance claims payable	<u>-</u>	<u>230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>(74,353)</u>	<u>211,219</u>	<u>(1,150)</u>	<u>90,114</u>	<u>113,048</u>
Net cash provided (used) by operating activities	<u>\$ (566,292)</u>	<u>752,321</u>	<u>(22,649)</u>	<u>283,253</u>	<u>(287,126)</u>

Telecommunications Revolving	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Unemployment Insurance Reserve	Total
-	889,875	1,853,015	-	-	8,999,747
(306,541)	(204,927)	(961,362)	(13,465)	(11,790)	(6,737,079)
(55,604)	(570,796)	(420,437)	-	-	(2,020,201)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,008</u>
<u>(362,145)</u>	<u>114,152</u>	<u>471,216</u>	<u>(13,465)</u>	<u>(11,790)</u>	<u>357,475</u>
-	-	1,931	-	-	(1,245,445)
-	-	-	-	-	(21,381)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,880)</u>
<u>-</u>	<u>-</u>	<u>1,931</u>	<u>-</u>	<u>-</u>	<u>(1,353,706)</u>
-	-	-	-	-	4,211
<u>-</u>	<u>(102,653)</u>	<u>-</u>	<u>-</u>	<u>(175,762)</u>	<u>(678,415)</u>
<u>-</u>	<u>(102,653)</u>	<u>-</u>	<u>-</u>	<u>(175,762)</u>	<u>(674,204)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220</u>
(362,145)	11,499	473,147	(13,465)	(187,552)	(1,670,215)
<u>722,290</u>	<u>527,883</u>	<u>1,179,324</u>	<u>266,038</u>	<u>187,552</u>	<u>15,404,686</u>
<u>360,145</u>	<u>539,382</u>	<u>1,652,471</u>	<u>252,573</u>	<u>-</u>	<u>13,734,471</u>
<u>(348,755)</u>	<u>141,225</u>	<u>283,570</u>	<u>(36,757)</u>	<u>(11,790)</u>	<u>(151,878)</u>
-	-	175,976	23,654	-	279,082
-	-	-	-	-	2,051
-	-	-	-	-	3,521
-	-	-	-	-	(43,101)
(13,412)	2,636	18,834	(362)	-	79,810
22	(1,544)	(465)	-	-	1,087
-	(28,165)	(6,699)	-	-	(43,097)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,000</u>
<u>(13,390)</u>	<u>(27,073)</u>	<u>187,646</u>	<u>23,292</u>	<u>-</u>	<u>509,353</u>
<u>(362,145)</u>	<u>114,152</u>	<u>471,216</u>	<u>(13,465)</u>	<u>(11,790)</u>	<u>357,475</u>

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS:**

#### **Cobra Insurance Fund**

This fund is used to account for amounts collected by the City from retirees to pay their health insurance premiums.

#### **Miscellaneous Deposits Fund**

This fund is used to account for miscellaneous deposits collected by the City.

CITY OF NATIONAL CITY  
Statement of Changes in Assets and Liabilities  
Agency Funds

For the Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>COBRA INSURANCE FUND</u></b>				
Assets:				
Cash and investments	\$ 30,648	470,907	(478,613)	22,942
Accounts receivable	1,768	-	(1,768)	-
Total assets	\$ 32,416	470,907	(480,381)	22,942
Liabilities:				
Accounts payable	\$ 32,416	957,443	(966,917)	22,942
Total liabilities	\$ 32,416	957,443	(966,917)	22,942
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>MISCELLANEOUS DEPOSITS FUND</u></b>				
Assets:				
Cash and investments	\$ 653,727	559,072	(272,065)	940,734
Total assets	\$ 653,727	559,072	(272,065)	940,734
Liabilities:				
Depostis payable	\$ 653,727	733,892	(446,885)	940,734
Total liabilities	\$ 653,727	733,892	(446,885)	940,734
	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>TOTAL AGENCY FUNDS</u></b>				
Assets:				
Cash and investments	\$ 684,375	1,029,979	(750,678)	963,676
Accounts receivable	1,768	-	(1,768)	-
Total assets	\$ 686,143	1,029,979	(752,446)	963,676
Liabilities:				
Accounts payable	\$ 32,416	957,443	(966,917)	22,942
Depostis payable	653,727	733,892	(446,885)	940,734
Total liabilities	\$ 686,143	1,691,335	(1,413,802)	963,676

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