

CITY OF NATIONAL CITY

Basic Financial Statements
and Supplementary Data

For the Year Ended June 30, 2012

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CITY OF NATIONAL CITY
National City, California

Basic Financial Statements
and Supplementary Data

For the Year Ended June 30, 2012

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Prepared by the Finance Department

Mark Roberts
Finance Director

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CITY OF NATIONAL CITY

Basic Financial Statements
and Supplementary Data

For the Year Ended June 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	8
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities	14
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Assets	15
Statement of Revenues, Expenses and Changes in Net Assets	16
Statement of Cash Flows	17
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Assets	18
Statement of Changes in Fiduciary Net Assets	19
Notes to the Basic Financial Statements	20

CITY OF NATIONAL CITY

Basic Financial Statements
and Supplementary Data

For the Year Ended June 30, 2012

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Required Supplementary Information:	
Notes to Required Supplementary Information	66
Budgetary Information	
Budgetary Comparison Schedule - General Fund	68
Budgetary Comparison Schedule – Housing – Special Revenue Fund	69
Budgetary Comparison Schedule – Section 8 Housing Assistance Special Revenue Fund	70
Budgetary Comparison Schedule – Other Special Revenue Fund	71
Budgetary Comparison Schedule - Sewer Service Special Revenue Fund	72
Budgetary Comparison Schedule – Low and Moderate Income Housing Program Fund	73
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	76
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	79
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	82-100
Internal Service Funds:	
Combining Statement of Net Assets	102
Combining Statement of Revenues, Expenses and Changes in Net Assets	104
Combining Statement of Cash Flows	106
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets	109
Combining Statement of Revenues, Expenses and Changes in Fiduciary Net Assets	111
Combining Statement of Changes in Assets and Liabilities – Agency Funds	113

FINANCIAL SECTION

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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, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City for the year ended June 30, 2011 and, in our report dated December 21, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 opinions.

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, 2012, and the respective changes in financial position and cash flows, where applicable, of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 68-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated January 28, 2013 on our consideration of the City's internal control over financial reporting and 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.

Mayer Hoffman McCann P.C.

Irvine, California
January 28, 2013

Basic Financial Statements

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CITY OF NATIONAL CITY
Statement of Net Assets
June 30, 2012
(with comparative information for the prior year)

	Governmental	Business-Type	Totals	
	Activities	Activities	2012	2011
<u>Assets</u>				
Current assets:				
Cash and investments (note 2)	\$ 66,318,336	174,659	66,492,995	72,091,469
Accounts receivable	1,609,123	1,069	1,610,192	1,085,040
Property tax receivable	-	-	-	194,122
Interest receivable	23,759	-	23,759	105,133
Due from other governmental entities	4,825,664	-	4,825,664	4,622,851
Total current assets	<u>72,776,882</u>	<u>175,728</u>	<u>72,952,610</u>	<u>78,098,615</u>
Noncurrent assets:				
Restricted cash and investments with fiscal agent (note 2)	853,628	1,836,173	2,689,801	43,769,712
Inventories	9,345	-	9,345	11,128
Prepaid items and deposits	-	160,992	160,992	175,739
Land held for resale	1,245,000	-	1,245,000	9,392,509
Contracts, notes and loans receivable (note 4)	8,471,266	-	8,471,266	9,391,187
Advances to successor agency (note 3)	411,216	-	411,216	-
Deferred charges	1,542,818	-	1,542,818	1,495,528
Subtotal	<u>12,533,273</u>	<u>1,997,165</u>	<u>14,530,438</u>	<u>64,235,803</u>
Capital assets (note 5):				
Non-depreciable	25,166,963	528,382	25,695,345	26,950,687
Depreciable, net	<u>87,859,746</u>	<u>6,274,386</u>	<u>94,134,132</u>	<u>97,028,503</u>
Total capital assets	<u>113,026,709</u>	<u>6,802,768</u>	<u>119,829,477</u>	<u>123,979,190</u>
Total noncurrent assets	<u>125,559,982</u>	<u>8,799,933</u>	<u>134,359,915</u>	<u>188,214,993</u>
Total assets	<u>198,336,864</u>	<u>8,975,661</u>	<u>207,312,525</u>	<u>266,313,608</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	2,245,380	100,652	2,346,032	3,892,027
Interest payable	128,338	-	128,338	1,792,703
Salaries payable	1,683,242	-	1,683,242	1,147,597
Deposits payable	<u>222,464</u>	<u>89,413</u>	<u>311,877</u>	<u>437,552</u>
Total current liabilities	<u>4,279,424</u>	<u>190,065</u>	<u>4,469,489</u>	<u>7,269,879</u>
Long-term liabilities (note 7):				
Due within one year	4,232,599	233,123	4,465,722	8,498,290
Due beyond one year	<u>21,956,265</u>	<u>1,825,270</u>	<u>23,781,535</u>	<u>93,559,890</u>
Total noncurrent liabilities	<u>26,188,864</u>	<u>2,058,393</u>	<u>28,247,257</u>	<u>102,058,180</u>
Total liabilities	<u>30,468,288</u>	<u>2,248,458</u>	<u>32,716,746</u>	<u>109,328,059</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	100,450,699	4,744,375	105,195,074	98,506,585
Restricted for:				
Community development	4,427,765	-	4,427,765	33,109,741
Public safety	927,816	-	927,816	3,035,845
Transportation	3,894,025	-	3,894,025	1,604,977
General services	25,086,031	-	25,086,031	4,101,046
Housing	<u>8,253,320</u>	<u>-</u>	<u>8,253,320</u>	<u>3,103,696</u>
Total restricted	<u>42,588,957</u>	<u>-</u>	<u>42,588,957</u>	<u>44,955,305</u>
Unrestricted	<u>24,828,920</u>	<u>1,982,828</u>	<u>26,811,748</u>	<u>13,523,659</u>
Total net assets	<u>\$ 167,868,576</u>	<u>6,727,203</u>	<u>174,595,779</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, 2012

	Program Revenues				Total Program Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 5,858,519	1,394,546	32,805	-	1,427,351
Public safety	29,477,075	3,767,099	1,280,904	-	5,048,003
Transportation	4,399,470	-	4,965,433	-	4,965,433
Community development	13,959,966	1,179,697	11,029,066	482,296	12,691,059
Health	6,595,669	6,984,746	486,299	-	7,471,045
Culture and leisure	5,943,563	282,197	1,467,424	830,000	2,579,621
Interest and fiscal charges	5,082,341	-	-	-	-
Total governmental activities	71,316,603	13,608,285	19,261,931	1,312,296	34,182,512
Business-type activities:					
Community development commission	2,181,928	2,334,863	-	-	2,334,863
Total business-type activities	2,181,928	2,334,863	-	-	2,334,863
Total primary government	\$ 73,498,531	15,943,148	19,261,931	1,312,296	36,517,375
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					
Total general revenues					
Extraordinary gain (loss) (Note 16)					
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	Totals	
		2012	2011
(4,431,168)	-	(4,431,168)	(3,830,674)
(24,429,072)	-	(24,429,072)	(27,178,828)
565,963	-	565,963	(3,031,278)
(1,268,907)	-	(1,268,907)	(4,544,992)
875,376	-	875,376	1,099,776
(3,363,942)	-	(3,363,942)	(5,342,515)
(5,082,341)	-	(5,082,341)	(4,091,247)
<u>(37,134,091)</u>	<u>-</u>	<u>(37,134,091)</u>	<u>(46,919,758)</u>
-	152,935	152,935	(104,967)
-	152,935	152,935	(104,967)
<u>(37,134,091)</u>	<u>152,935</u>	<u>(36,981,156)</u>	<u>(47,024,725)</u>
11,373,533	-	11,373,533	14,184,279
22,864,669	-	22,864,669	21,731,925
1,852,996	-	1,852,996	1,949,759
4,962,804	-	4,962,804	5,219,884
887,820	-	887,820	838,255
41,941,822	-	41,941,822	43,924,102
297,882	3,192	301,074	377,557
23,811	-	23,811	365,734
<u>42,263,515</u>	<u>3,192</u>	<u>42,266,707</u>	<u>44,667,393</u>
10,626,679	-	10,626,679	-
15,756,103	156,127	15,912,230	(2,357,332)
<u>152,112,473</u>	<u>6,571,076</u>	<u>158,683,549</u>	<u>159,342,881</u>
<u>\$ 167,868,576</u>	<u>6,727,203</u>	<u>174,595,779</u>	<u>156,985,549</u>

CITY OF NATIONAL CITY
Balance Sheet
Governmental Funds
June 30, 2012
(with comparative information for the prior year)

	Special Revenue Funds			
	General Fund	Housing Fund	Section 8 Housing Assistance	Other Special Revenue
<u>ASSETS</u>				
Cash and investments	\$ 15,486,687	200,194	1,083,113	8,595,722
Restricted cash and investments with fiscal agents	-		-	-
Accounts receivable	1,075,638	-	59,276	368,734
Property tax receivable	-	-	-	-
Interest receivable	12,741	-	-	805
Due from other funds (note 3)	1,616,661	-	-	-
Due from other governmental entities	3,582,947	-	-	607,981
Land held for resale	-	1,245,000	-	-
Contracts, notes and loans receivable	-	7,752,304	-	-
Advances to successor agency	-	-	-	-
Advances to other funds (note 3)	-	-	-	453,810
Total assets	<u>\$ 21,774,674</u>	<u>9,197,498</u>	<u>1,142,389</u>	<u>10,027,052</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,024,524	-	46,668	204,011
Salaries payable	1,418,559	-	21,583	63,648
Due to other funds (note 3)	-	-	-	716,584
Deposits payable	130,843	-	-	91,621
Deferred revenue	830,000	1,754,694	-	38,744
Advances from other funds (note 3)	453,810	-	-	-
Total liabilities	<u>3,857,736</u>	<u>1,754,694</u>	<u>68,251</u>	<u>1,114,608</u>
Fund balances (deficit):				
Spendable:				
Restricted for:				
Debt service	-	-	-	-
Community development	-	-	-	649,685
Public safety	-	-	-	536,673
Transportation	-	-	-	-
General services	-	-	-	7,726,086
Housing	-	6,424,182	1,074,138	-
Total restricted	<u>-</u>	<u>6,424,182</u>	<u>1,074,138</u>	<u>8,912,444</u>
Committed for:				
Debt service	1,435,557	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
General services	235,700	-	-	-
Community development	-	-	-	-
Total committed	<u>1,671,257</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned for:				
Accrued employment benefits	3,380,918	-	-	-
Post-employment benefits	1,791,950	-	-	-
Transportation	363,829	-	-	-
Total assigned	<u>5,536,697</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (Note 14)	10,708,984	1,018,622	-	-
Total fund balances	<u>17,916,938</u>	<u>7,442,804</u>	<u>1,074,138</u>	<u>8,912,444</u>
Total liabilities and fund balances	<u>\$ 21,774,674</u>	<u>9,197,498</u>	<u>1,142,389</u>	<u>10,027,052</u>

See accompanying notes to the basic financial statements.

Special Revenue Funds		Debt Service	Capital Project	Other	Totals	
Sewer Service	Low and Moderate Income Housing Program	Community Development Commission	Funds Redevelopment Fund	Governmental Funds	2012	2011
15,689,925	-	-	-	11,135,860	52,191,501	58,387,171
-	-	-	-	815,302	815,302	41,985,238
8,783	-	-	-	84,540	1,596,971	1,012,809
-	-	-	-	-	-	194,122
5,602	-	-	-	4,611	23,759	105,133
-	-	-	-	-	1,616,661	701,701
1,347	-	-	-	633,389	4,825,664	4,622,851
-	-	-	-	-	1,245,000	9,392,509
-	-	-	-	718,962	8,471,266	9,391,187
411,216	-	-	-	-	411,216	-
760,034	-	-	-	-	1,213,844	2,009,605
<u>16,876,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,392,664</u>	<u>72,411,184</u>	<u>127,802,326</u>
321,860	-	-	-	238,411	1,835,474	3,265,430
11,696	-	-	-	114,323	1,629,809	1,094,654
-	-	-	-	900,077	1,616,661	701,701
-	-	-	-	-	222,464	347,630
-	-	-	-	5,987	2,629,425	1,772,115
-	-	-	-	760,034	1,213,844	2,009,605
<u>333,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,018,832</u>	<u>9,147,677</u>	<u>9,191,135</u>
-	-	-	-	860,482	860,482	9,439,300
-	-	-	-	3,778,080	4,427,765	48,934,455
-	-	-	-	391,143	927,816	1,102,269
-	-	-	-	3,894,025	3,894,025	2,528,143
16,543,351	-	-	-	816,594	25,086,031	24,004,909
-	-	-	-	-	7,498,320	17,576,722
<u>16,543,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,740,324</u>	<u>42,694,439</u>	<u>103,585,798</u>
-	-	-	-	-	1,435,557	1,435,557
-	-	-	-	-	-	45,875
-	-	-	-	-	-	160,982
-	-	-	-	139,585	375,285	167,651
-	-	-	-	2,027,213	2,027,213	1,863,788
-	-	-	-	2,166,798	3,838,055	3,673,853
-	-	-	-	-	3,380,918	2,679,900
-	-	-	-	-	1,791,950	1,707,000
-	-	-	-	-	363,829	442,900
-	-	-	-	-	5,536,697	4,829,800
-	-	-	-	(533,290)	11,194,316	6,521,740
<u>16,543,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,373,832</u>	<u>63,263,507</u>	<u>118,611,191</u>
<u>16,876,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,392,664</u>	<u>72,411,184</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, 2012

Fund balances of governmental funds \$ 63,263,507

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	188,913,594
- Accumulated depreciation	(78,942,863)

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. (128,338)

Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in funds. 2,629,425

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. 8,733,663

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. (16,600,412)

Net assets of governmental activities \$ 167,868,576

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, 2012
(with comparative information for the prior year)

	Special Revenue Funds			
	General Fund	Housing Fund	Section 8 Housing Assistance	Other Special Revenue
Revenues:				
Taxes	\$ 33,271,365	-	-	-
Licenses and permits	832,452	-	-	5,080
Fines and forfeitures	1,728,209	-	-	47,926
Interest and rents	321,552	12,084	-	25,678
Intergovernmental	569,757	-	9,127,655	3,228,642
Charges for services	684,901	-	-	923,619
Other revenues	828,976	-	-	530,132
Total revenues	<u>38,237,212</u>	<u>12,084</u>	<u>9,127,655</u>	<u>4,761,077</u>
Expenditures:				
Current:				
General government	3,948,168	-	-	1,352,758
Public safety	26,409,564	-	-	2,015,771
Transportation	1,444,443	-	-	3,848
Community development	-	-	9,525,592	330,778
Health	-	-	-	112,696
Culture and leisure	1,809,761	-	-	985,741
Capital outlay	493,075	-	-	63,901
Debt service:				
Principal	237,823	-	-	-
Interest and fiscal charges	45,350	-	-	-
Cost of issuance	-	-	-	-
Total expenditures	<u>34,388,184</u>	<u>-</u>	<u>9,525,592</u>	<u>4,865,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,849,028</u>	<u>12,084</u>	<u>(397,937)</u>	<u>(104,416)</u>
Other financing sources (uses):				
Payment to bond escrow agent	-	-	-	-
Issuance of long-term debt	-	-	-	-
Transfers in (note 3)	1,219,482	-	-	-
Transfers out (note 3)	(712,421)	-	-	(50,000)
Total other financing sources (uses)	<u>507,061</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Extraordinary gain (loss) (note 16)	-	6,675,720	-	-
Net change in fund balances	4,356,089	6,687,804	(397,937)	(154,416)
Fund balances, beginning of year, as restated (note 12)	<u>13,560,849</u>	<u>755,000</u>	<u>1,472,075</u>	<u>9,066,860</u>
Fund balances, end of year	<u>\$ 17,916,938</u>	<u>7,442,804</u>	<u>1,074,138</u>	<u>8,912,444</u>

See accompanying notes to the basic financial statements.

Special Revenue Funds		Debt	Capital		Totals	
Sewer	Low and	Service	Project	Other	2012	2011
Service	Moderate Income	Redevelopment	Redevelopment	Governmental		
	Housing Program	Fund	Fund	Funds		
-	1,513,667	6,054,668	-	1,957,541	42,797,241	46,981,938
-	-	-	-	-	837,532	772,326
-	-	-	-	96,984	1,873,119	1,574,031
91,429	89,646	43,058	62,742	74,112	720,301	971,728
-	-	-	1,914	6,499,252	19,427,220	17,498,972
6,824,091	-	-	-	49,925	8,482,536	9,161,970
9,822	-	-	15	656,917	2,025,862	2,166,456
<u>6,925,342</u>	<u>1,603,313</u>	<u>6,097,726</u>	<u>64,671</u>	<u>9,334,731</u>	<u>76,163,811</u>	<u>79,127,421</u>
97,976	-	-	-	251,832	5,650,734	6,595,278
-	-	-	-	33,424	28,458,759	27,631,707
-	-	-	-	219,146	1,667,437	1,945,357
-	71,841	362,029	1,285,667	2,081,674	13,657,581	17,752,422
6,902,782	-	-	-	-	7,015,478	6,842,236
-	-	-	-	2,343,324	5,138,826	5,127,204
-	199,135	-	1,129,520	954,266	2,839,897	6,468,842
-	-	3,475,000	-	835,000	4,547,823	3,327,360
-	-	3,905,476	11,250	598,789	4,560,865	2,456,640
-	-	-	-	-	-	1,495,527
<u>7,000,758</u>	<u>270,976</u>	<u>7,742,505</u>	<u>2,426,437</u>	<u>7,317,455</u>	<u>73,537,400</u>	<u>79,642,573</u>
<u>(75,416)</u>	<u>1,332,337</u>	<u>(1,644,779)</u>	<u>(2,361,766)</u>	<u>2,017,276</u>	<u>2,626,411</u>	<u>(515,152)</u>
-	-	-	-	-	-	(3,115,000)
-	-	-	-	-	-	42,775,000
-	-	2,033,667	1,800,000	1,964,278	7,017,427	16,870,308
-	(2,033,667)	(1,800,000)	-	(2,142,450)	(6,738,538)	(16,196,104)
-	(2,033,667)	233,667	1,800,000	(178,172)	278,889	40,334,204
-	(15,443,317)	(7,249,655)	(43,933,732)	-	(59,950,984)	-
(75,416)	(16,144,647)	(8,660,767)	(44,495,498)	1,839,104	(57,045,684)	39,819,052
<u>16,618,767</u>	<u>16,144,647</u>	<u>8,660,767</u>	<u>44,495,498</u>	<u>9,534,728</u>	<u>120,309,191</u>	<u>78,792,139</u>
<u>16,543,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,373,832</u>	<u>63,263,507</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, 2012

Changes in fund balances of governmental funds	\$ (57,045,684)
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.	(1,466,161)
Adjustment to extraordinary gain(loss) associated with the dissolution of the redevelopment agency to account for differences between modified-accrual basis of accounting.	70,577,663
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.	4,547,823
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.	(416,910)
To record as an expense the net change in compensated absences in the statement of activities.	(1,908,105)
To record as an expense the net change in other post employment benefits liability in the statement of activities.	(20,381)
Revenues in the government-wide statement of activities that did not provide current financial resources were not reported as revenues in the governmental funds.	941,336
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>546,522</u>
Change in net assets of governmental activities	<u>\$ 15,756,103</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Net Assets
Proprietary Funds
June 30, 2012
(with comparative information for the prior year)

	Enterprise Funds				Governmental Activities Internal Service Funds	
	Kimball	Morgan	Totals		2012	2011
	Towers	Towers	2012	2011		
ASSETS						
Current assets:						
Cash and investments	\$ 93,981	80,678	174,659	15,591	14,126,835	13,688,707
Restricted cash and investments with fiscal agents	1,217,837	618,336	1,836,173	1,738,710	38,326	45,764
Accounts receivable	341	728	1,069	-	12,152	72,231
Inventories	-	-	-	-	9,345	11,128
Prepaid items and deposits	80,984	80,008	160,992	132,638	-	43,101
Total current assets	<u>1,393,143</u>	<u>779,750</u>	<u>2,172,893</u>	<u>1,886,939</u>	<u>14,186,658</u>	<u>13,860,931</u>
Noncurrent assets:						
Capital assets						
Nondepreciable assets	315,814	212,568	528,382	528,382	-	1,644,621
Depreciable assets, net of accumulated depreciation	4,191,214	2,083,172	6,274,386	6,687,958	3,055,978	1,178,976
Total capital assets, net	<u>4,507,028</u>	<u>2,295,740</u>	<u>6,802,768</u>	<u>7,216,340</u>	<u>3,055,978</u>	<u>2,823,597</u>
Total noncurrent assets	<u>4,507,028</u>	<u>2,295,740</u>	<u>6,802,768</u>	<u>7,216,340</u>	<u>3,055,978</u>	<u>2,823,597</u>
Total assets	<u>5,900,171</u>	<u>3,075,490</u>	<u>8,975,661</u>	<u>9,103,279</u>	<u>17,242,636</u>	<u>16,684,528</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	47,269	53,383	100,652	165,396	409,906	461,201
Salaries payable	-	-	-	-	53,433	52,943
Capital leases payable - due within one year	-	-	-	-	88,203	88,203
Compensated absences - due within one year	-	-	-	-	139,795	135,464
Note payable - due within one year	-	233,123	233,123	218,492	-	-
Self-insurance claims payable - due within one year	-	-	-	-	1,581,396	1,578,371
Total current liabilities	<u>47,269</u>	<u>286,506</u>	<u>333,775</u>	<u>383,888</u>	<u>2,272,733</u>	<u>2,316,182</u>
Noncurrent liabilities:						
Tenant security deposit liability	45,697	43,716	89,413	89,922	-	-
Capital leases payable - due in more than one year	-	-	-	-	1,534,636	1,645,576
Note payable - due in more than one year	-	1,825,270	1,825,270	2,058,393	-	-
Self-insurance claims payable - due in more than one year	-	-	-	-	4,701,604	4,535,629
Total noncurrent liabilities	<u>45,697</u>	<u>1,868,986</u>	<u>1,914,683</u>	<u>2,148,315</u>	<u>6,236,240</u>	<u>6,181,205</u>
Total liabilities	<u>92,966</u>	<u>2,155,492</u>	<u>2,248,458</u>	<u>2,532,203</u>	<u>8,508,973</u>	<u>8,497,387</u>
NET ASSETS						
Invested in capital assets, net of related debt	4,507,028	237,347	4,744,375	4,939,455	3,055,978	2,823,597
Unrestricted	1,300,177	682,651	1,982,828	1,631,621	5,677,685	5,363,544
Total net assets	<u>\$ 5,807,205</u>	<u>919,998</u>	<u>6,727,203</u>	<u>6,571,076</u>	<u>8,733,663</u>	<u>8,187,141</u>

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, 2012
(with comparative information for the prior year)

	Enterprise Funds				Governmental Activities	
	Kimball	Morgan	Totals		Internal Service Funds	
	Towers	Towers	2012	2011	2012	2011
Operating revenues:						
Rental income	\$ 1,079,989	1,238,430	2,318,419	2,193,364	-	-
Service charges	-	-	-	-	9,572,523	8,997,696
Other revenues	7,288	9,156	16,444	14,680	33,247	115,008
Total operating revenues	<u>1,087,277</u>	<u>1,247,586</u>	<u>2,334,863</u>	<u>2,208,044</u>	<u>9,605,770</u>	<u>9,112,704</u>
Operating expenses:						
Personnel services	170,720	164,736	335,456	346,280	1,923,568	1,978,193
Maintenance and operations	688,489	580,903	1,269,392	1,386,028	6,861,315	7,007,307
Depreciation	187,353	226,219	413,572	413,569	390,471	279,082
Total operating expenses	<u>1,046,562</u>	<u>971,858</u>	<u>2,018,420</u>	<u>2,145,877</u>	<u>9,175,354</u>	<u>9,264,582</u>
Operating income (loss)	<u>40,715</u>	<u>275,728</u>	<u>316,443</u>	<u>62,167</u>	<u>430,416</u>	<u>(151,878)</u>
Nonoperating revenues (expenses):						
Interest income	2,802	390	3,192	3,404	13	220
Interest expense	-	(163,508)	(163,508)	(167,134)	(104,566)	(86,880)
Capital contributions	-	-	-	-	499,548	-
Total nonoperating revenues (expenses)	<u>2,802</u>	<u>(163,118)</u>	<u>(160,316)</u>	<u>(163,730)</u>	<u>394,995</u>	<u>(86,660)</u>
Income (loss) before transfers	<u>43,517</u>	<u>112,610</u>	<u>156,127</u>	<u>(101,563)</u>	<u>825,411</u>	<u>(238,538)</u>
Transfers in (note 3)	-	-	-	-	181,915	4,211
Transfers out (note 3)	-	-	-	-	(460,804)	(678,415)
Change in net assets	<u>43,517</u>	<u>112,610</u>	<u>156,127</u>	<u>(101,563)</u>	<u>546,522</u>	<u>(912,742)</u>
Net assets at beginning of year	<u>5,763,688</u>	<u>807,388</u>	<u>6,571,076</u>	<u>6,672,639</u>	<u>8,187,141</u>	<u>9,099,883</u>
Net assets, end of year	<u>\$ 5,807,205</u>	<u>919,998</u>	<u>6,727,203</u>	<u>6,571,076</u>	<u>8,733,663</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, 2012
(with comparative information for the prior year)

	Enterprise Funds				Governmental Activities	
	Kimball	Morgan	Totals		Internal Service Funds	
	Towers	Towers	2012	2011	2012	2011
Cash flows from operating activities:						
Cash received from customers/other funds	\$ 1,080,465	1,237,702	2,318,167	2,203,756	9,643,731	8,999,747
Cash payments to suppliers	(916,550)	(628,780)	(1,545,330)	(1,652,617)	(6,738,616)	(6,737,079)
Cash payments for general and administrative	-	(164,736)	(164,736)	(246,238)	(1,918,747)	(2,020,201)
Cash received from (payments to) other	7,288	9,156	16,444	14,680	62,009	115,008
Net cash provided (used by) operating activities	<u>171,203</u>	<u>453,342</u>	<u>624,545</u>	<u>319,581</u>	<u>1,048,377</u>	<u>357,475</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	-	-	-	181,915	4,211
Cash paid to other funds	-	-	-	-	(460,804)	(678,415)
Net cash provided (used by) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(278,889)</u>	<u>(674,204)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	-	(123,305)	(1,245,445)
Payment on lease payable	-	-	-	-	(110,940)	(21,381)
Principal payments of note payable	-	(218,492)	(218,492)	(204,777)	-	-
Interest paid	-	(152,714)	(152,714)	(166,434)	(104,566)	(86,880)
Net cash provided (used by) capital and related financing activities	<u>-</u>	<u>(371,206)</u>	<u>(371,206)</u>	<u>(371,211)</u>	<u>(338,811)</u>	<u>(1,353,706)</u>
Cash flows from investing activities:						
Interest income	2,802	390	3,192	3,404	13	220
Net cash provided (used by) investing activities	<u>2,802</u>	<u>390</u>	<u>3,192</u>	<u>3,404</u>	<u>13</u>	<u>220</u>
Net increase (decrease) in cash and cash equivalents	174,005	82,526	256,531	(48,226)	430,690	(1,670,215)
Cash and equivalents, beginning of year	<u>1,137,813</u>	<u>616,488</u>	<u>1,754,301</u>	<u>1,802,527</u>	<u>13,734,471</u>	<u>15,404,686</u>
Cash and equivalents, end of year	<u>\$ 1,311,818</u>	<u>699,014</u>	<u>2,010,832</u>	<u>1,754,301</u>	<u>14,165,161</u>	<u>13,734,471</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 40,715	275,728	316,443	62,167	430,416	(151,878)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	187,353	226,219	413,572	413,569	390,471	279,082
Changes in current assets and liabilities:						
Accounts receivable	(341)	(728)	(1,069)	1,190	60,079	2,051
Inventories	-	-	-	-	1,783	3,521
Prepaid items and deposits	(29,296)	(386)	(29,682)	24,621	43,101	(43,101)
Accounts payable and accrued liabilities	(27,228)	(47,491)	(74,719)	(181,966)	(51,295)	79,810
Salaries payable	-	-	-	-	490	1,087
Compensated absences	-	-	-	-	4,332	(43,097)
Self-insurance claims payable	-	-	-	-	169,000	230,000
Total adjustments	<u>130,488</u>	<u>177,614</u>	<u>308,102</u>	<u>257,414</u>	<u>617,961</u>	<u>509,353</u>
Net cash provided (used) by operating activities	<u>\$ 171,203</u>	<u>453,342</u>	<u>624,545</u>	<u>319,581</u>	<u>1,048,377</u>	<u>357,475</u>

There were no noncash financing or investing activities for the year ended June 30, 2012

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(with comparative information for the prior year)

	Private- Purpose Trust Funds	Agency Funds	Total Fiduciary Funds	
			2012	2011
<u>ASSETS</u>				
Current assets:				
Cash and investments (note 2)	\$ 46,111,899	911,096	47,022,995	1,013,344
Cash and investments with fiscal agent (note 2)	6,957,040	-	6,957,040	83
Property tax receivable	8,167	-	8,167	-
Interest receivable	5,877	-	5,877	-
Due from other governments	2,796	-	2,796	-
Non-current assets:				
Contracts, notes, and loans receivable (note 4)	737,026	-	737,026	-
Land held for resale	10,600,509	-	10,600,509	-
Capital assets, net of accumulated depreciation (note 5)	2,468,334	-	2,468,334	-
Total assets	<u>66,891,648</u>	<u>911,096</u>	<u>67,802,744</u>	<u>1,013,427</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 594,892	-	594,892	22,942
Salaries payable	40,313	-	40,313	-
Due to other governments	4,272,833	-	4,272,833	-
Deposits payable	25,000	-	25,000	940,734
Interest payable	1,903,357	-	1,903,357	-
Long-term liabilities (note 7):				
Due within one year	3,955,000	-	3,955,000	-
Due in more than one year	67,571,216	911,096	68,482,312	-
Total liabilities	<u>78,362,611</u>	<u>911,096</u>	<u>79,273,707</u>	<u>963,676</u>
<u>NET ASSETS</u>				
Held in trust for private purposes	<u>\$ (11,470,963)</u>	<u>-</u>	<u>(11,470,963)</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

For the Year Ended June 30, 2012

	<u>Private-Purpose Trust Funds</u>	
	<u>2012</u>	<u>2011</u>
Additions:		
Taxes	\$ 4,576,072	-
Interest and rents	53,538	282
Intergovernmental	249	-
Transfers from other trust funds	<u>150,164</u>	<u>-</u>
Total additions	<u>4,780,023</u>	<u>282</u>
Deductions:		
Community development	5,004,651	-
Capital outlay	1,274,243	-
Transfers to other trust funds	<u>150,164</u>	<u>-</u>
Total deductions	<u>6,429,058</u>	<u>-</u>
Total additions less deductions	(1,649,035)	282
Extraordinary gain (loss) (note 16)	<u>(9,871,679)</u>	<u>-</u>
Net increase (decrease)	(11,520,714)	282
Net assets, beginning of year	<u>49,751</u>	<u>49,469</u>
Net assets, end of year	<u>\$ (11,470,963)</u>	<u>49,751</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, 2012

(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. As described in more detail at Note 15, the Community Development Commission was dissolved on February 1, 2012 as a result of legislation. There are no separate financial statements available.

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 does not follow FASB Statements and Interpretations issued after November 30, 1989.

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.

Housing fund

This fund is used to account for activities of housing assistance and assistance to low income families.

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.

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, unless they conflict with GASB pronouncements.

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 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 funds and agency funds. The private-purpose trust funds are used to account for resources legally held in trust for the Successor Agency to the Community Development Commission of the City of National City. The private purpose trust funds are accounted for using the accrual basis of accounting. 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, 2012 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

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 to constitute a formal action of City Council for the purposes of establishing committed fund balance.

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.

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

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

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.

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.

CITY OF NATIONAL CITY
Notes to the Basic Financial Statements

(Continued)

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

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.

R. Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's prior year financial statements, from which this selected financial data was derived.

(2) Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 66,492,995
Restricted cash and investments with fiscal agents	2,689,801
Statement of Fiduciary Net Assets:	
Cash and investments	47,022,995
Restricted cash and investments with fiscal agents	<u>6,957,040</u>
Total cash and investments	<u>\$ 123,162,831</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 3,295
Deposits with financial institutions	51,397,111
Investments	<u>71,762,425</u>
Total cash and investments	<u>\$ 123,162,831</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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
U.S. Agency Securities	\$ 17,110,787	6,768,732	4,196,273	6,145,782
U.S. Treasury Securities	4,422,482	2,035,992	1,001,199	1,385,291
Certificates of Deposit-CDARS	2,000,000	2,000,000	-	-
Local Agency Investment Fund	35,418,487	35,418,487	-	-
County of San Diego Pool	5,000,000	5,000,000	-	-
Held by Fiscal Agent:				
U.S. Agency Securities	4,205,454	-	-	4,205,454
Medium Term Note	2,344,000	2,344,000	-	-
Money Market Funds	<u>1,261,215</u>	<u>1,261,215</u>	<u>-</u>	<u>-</u>
Total	<u>\$71,762,425</u>	<u>54,828,426</u>	<u>5,197,472</u>	<u>11,736,527</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.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>AA+ to A</u>	<u>Not Rated</u>
U.S. Agency Securities	\$ 17,110,787	N/A	-	17,110,787	-
U.S. Treasury Securities	4,422,482	N/A	4,422,482	-	-
Certificates of Deposit-CDARS	2,000,000	N/A	-	-	2,000,000
Local Agency Investment Fund	35,418,487	N/A	-	-	35,418,487
County of San Diego Pool	5,000,000	N/A	-	-	5,000,000
Held by Fiscal Agent:					
U.S. Agency Securities	4,205,454	N/A	-	4,205,454	-
Medium Term Note	2,344,000	N/A	-	2,344,000	-
Money Market Funds	<u>1,261,215</u>	N/A	<u>-</u>	<u>-</u>	<u>1,261,215</u>
Total	<u>\$71,762,425</u>		<u>4,422,482</u>	<u>23,660,241</u>	<u>43,679,702</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.

Investment in County Investment Pool

The City also participates in the San Diego County Treasurer's Pooled Money Fund which is administered by the Treasurer-Tax Collector's Office. The fair value of Commission's investment in the pool is reported at amounts based upon the City's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). Earnings realized on investments based on amortized cost are distributed to Investment Pool participants. Earnings realized on

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments. (Continued)

investments based on amortized cost are distributed to Investment Pool participants. Section 27013 of the California Government Code authorizes the Treasurer's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Investment Pool participants quarterly, based on the participants' average daily balances. The County's annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 162, San Diego, California, 92101 and can also be accessed at [http:// www.sdtreastax.com](http://www.sdtreastax.com).

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	\$ 375,593
Residual receipts reserve	227,973
MIP and insurance impounds reserve	<u>14,770</u>
Total Morgan Towers	<u>618,336</u>
Kimball Towers:	
Residual receipts reserve	307,440
Other	<u>910,397</u>
Total Kimball Towers	<u>1,217,837</u>
Total restricted cash and investments	<u>\$1,836,173</u>

Morgan Towers

- Reserve for replacements of \$375,593 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 \$227,973 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 \$8,757 and \$6,013, respectively, totaling \$14,770, which represents amounts held for the future payment of property and mortgage insurance.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Kimball Towers

- Residual receipts reserve of \$307,440 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 \$910,397 are included in the accompanying basic financial statements.

(3) Interfund Transactions

Due To/From Other Funds

Interfund balances are primarily related to short-term borrowings to cover deficit cash balances. Interfund receivable and payable balances at June 30, 2012 are as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Other Special Revenue	\$ 716,584
General Fund	Nonmajor Other Governmental	<u>900,077</u>
		<u>\$1,616,661</u>

Interfund Transfers

For the year ended June 30, 2012, interfund transfers were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	50,000 (a)
General Fund	Other Governmental Funds	890,593 (b)
General Fund	Internal Service Funds	<u>278,889 (c)</u>
Total General Fund		<u>1,219,482</u>
RDA Debt Service Fund	Low and Moderate Income Housing Program Fund	<u>2,033,667 (d)</u>
RDA Capital Project Fund	RDA Debt Service Fund	<u>1,800,000 (e)</u>
Other Governmental Funds	General Fund	712,421 (f)
Other Governmental Funds	Other Governmental Funds	<u>1,251,857 (g)</u>
Total RDA Capital Project Fund		<u>1,964,278</u>
Internal Service Funds	Internal Service Funds	<u>181,915 (h)</u>
Total		<u>\$7,199,342</u>

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

(3) Interfund Transactions. (Continued)

Transfers were made (a) to cover the costs of inspection and other related development services; (b) to reimburse the General Fund for street related expenditures, to reimburse the General Fund for various literacy and community service programs (c) to subsidize various General Fund programs and services, the fund the purchase of a replacement police car and to transfer insurance proceeds to cover the purchase of replacement of police car; (d) to reimburse the Debt Service Fund for debt service payments; (e) to fund operations and capital projects; (f) to subsidize library, park and maintenance operations, to subsidize nutrition program for seniors, to reimburse funds for street related projects, expenditure reimbursement and close out funds; (g) to reimburse expenditures and close out funds and transfer program income; (h) to consolidate funds, cover expenses for repairs and purchase of hybrid vehicles.

Interfund Advances

Long-term interfund receivables and payables as of June 30, 2012 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Service Fund	Nonmajor Other Governmental Funds	\$ 760,034 (a)
Other Special Revenue Fund	General Fund	<u>453,810 (b)</u>
		<u>\$1,213,844</u>

(a) To borrow funding for 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 and matures June 30, 2015.

(b) 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 and matures June 30, 2019.

Advances to Successor Agency

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Service Fund	Successor Agency	\$ 411,216

To borrow funding for 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 and matures June 30, 2015.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(4) Contracts, Notes and Loans Receivable

As of June 30, 2012, the Contracts, Notes and Loans Receivable consisted of the following:

Primary Government:

Copper Hills Apartments, LP	\$ 7,817,352
Plaza Manor	502,313
Miles of Cars	<u>124,601</u>
Total	<u>\$ 8,444,266</u>

Successor Agency:

Copper Hills Apartments, LP	\$ 83,123
Miles of Cars	<u>653,903</u>
Total	<u>\$ 737,026</u>

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%).

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.

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, 2012, an allowance has been established for the entire amount of the note outstanding as collection of this note is not expected at this time.

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.

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, 2012:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Deletions*</u>	<u>Balance at June 30, 2012</u>
Governmental-type activities:				
Depreciable:				
Buildings and improvements	\$ 44,343,967	2,151,619	(2,450,000)	44,045,586
Machinery and equipment	14,933,425	422,186	(101,622)	15,253,989
Infrastructure	<u>113,350,804</u>	<u>76,190</u>	<u>(6,614)</u>	<u>113,420,380</u>
Total cost of depreciable capital assets	<u>172,628,196</u>	<u>2,649,995</u>	<u>(2,558,236)</u>	<u>172,719,955</u>
Less accumulated depreciation:				
Buildings and improvements	(18,533,361)	(1,642,759)	1,997,639	(18,178,481)
Machinery and equipment	(10,276,484)	(675,433)	81,163	(10,870,754)
Infrastructure	<u>(53,477,806)</u>	<u>(2,337,335)</u>	<u>4,167</u>	<u>(55,810,974)</u>
Total accumulated depreciation	<u>(82,287,651)</u>	<u>(4,655,527)</u>	<u>2,082,969</u>	<u>(84,860,209)</u>
Net depreciable capital assets	90,340,545	(2,005,532)	(475,267)	87,859,746
Non-depreciable:				
Land	20,025,598	-	(2,050,000)	17,975,598
Rights of way	4,245,088	-	-	4,245,088
Construction in progress	<u>2,151,619</u>	<u>2,946,277</u>	<u>(2,151,619)</u>	<u>2,946,277</u>
Total non-depreciable capital assets	<u>26,422,305</u>	<u>2,946,277</u>	<u>(4,201,619)</u>	<u>25,166,963</u>
Capital assets, net	<u>\$116,762,850</u>	<u>940,745</u>	<u>(4,676,886)</u>	<u>113,026,709</u>

* On February 1, 2012 \$4,581,163 of capital assets and \$2,078,802 of accumulated depreciation were transferred to the Successor Agency of the former National City Redevelopment Agency. See footnote 15 for additional information.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets. (Continued)

Depreciation expense for governmental activities for the year ended June 30, 2012 of \$4,665,527 was allocated as follows:

General government	\$ 325,616
Community development	7,040
Culture and leisure	672,559
Public safety	1,021,921
Transportation	<u>2,638,391</u>

\$4,665,527

The following is a summary of changes in the capital assets for business-type activities at June 30, 2012:

	<u>Balance at July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2012</u>
Business-type activities:				
Depreciable:				
Buildings and improvements	\$ 15,684,584	-	-	15,654,171
Machinery and equipment	<u>462,153</u>	<u>-</u>	<u>-</u>	<u>492,568</u>
Total depreciable capital assets	16,146,737	-	-	16,146,739
Less accumulated depreciation				
Buildings and improvements	\$ (7,958,087)	(321,529)	(321,529)	15,654,171
Machinery and equipment	<u>(1,500,692)</u>	<u>(92,043)</u>	<u>-</u>	<u>(1,592,735)</u>
Total accumulated depreciation	<u>(9,458,779)</u>	<u>(413,572)</u>	<u>-</u>	<u>(9,872,351)</u>
Total depreciable assets, net	<u>6,687,958</u>	<u>(413,572)</u>	<u>-</u>	<u>6,274,386</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>\$ 7,216,340</u>	<u>(413,572)</u>	<u>-</u>	<u>6,802,768</u>

Depreciation expense for business-type activities for the year ended June 30, 2012 was allocated as follows:

Kimball Towers	\$ 187,353
Morgan Towers	<u>226,219</u>

Total depreciation expense \$413,572

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 the successor agency at June 30, 2012:

	<u>Balance at</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2012</u>
Business-type activities:				
Depreciable:				
Buildings and improvements	\$ -	2,450,000	-	2,450,000
Machinery and equipment	<u>-</u>	<u>81,163</u>	<u>-</u>	<u>81,163</u>
Total depreciable capital assets	-	2,531,163	-	2,531,163
Less accumulated depreciation				
Buildings and improvements	\$ -	2,031,666	-	2,031,666
Machinery and equipment	<u>-</u>	<u>81,163</u>	<u>-</u>	<u>81,163</u>
Total accumulated depreciation	-	2,112,829	-	2,112,829
Total depreciable assets, net	<u>-</u>	<u>418,334</u>	<u>-</u>	<u>418,334</u>
Non-depreciable assets:				
Land	<u>-</u>	<u>2,050,000</u>	<u>-</u>	<u>2,050,000</u>
Total non-depreciable capital assets	<u>-</u>	<u>2,050,000</u>	<u>-</u>	<u>2,050,000</u>
Capital assets, net	<u>\$ -</u>	<u>2,468,334</u>	<u>-</u>	<u>2,468,334</u>

(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.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(6) Risk Management (Continued)

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.

At June 30, 2012, the City accrued \$6,283,000 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, 2012 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 2011-12</u>	<u>Fiscal Year 2010-11</u>
Unpaid claims, July 1	\$ 6,114,000	5,884,000
Incurred claims and adjustments	1,581,396	1,061,409
Claims paid	<u>(1,412,396)</u>	<u>(831,409)</u>
Total	<u>\$ 6,283,000</u>	<u>6,114,000</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, 2012:

	Balance at Julv 1. 2011	Additions	Deletions*	Balance at June 30. 2012	Classification	
					Amount Due Within One Year	Amount Due Beyond One Year
Governmental Activities:						
Lease Revenue Refunding Bonds	\$ 3,115,000	-	(400,000)	2,715,000	415,000	2,300,000
1999 Tax Allocation Bonds	3,965,000	-	(3,965,000)	-	-	-
2004 Tax Allocation Bonds	4,345,000	-	(4,345,000)	-	-	-
2005 Series A and B Tax Allocation Bonds	26,620,000	-	(26,620,000)	-	-	-
2011 Tax Allocation Bonds	39,660,000	-	(39,660,000)	-	-	-
General Obligation Bonds	5,120,000	-	(175,000)	4,945,000	185,000	4,760,000
HUD 108 Bond 2003 A	<u>5,505,000</u>	<u>-</u>	<u>(260,000)</u>	<u>5,245,000</u>	<u>280,000</u>	<u>4,965,000</u>
Total Bonds	88,330,000	-	(75,425,000)	12,905,000	880,000	12,025,000
Claims Payable (Note 6)	6,114,000	1,581,396	(1,412,396)	6,283,000	1,581,396	4,701,604
Compensated Absences	2,815,344	3,595,326	(1,682,893)	4,727,777	1,683,000	3,044,777
Other Postemployment Benefits (Note 9)	105,229	128,176	(105,993)	127,412	-	127,412
Capitalized Lease Obligations	<u>2,416,722</u>	<u>-</u>	<u>(269,245)</u>	<u>2,147,477</u>	<u>88,203</u>	<u>2,059,274</u>
Total Governmental Activities	99,781,295	5,304,898	(78,895,527)	26,190,666	4,232,599	21,958,067
Business-type Activities:						
Note Payable	<u>2,276,885</u>	<u>-</u>	<u>(218,492)</u>	<u>2,058,393</u>	<u>233,123</u>	<u>1,825,270</u>
Total Primary Government	<u>\$102,058,180</u>	<u>5,304,898</u>	<u>(79,114,019)</u>	<u>28,249,059</u>	<u>4,465,722</u>	<u>23,783,337</u>

* On February 1, 2012 \$71,115,000 of liabilities of the former Redevelopment Agency of National City were transferred to the Successor Agency. See footnote 15.

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

(7) Long-Term Debt, (Continued)

Changes in long-term liabilities for the Successor Agency year ended June 30, 2012 are as follows:

	Balance at <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2012</u>	<u>Classification</u>	
					<u>Amount Due Within One Year</u>	<u>Amount Due Beyond One Year</u>
Successor Agency:						
1999 Tax Allocation Bonds	\$ -	3,835,000	-	3,835,000	135,000	3,700,000
2004 Tax Allocation Bonds	-	4,060,000	-	4,060,000	295,000	3,765,000
2005 Series A and B Tax Allocation Bonds	-	23,560,000	-	23,560,000	3,200,000	20,360,000
2011 Tax Allocation Bonds	\$ -	<u>39,660,000</u>	<u>-</u>	<u>39,660,000</u>	<u>325,000</u>	<u>39,335,000</u>
Total Bonds	<u>\$ -</u>	<u>71,115,000</u>	<u>-</u>	<u>71,115,000</u>	<u>3,955,000</u>	<u>67,160,000</u>

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>
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>\$2,715,000</u>	<u>252,225</u>	<u>2,967,225</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>
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>3,865,000</u>	<u>271,250</u>	<u>4,136,250</u>
Total	<u>\$39,660,000</u>	<u>38,482,500</u>	<u>78,142,500</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>
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>\$4,945,000</u>	<u>2,162,432</u>	<u>7,107,432</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>
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>\$5,245,000</u>	<u>1,981,264</u>	<u>7,226,264</u>

Capital Leases

A five year contract was entered into on March 16, 2012 for various energy efficient improvements, such as the installation of a new cooling town with variable speed fans (Civic Center), boiler replacement (Civic Center and Police Station), VFD (Police Station), and rooftop package unit replacement (Public Works, Police Station and MLK Community Center). Quarterly payments in arrears of principle and interest are \$43, 101. The final payment will be made in 2025. The balance at June 30, 2012 on this contract was \$1,645,577.

A ten year contract was entered into on December 15, 2004 for the purchase of an 800MHZ Regional Communication System to provide communication for law enforcement and public safety personnel. Annual payment of principal and interest are \$194,713. The balance at June 30, 2012 was \$459,591.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt. (Continued)

A ten year contract was entered into on March 24, 2006 for the purchase of a Caterpillar wheel loader. Annual payments of principal and interest are \$12,308. The balance at June 30, 2012 was \$42,309.

<u>Amount of future lease payments for the year ending June 30.</u>	<u>Honeywell Lease</u>	<u>800 MHz Radio System</u>	<u>CAT Loader Equipment</u>	<u>Total</u>
2013	\$172,405	194,713	12,308	379,426
2014	172,405	194,713	12,308	379,426
2015	172,404	97,135	12,308	281,847
2016	172,404	-	9,231	181,635
2017	172,404	-	-	172,404
2018	172,405	-	-	172,405
2019	172,404	-	-	172,404
2020	172,405	-	-	172,405
2021	172,404	-	-	172,404
2022	172,405	-	-	172,405
2023	172,404	-	-	172,404
2024	172,404	-	-	172,404
2025	<u>172,405</u>	<u>-</u>	<u>-</u>	<u>172,405</u>
Less amount representing interest	<u>(595,681)</u>	<u>(26,970)</u>	<u>(3,846)</u>	<u>(626,497)</u>
Present value of future lease payments	<u>\$1,645,577</u>	<u>459,591</u>	<u>42,309</u>	<u>2,147,477</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>
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>\$2,058,393</u>	<u>522,037</u>	<u>2,580,430</u>

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%.

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

(7) Long-Term Debt, (Continued)

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>
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>\$3,835,000</u>	<u>2,021,469</u>	<u>5,856,469</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>
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>\$4,060,000</u>	<u>2,866,355</u>	<u>6,926,355</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>
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>\$23,560,000</u>	<u>6,520,570</u>	<u>30,080,570</u>

Defeasance of Debt

As of June 30, 2012, the outstanding balance of defeased debt is 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, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 34.135% of payroll for the safety plan and 18.046% 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, 2012, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2011 to June 30, 2012.

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, 2009	June 30, 2009
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	31 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	3.55% 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.

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
6/30/09	\$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%
6/30/11	92,018,537	78,123,768	13,894,769	84.9%	9,549,659	145.5%

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
6/30/09	\$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%
6/30/11	139,578,104	106,058,122	33,519,982	76.0%	10,893,982	307.7%

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$3,461,800	1,871,038	100%	-0-
6/30/11	3,277,155	1,683,420	100%	-0-
6/30/12	4,233,722	2,313,089	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, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	252
Active plan members	<u>182</u>
Total	<u>434</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 2011-12, the City contributed \$92,070 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	\$128,176
Interest on net OPEB obligation	2,690
Adjustments to annual required contributions	<u>(2,690)</u>
Annual OPEB cost (expense)	128,176
Contributions made (including premiums paid)	<u>(105,993)</u>
Increase in net OPEB obligation	22,183
Net OPEB obligation-beginning of year	<u>105,229</u>
Net OPEB obligation-end of year	<u>\$127,412</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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>
6/30/10	\$110,954	83%	\$ 53,795
6/30/11	126,454	59%	\$105,229
6/30/12	105,993	83%	\$127,412

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2010, 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	\$6,054,668	4,310,000	71%

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, 2011:

	Low and Moderate Income Housing Program	Capital Project Redevelopment Fund	Housing Fund
Fund balance/Net assets-beginning of year, as previously reported	\$16,104,647	43,592,498	-
To adjust land held for resale for land not previously recorded	<u>40,000</u>	<u>903,000</u>	<u>755,000</u>
Fund balance/Net assets-beginning of year, as restated	<u>\$16,144,647</u>	<u>44,495,498</u>	<u>755,000</u>

(13) Accumulated Fund Deficits

The following funds had fund deficits at June 30, 2012:

STP/Local Transnet Highway Special Revenue Fund	\$(533,290)
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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.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(14) Fund Balance - Unassigned

To strengthen its ability to withstand unexpected financial emergencies such as may result from national 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 \$9 million of the unassigned fund balance for the General Fund Contingency Reserve.

(15) Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following fund:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Section 8	\$9,525,592	9,454,835	(70,757)
Home	1,960,634	973,166	(987,468)
Library Bond	399,881	399,500	(381)
Joint Powers Financing Authority	487,917	487,450	(467)

(16) Successor Agency Trust for Assets of Former Redevelopment Agency

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

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On August 13, 2011, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 6057.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(16) Successor Agency Trust for Assets of Former Redevelopment Agency (Continued)

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Prior to dissolution of the Redevelopment Agency on February 1, 2012, the final seven months of the activity of the redevelopment agency were reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City, pending the liquidation and distribution of the assets and liabilities of the former Redevelopment Agency to other taxing entities in accordance with state law.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The City entered into an agreement to borrow funding for 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 and matures June 30, 2015.

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

(16) Successor Agency Trust for Assets of Former Redevelopment Agency, (Continued)

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Funds	\$(59,950,984)
Capital assets recorded as an increase to net assets of the Successor Agency Trust Funds	(2,502,361)
Elimination of deferred revenue reported in the Successor Agency Trust Funds	(62,500)
Accrued bond interest reported as a decrease to net assets of the Successor Agency Trust Funds	2,027,524
Long-term debt reported as a decrease to net assets of the Successor Agency Trust Funds	<u>71,115,000</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City	<u>\$10,626,679</u>

As a part of the extraordinary items reflected in the accompanying financial statements, the Successor Agency Trust received \$6,545,720 in net assets associated with the low and moderate income housing program of the former redevelopment agency and remitted the same to the Housing Fund of the City that was established as a successor to the low and moderate income housing program of the former redevelopment agency.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NATIONAL CITY

Notes to Required Supplementary Information

For the Year Ended June 30, 2012

(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, 2012, 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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 31,060,129	31,060,129	33,271,365	2,211,236
Licenses and permits	525,747	525,747	832,452	306,705
Fines and forfeitures	1,327,709	1,327,709	1,728,209	400,500
Interest and rents	480,512	480,512	321,552	(158,960)
Intergovernmental	653,500	653,500	569,757	(83,743)
Charges for services	583,422	583,422	684,901	101,479
Other revenues	<u>1,506,325</u>	<u>1,506,325</u>	<u>828,976</u>	<u>(677,349)</u>
Total revenues	<u>36,137,344</u>	<u>36,137,344</u>	<u>38,237,212</u>	<u>2,099,868</u>
Expenditures:				
Current:				
General government	4,815,900	4,815,900	3,948,168	867,732
Public safety	28,509,970	28,509,970	26,409,564	2,100,406
Transportation	1,530,958	1,530,958	1,444,443	86,515
Culture and leisure	1,935,599	1,935,599	1,809,761	125,838
Capital outlay	1,542,364	1,542,364	493,075	1,049,289
Debt service:				
Principal	235,813	235,813	237,823	(2,010)
Interest and fiscal charges	<u>45,361</u>	<u>45,361</u>	<u>45,350</u>	<u>11</u>
Total expenditures	<u>38,615,965</u>	<u>38,615,965</u>	<u>34,388,184</u>	<u>4,227,781</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,478,621)</u>	<u>(2,478,621)</u>	<u>3,849,028</u>	<u>6,327,649</u>
Other financing sources (uses):				
Transfers in	1,186,082	1,186,082	1,219,482	33,400
Transfers out	<u>(1,430,884)</u>	<u>(1,430,884)</u>	<u>(712,421)</u>	<u>718,463</u>
Total other financing sources (uses)	<u>(244,802)</u>	<u>(244,802)</u>	<u>507,061</u>	<u>751,863</u>
Net change in fund balances	(2,723,423)	(2,723,423)	4,356,089	7,079,512
Fund balance, beginning of year	<u>13,560,849</u>	<u>13,560,849</u>	<u>13,560,849</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,837,426</u>	<u>10,837,426</u>	<u>17,916,938</u>	<u>7,079,512</u>

CITY OF NATIONAL CITY
Housing Fund

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

For the Year Ended June 30, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	12,084	12,084
Total revenues	-	-	12,084	12,084
Expenditures:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	12,084	12,084
Extraordinary gain (loss)	-	-	6,675,720	6,675,720
Net change in fund balances	-	-	6,687,804	12,084
Fund balance, beginning of year as restated	755,000	755,000	755,000	-
Fund balance, end of year	\$ 755,000	755,000	7,442,804	12,084

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, 2012

	<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	\$ 9,196,000	9,196,000	9,127,655	(68,345)
Total revenues	<u>9,196,000</u>	<u>9,196,000</u>	<u>9,127,655</u>	<u>(68,345)</u>
Expenditures:				
Current:				
Community development	9,454,835	9,454,835	9,525,592	(70,757)
Total expenditures	<u>9,454,835</u>	<u>9,454,835</u>	<u>9,525,592</u>	<u>(70,757)</u>
Net change in fund balances	(258,835)	(258,835)	(397,937)	(139,102)
Fund balance, beginning of year	<u>1,472,075</u>	<u>1,472,075</u>	<u>1,472,075</u>	-
Fund balance, end of year	<u>\$ 1,213,240</u>	<u>1,213,240</u>	<u>1,074,138</u>	<u>(139,102)</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Licenses and permits	\$ 4,000	4,000	5,080	1,080
Fines and forfeitures	59,000	59,000	47,926	(11,074)
Interest and rents	19,367	19,367	25,678	6,311
Intergovernmental	1,896,902	1,896,902	3,228,642	1,331,740
Charges for services	1,140,457	1,140,457	923,619	(216,838)
Other revenues	<u>518,400</u>	<u>518,400</u>	<u>530,132</u>	<u>11,732</u>
Total revenues	<u>3,638,126</u>	<u>3,638,126</u>	<u>4,761,077</u>	<u>1,122,951</u>
Expenditures:				
Current:				
General government	1,613,801	1,613,801	1,352,758	261,043
Public safety	3,516,406	3,516,406	2,015,771	1,500,635
Transportation	25,695	25,695	3,848	21,847
Community development	332,000	332,000	330,778	1,222
Health	119,028	119,028	112,696	6,332
Culture and leisure	1,225,778	1,225,778	985,741	240,037
Capital outlay	<u>3,106,842</u>	<u>3,106,842</u>	<u>63,901</u>	<u>3,042,941</u>
Total expenditures	<u>9,939,550</u>	<u>9,939,550</u>	<u>4,865,493</u>	<u>5,074,057</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,301,424)</u>	<u>(6,301,424)</u>	<u>(104,416)</u>	<u>6,197,008</u>
Other financing sources:				
Transfers in	-	-	-	-
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Net change in fund balances	(6,351,424)	(6,351,424)	(154,416)	6,197,008
Fund balance, beginning of year	<u>9,066,860</u>	<u>9,066,860</u>	<u>9,066,860</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,715,436</u>	<u>2,715,436</u>	<u>8,912,444</u>	<u>6,197,008</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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Interest and rents	\$ 114,146	114,146	91,429	(22,717)
Charges for services	7,117,910	7,117,910	6,824,091	(293,819)
Other revenues	205	205	9,822	9,617
Total revenues	7,232,261	7,232,261	6,925,342	(306,919)
Expenditures:				
Current:				
General government	97,894	97,894	97,976	(82)
Health	14,463,517	14,463,517	6,902,782	7,560,735
Total expenditures	14,561,411	14,561,411	7,000,758	7,560,653
Net change in fund balances	(7,329,150)	(7,329,150)	(75,416)	7,253,734
Fund balance, beginning of year	16,618,767	16,618,767	16,618,767	-
Fund balance, end of year	\$ 9,289,617	9,289,617	16,543,351	7,253,734

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, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,909,034	2,909,034	1,513,667	(1,395,367)
Interest and rents	<u>57,623</u>	<u>57,623</u>	<u>89,646</u>	<u>32,023</u>
Total revenues	<u>2,966,657</u>	<u>2,966,657</u>	<u>1,603,313</u>	<u>(1,363,344)</u>
Expenditures:				
Current:				
Community development	258,954	258,954	71,841	187,113
Capital outlay	<u>3,355,976</u>	<u>3,355,976</u>	<u>199,135</u>	<u>3,156,841</u>
Total expenditures	<u>3,614,930</u>	<u>3,614,930</u>	<u>270,976</u>	<u>3,343,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(648,273)</u>	<u>(648,273)</u>	<u>1,332,337</u>	<u>1,980,610</u>
Other financing sources (uses):				
Transfers out	<u>(2,033,667)</u>	<u>(2,033,667)</u>	<u>(2,033,667)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,033,667)</u>	<u>(2,033,667)</u>	<u>(2,033,667)</u>	<u>-</u>
Extraordinary gain (loss)	<u>-</u>	<u>-</u>	<u>(15,443,317)</u>	<u>(15,443,317)</u>
Net change in fund balances	(2,681,940)	(2,681,940)	(16,144,647)	(13,462,707)
Fund balance, beginning of year,	<u>16,144,647</u>	<u>16,144,647</u>	<u>16,144,647</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,462,707</u>	<u>13,462,707</u>	<u>-</u>	<u>(13,462,707)</u>

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.

Nutrition Fund

This fund is used for operations of the Nutrition grant.

NON-MAJOR GOVERNMENTAL FUNDS, (CONTINUED)

SPECIAL REVENUE FUNDS (continued):

Brownfield Grant

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

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.

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2012

	Special Revenue Funds					
	General Capital Outlay				Library Capital Outlay	Park and Recreation Capital Outlay
		Library	Parks Maintenance		Gas Tax	
ASSETS						
Cash and investments	\$ 1,011,697	-	-	994,516	1,649,876	548,083
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	402
Interest receivable	-	-	-	-	588	-
Due from other governmental entities	-	194,265	226,368	22,516	-	-
Contracts, notes and loans receivable	-	-	-	-	-	-
Total assets	\$ 1,011,697	194,265	226,368	1,017,032	1,650,464	548,485
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	3,668	11,529	1,516	31,448	-
Salaries payable	-	22,855	20,559	-	1,417	-
Due to other funds	-	91,114	140,658	-	-	-
Deferred revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	-	117,637	172,746	1,516	32,865	-
Fund balances:						
Spendable:						
Restricted for:						
Debt service	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Transportation	-	-	-	-	1,617,599	-
General services	-	76,628	53,622	-	-	548,485
Total restricted	-	76,628	53,622	-	1,617,599	548,485
Committed for:						
General services	-	-	-	-	-	-
Community development	1,011,697	-	-	1,015,516	-	-
Total committed	1,011,697	-	-	1,015,516	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	1,011,697	76,628	53,622	1,015,516	1,617,599	548,485
Total liabilities and fund balances	\$ 1,011,697	194,265	226,368	1,017,032	1,650,464	548,485

Special Revenue Funds						Debt Service	
Community Development Block Grant	HUD Program Income	HOME Program	Asset Forfeiture	Nutrition Program	Brownfield Grant	Joint Powers Financing Authority	Library Bonds
213	-	2,287,006	457,463	117,535	15,521	218	860,476
815,302	-	-	-	-	-	-	-
-	-	-	-	84,138	-	-	-
173	-	1,169	1,544	-	-	-	-
154,457	-	34,914	645	-	-	-	211
124,601	-	(160,199)	-	-	-	-	-
<u>1,094,746</u>	<u>-</u>	<u>2,162,890</u>	<u>459,652</u>	<u>201,673</u>	<u>15,521</u>	<u>218</u>	<u>860,687</u>
40,171	-	53,521	68,509	10,695	-	-	423
10,887	-	4,069	-	53,119	-	-	-
135,002	-	-	-	-	-	-	-
-	-	5,987	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>186,060</u>	<u>-</u>	<u>63,577</u>	<u>68,509</u>	<u>63,814</u>	<u>-</u>	<u>-</u>	<u>423</u>
-	-	-	-	-	-	218	860,264
908,686	-	2,099,313	-	-	15,521	-	-
-	-	-	391,143	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	137,859	-	-	-
<u>908,686</u>	<u>-</u>	<u>2,099,313</u>	<u>391,143</u>	<u>137,859</u>	<u>15,521</u>	<u>218</u>	<u>860,264</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>908,686</u>	<u>-</u>	<u>2,099,313</u>	<u>391,143</u>	<u>137,859</u>	<u>15,521</u>	<u>218</u>	<u>860,264</u>
<u>1,094,746</u>	<u>-</u>	<u>2,162,890</u>	<u>459,652</u>	<u>201,673</u>	<u>15,521</u>	<u>218</u>	<u>860,687</u>

(Continued)

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Balance Sheet, Continued

June 30, 2012

	Capital Projects Funds					Totals	
	Library Construction	STP Local/ TransNet	State- Local	Traffic Congestion			
	Bonds	Proposition A	Highway	Partnership	Relief	2012	2011
<u>ASSETS</u>							
Cash and investments	\$ 139,535	2,929,809	-	123,912	-	11,135,860	8,606,825
Restricted cash and investments with fiscal agent	-	-	-	-	-	815,302	1,100,685
Accounts receivable	-	-	-	-	-	84,540	65,444
Interest receivable	50	1,043	-	44	-	4,611	5,724
Due from other governmental entities	-	-	13	-	-	633,389	1,028,025
Contracts, notes and loans receivable	-	-	-	-	-	(35,598)	799,386
Total assets	\$ 139,585	2,930,852	13	123,956	-	12,638,104	11,606,089
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	16,931	-	-	-	238,411	401,394
Salaries payable	-	1,417	-	-	-	114,323	106,752
Due to other funds	-	-	533,303	-	-	900,077	701,701
Deferred revenue	-	-	-	-	-	5,987	101,480
Advances from other funds	-	760,034	-	-	-	760,034	760,034
Total liabilities	-	778,382	533,303	-	-	2,018,832	2,071,361
Fund balances:							
Spendable:							
Restricted for:							
Debt service	-	-	-	-	-	860,482	778,533
Community development	-	-	-	-	-	3,023,520	5,095,729
Public safety	-	-	-	-	-	391,143	444,821
Transportation	-	2,152,470	-	123,956	-	3,894,025	827,001
General services	-	-	-	-	-	816,594	702,991
Total restricted	-	2,152,470	-	123,956	-	8,985,764	7,849,075
Committed for:							
General services	139,585	-	-	-	-	139,585	359,917
Community development	-	-	-	-	-	2,027,213	1,863,788
Total committed	139,585	-	-	-	-	2,166,798	2,223,705
Unassigned	-	-	(533,290)	-	-	(533,290)	(538,052)
Total fund balances (deficits)	139,585	2,152,470	(533,290)	123,956	-	10,619,272	9,534,728
Total liabilities and fund balances	\$ 139,585	2,930,852	13	123,956	-	12,638,104	11,606,089

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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, 2012

	Special Revenue Funds					
	General Capital	Parks		Library Capital	Park and Recreation	
	Outlay	Library	Maintenance	Outlay	Gas Tax	Capital Outlay
Revenues:						
Taxes	\$ -	831,501	968,910	157,130	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rents	-	-	-	-	7,555	-
Intergovernmental	-	6,211	7,236	-	1,798,464	-
Charges for services	-	-	-	49,925	-	-
Other revenues	-	30,328	-	-	-	-
Total revenues	-	868,040	976,146	207,055	1,806,019	-
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Transportation	-	-	-	-	219,146	-
Community development	-	-	-	-	-	-
Culture and leisure	-	1,232,982	1,058,376	-	-	-
Capital outlay	-	-	-	43,630	-	58,619
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	1,232,982	1,058,376	43,630	219,146	58,619
Excess (deficiency) of revenues over (under) expenditures	-	(364,942)	(82,230)	163,425	1,586,873	(58,619)
Other financing sources (uses):						
Payment to bond escrow agent	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-
Transfers in	-	404,558	76,977	-	-	-
Transfers out	-	-	-	-	(700,000)	-
Total other financing sources (uses)	-	404,558	76,977	-	(700,000)	-
Net change in fund balances	-	39,616	(5,253)	163,425	886,873	(58,619)
Fund balances, beginning of year, as restated	1,011,697	37,012	58,875	852,091	730,726	607,104
Fund balances (deficits), end of year	\$ 1,011,697	76,628	53,622	1,015,516	1,617,599	548,485

Community Development Block Grant	Special Revenue Funds					Debt Service	
	HUD Program Income	HOME Program	Asset Forfeiture	Nutrition Program	Brownfield Grant	Joint Powers Financing Authority	Library Bonds
-	-	-	-	-	-	-	-
-	-	-	96,984	-	-	-	-
-	13,085	34,011	3,967	-	-	-	-
737,446	-	730,292	-	307,225	15,809	487,450	-
-	-	-	-	-	-	-	-
-	-	-	-	144,292	-	-	482,297
<u>737,446</u>	<u>13,085</u>	<u>764,303</u>	<u>100,951</u>	<u>451,517</u>	<u>15,809</u>	<u>487,450</u>	<u>482,297</u>
251,121	-	-	-	-	288	-	423
-	-	-	33,424	-	-	-	-
-	-	-	-	-	-	-	-
171,484	-	1,960,634	-	704,116	-	-	-
51,966	-	-	-	-	-	-	-
430,352	-	-	121,205	-	-	-	-
-	260,000	-	-	-	-	400,000	175,000
48,501	237,913	-	-	-	-	87,917	224,458
<u>953,424</u>	<u>497,913</u>	<u>1,960,634</u>	<u>154,629</u>	<u>704,116</u>	<u>288</u>	<u>487,917</u>	<u>399,881</u>
<u>(215,978)</u>	<u>(484,828)</u>	<u>(1,196,331)</u>	<u>(53,678)</u>	<u>(252,599)</u>	<u>15,521</u>	<u>(467)</u>	<u>82,416</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,251,857	-	-	-	169,349	-	-	-
(127,193)	(1,315,257)	-	-	-	-	-	-
<u>1,124,664</u>	<u>(1,315,257)</u>	<u>-</u>	<u>-</u>	<u>169,349</u>	<u>-</u>	<u>-</u>	<u>-</u>
908,686	(1,800,085)	(1,196,331)	(53,678)	(83,250)	15,521	(467)	82,416
-	1,800,085	3,295,644	444,821	221,109	-	685	777,848
<u>908,686</u>	<u>-</u>	<u>2,099,313</u>	<u>391,143</u>	<u>137,859</u>	<u>15,521</u>	<u>218</u>	<u>860,264</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, 2012

	Capital Projects Funds					Totals	
	Library Construction	STP Local/ TransNet	State- Local	Traffic Congestion			
	Bonds	Proposition A	Highway	Partnership	Relief	2012	2011
Revenues:							
Taxes	\$ -	-	-	-	-	1,957,541	1,392,969
Fines and forfeitures	-	-	-	-	-	96,984	64,753
Interest and rents	777	14,027	-	690	-	74,112	92,037
Intergovernmental	-	2,313,626	-	95,493	-	6,499,252	4,805,019
Charges for services	-	-	-	-	-	49,925	56,890
Other revenues	-	-	-	-	-	656,917	644,737
Total revenues	777	2,327,653	-	96,183	-	9,334,731	7,056,405
Expenditures:							
Current:							
General government	-	-	-	-	-	251,832	285,279
Public safety	-	-	-	-	-	33,424	53,624
Transportation	-	-	-	-	-	219,146	691,970
Community development	-	-	-	-	-	2,836,234	1,593,134
Culture and leisure	-	-	-	-	-	2,343,324	2,314,024
Capital outlay	-	243,685	56,775	-	-	954,266	3,286,550
Debt service:							
Principal	-	-	-	-	-	835,000	575,000
Interest and fiscal charges	-	-	-	-	-	598,789	680,913
Total expenditures	-	243,685	56,775	-	-	8,072,015	9,480,494
Excess (deficiency) of revenues over (under) expenditures	777	2,083,968	(56,775)	96,183	-	1,262,716	(2,424,089)
Other financing sources (uses):							
Payment to bond escrow agent	-	-	-	-	-	-	(3,115,000)
Issuance of debt	-	-	-	-	-	-	3,115,000
Transfers in	-	-	-	-	61,537	1,964,278	1,394,751
Transfers out	-	-	-	-	-	(2,142,450)	(1,096,607)
Total other financing sources (uses)	-	-	-	-	61,537	(178,172)	298,144
Net change in fund balances	777	2,083,968	(56,775)	96,183	61,537	1,084,544	(2,125,945)
Fund balances, beginning of year, as restated	138,808	68,502	(476,515)	27,773	(61,537)	9,534,728	11,439,564
Fund balances (deficits), end of year	\$ 139,585	2,152,470	(533,290)	123,956	-	10,619,272	9,534,728

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, 2012

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

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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 623,364	623,364	831,501	208,137
Intergovernmental	6,600	6,600	6,211	(389)
Other revenues	<u> -</u>	<u> -</u>	<u>30,328</u>	<u>30,328</u>
Total revenues	<u>629,964</u>	<u>629,964</u>	<u>868,040</u>	<u>238,076</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,384,523</u>	<u>1,384,523</u>	<u>1,232,982</u>	<u>151,541</u>
Total expenditures	<u>1,384,523</u>	<u>1,384,523</u>	<u>1,232,982</u>	<u>151,541</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(754,559)</u>	<u>(754,559)</u>	<u>(364,942)</u>	<u>389,617</u>
Other financing sources (uses):				
Transfers in	<u>754,558</u>	<u>754,558</u>	<u>404,558</u>	<u>(350,000)</u>
Total other financing sources (uses)	<u>754,558</u>	<u>754,558</u>	<u>404,558</u>	<u>(350,000)</u>
Net change in fund balances	(1)	(1)	39,616	39,617
Fund balance, beginning of year	<u>37,012</u>	<u>37,012</u>	<u>37,012</u>	<u>-</u>
Fund balance, end of year	<u>\$ 37,011</u>	<u>37,011</u>	<u>76,628</u>	<u>39,617</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 704,673	704,673	968,910	264,237
Intergovernmental	<u>2,180</u>	<u>2,180</u>	<u>7,236</u>	<u>5,056</u>
Total revenues	<u>706,853</u>	<u>706,853</u>	<u>976,146</u>	<u>269,293</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,113,829</u>	<u>1,113,829</u>	<u>1,058,376</u>	<u>55,453</u>
Total expenditures	<u>1,113,829</u>	<u>1,113,829</u>	<u>1,058,376</u>	<u>55,453</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(406,976)</u>	<u>(406,976)</u>	<u>(82,230)</u>	<u>324,746</u>
Other financing sources:				
Transfers in	<u>406,977</u>	<u>406,977</u>	<u>76,977</u>	<u>(330,000)</u>
Total other financing sources	<u>406,977</u>	<u>406,977</u>	<u>76,977</u>	<u>(330,000)</u>
Net change in fund balances	1	1	(5,253)	(5,254)
Fund balance, beginning of year	<u>58,875</u>	<u>58,875</u>	<u>58,875</u>	<u>-</u>
Fund balance, end of year	<u>\$ 58,876</u>	<u>58,876</u>	<u>53,622</u>	<u>(5,254)</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 77,760	77,760	157,130	79,370
Charges for services	<u>26,471</u>	<u>26,471</u>	<u>49,925</u>	<u>23,454</u>
Total revenues	<u>104,231</u>	<u>104,231</u>	<u>207,055</u>	<u>102,824</u>
Expenditures:				
Capital outlay	<u>67,000</u>	<u>67,000</u>	<u>43,630</u>	<u>23,370</u>
Total expenditures	<u>67,000</u>	<u>67,000</u>	<u>43,630</u>	<u>23,370</u>
Net change in fund balances	37,231	37,231	163,425	126,194
Fund balance, beginning of year	<u>852,091</u>	<u>852,091</u>	<u>852,091</u>	<u>-</u>
Fund balance, end of year	<u>\$ 889,322</u>	<u>889,322</u>	<u>1,015,516</u>	<u>126,194</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, 2012

	<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	\$ 5,000	5,000	7,555	2,555
Intergovernmental	<u>1,726,426</u>	<u>1,726,426</u>	<u>1,798,464</u>	<u>72,038</u>
Total revenues	<u>1,731,426</u>	<u>1,731,426</u>	<u>1,806,019</u>	<u>74,593</u>
Expenditures:				
Current:				
Transportation	<u>812,655</u>	<u>812,655</u>	<u>219,146</u>	<u>593,509</u>
Total expenditures	<u>812,655</u>	<u>812,655</u>	<u>219,146</u>	<u>593,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>918,771</u>	<u>918,771</u>	<u>1,586,873</u>	<u>668,102</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	218,771	218,771	886,873	668,102
Fund balance, beginning of year	<u>730,726</u>	<u>730,726</u>	<u>730,726</u>	<u>-</u>
Fund balance, end of year	<u>\$ 949,497</u>	<u>949,497</u>	<u>1,617,599</u>	<u>668,102</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Capital outlay	682,988	63,865	58,619	5,246
Total expenditures	682,988	63,865	58,619	5,246
Excess (deficiency) of revenues over (under) expenditures	(682,988)	(63,865)	(58,619)	5,246
Net change in fund balances	(682,988)	(63,865)	(58,619)	5,246
Fund balance, beginning of year	607,104	607,104	607,104	-
Fund balance, end of year	<u>\$ (75,884)</u>	<u>543,239</u>	<u>548,485</u>	<u>5,246</u>

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, 2012

	<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	\$ 1,463,226	1,463,226	737,446	(725,780)
Total revenues	<u>1,463,226</u>	<u>1,463,226</u>	<u>737,446</u>	<u>(725,780)</u>
Expenditures:				
Current:				
General government	360,050	360,050	251,121	108,929
Community development	391,027	391,027	171,484	219,543
Culture and leisure	-	-	51,966	(51,966)
Capital outlay	990,484	990,484	430,352	560,132
Debt service:				
Interest and fiscal charges	<u>48,501</u>	<u>48,501</u>	<u>48,501</u>	<u>-</u>
Total expenditures	<u>1,790,062</u>	<u>1,790,062</u>	<u>953,424</u>	<u>836,638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(326,836)</u>	<u>(326,836)</u>	<u>(215,978)</u>	<u>110,858</u>
Other financing sources (uses):				
Transfers in	-	38,235	1,251,857	1,213,622
Transfers out	<u>(127,193)</u>	<u>(127,193)</u>	<u>(127,193)</u>	<u>-</u>
Total other financing sources (uses)	<u>(127,193)</u>	<u>(88,958)</u>	<u>1,124,664</u>	<u>1,213,622</u>
Net change in fund balances	(454,029)	(415,794)	908,686	1,324,480
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (454,029)</u>	<u>(415,794)</u>	<u>908,686</u>	<u>1,324,480</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, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 7,200	7,200	13,085	5,885
Total revenues	<u>7,200</u>	<u>7,200</u>	<u>13,085</u>	<u>5,885</u>
Expenditures:				
Debt service:				
Principal	260,000	260,000	260,000	-
Interest and fiscal charges	<u>286,413</u>	<u>286,413</u>	<u>237,913</u>	<u>48,500</u>
Total expenditures	<u>546,413</u>	<u>546,413</u>	<u>497,913</u>	<u>48,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(539,213)</u>	<u>(539,213)</u>	<u>(484,828)</u>	<u>54,385</u>
Other financing sources (uses):				
Transfers out	<u>(38,235)</u>	<u>(38,235)</u>	<u>(1,315,257)</u>	<u>(1,277,022)</u>
Total other financing sources (uses)	<u>(38,235)</u>	<u>(38,235)</u>	<u>(1,315,257)</u>	<u>(1,277,022)</u>
Net change in fund balances	(577,448)	(577,448)	(1,800,085)	(1,222,637)
Fund balance, beginning of year	<u>1,800,085</u>	<u>1,800,085</u>	<u>1,800,085</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,222,637</u>	<u>1,222,637</u>	<u>-</u>	<u>(1,222,637)</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, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ -	35,983	34,011	(1,972)
Intergovernmental	<u>588,081</u>	<u>588,081</u>	<u>730,292</u>	<u>142,211</u>
Total revenues	<u>588,081</u>	<u>624,064</u>	<u>764,303</u>	<u>140,239</u>
Expenditures:				
Current:				
Community development	<u>973,166</u>	<u>973,166</u>	<u>1,960,634</u>	<u>(987,468)</u>
Total expenditures	<u>973,166</u>	<u>973,166</u>	<u>1,960,634</u>	<u>(987,468)</u>
Net change in fund balances	(385,085)	(349,102)	(1,196,331)	(847,229)
Fund balance, beginning of year	<u>3,295,644</u>	<u>3,295,644</u>	<u>3,295,644</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,910,559</u>	<u>2,946,542</u>	<u>2,099,313</u>	<u>(847,229)</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, 2012

	<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	\$ 192,705	192,705	96,984	(95,721)
Interest and rents	<u>4,963</u>	<u>4,963</u>	<u>3,967</u>	<u>(996)</u>
Total revenues	<u>197,668</u>	<u>197,668</u>	<u>100,951</u>	<u>(96,717)</u>
Expenditures:				
Current:				
Public safety	36,105	36,105	33,424	2,681
Capital outlay	<u>138,240</u>	<u>138,240</u>	<u>121,205</u>	<u>17,035</u>
Total expenditures	<u>174,345</u>	<u>174,345</u>	<u>154,629</u>	<u>19,716</u>
Net change in fund balances	23,323	23,323	(53,678)	(77,001)
Fund balance, beginning of year	<u>444,821</u>	<u>444,821</u>	<u>444,821</u>	<u>-</u>
Fund balance, end of year	<u>\$ 468,144</u>	<u>468,144</u>	<u>391,143</u>	<u>(77,001)</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, 2012

	<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	\$ 337,904	337,904	307,225	(30,679)
Other revenues	<u>163,200</u>	<u>163,200</u>	<u>144,292</u>	<u>(18,908)</u>
Total revenues	<u>501,104</u>	<u>501,104</u>	<u>451,517</u>	<u>(49,587)</u>
Expenditures:				
Current:				
Community development	<u>770,453</u>	<u>770,453</u>	<u>704,116</u>	<u>66,337</u>
Total expenditures	<u>770,453</u>	<u>770,453</u>	<u>704,116</u>	<u>66,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(269,349)</u>	<u>(269,349)</u>	<u>(252,599)</u>	<u>16,750</u>
Other financing sources:				
Transfers in	<u>269,349</u>	<u>269,349</u>	<u>169,349</u>	<u>(100,000)</u>
Total other financing sources	<u>269,349</u>	<u>269,349</u>	<u>169,349</u>	<u>(100,000)</u>
Net change in fund balances	-	-	(83,250)	(83,250)
Fund balance, beginning of year	<u>221,109</u>	<u>221,109</u>	<u>221,109</u>	<u>-</u>
Fund balance, end of year	<u>\$ 221,109</u>	<u>221,109</u>	<u>137,859</u>	<u>(83,250)</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, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ -	-	15,809	15,809
Total revenues	-	-	15,809	15,809
Expenditures:				
Current:				
General government	927,545	927,545	288	927,257
Total expenditures	927,545	927,545	288	927,257
Net change in fund balances	(927,545)	(927,545)	15,521	943,066
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ (927,545)	(927,545)	15,521	943,066

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, 2012

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	(Negative)
Revenues:				
Intergovernmental	\$ 487,450	487,450	487,450	-
Total revenues	487,450	487,450	487,450	-
Expenditures:				
Debt service:				
Principal	400,000	400,000	400,000	-
Interest and fiscal charges	87,450	87,450	87,917	(467)
Total expenditures	487,450	487,450	487,917	(467)
Excess (deficiency) of revenues over (under) expenditures	-	-	(467)	(467)
Net change in fund balances	-	-	(467)	(467)
Fund balance, beginning of year	685	685	685	-
Fund balance, end of year	\$ 685	685	218	(467)

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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenues	\$ 399,500	399,500	482,297	82,797
Total revenues	399,500	399,500	482,297	82,797
Expenditures:				
Current:				
General government	-	-	423	(423)
Principal	175,000	175,000	175,000	-
Interest and fiscal charges	224,500	224,500	224,458	42
Total expenditures	399,500	399,500	399,881	(381)
Net change in fund balances	-	-	82,416	82,416
Fund balance, beginning of year	777,848	777,848	777,848	-
Fund balance, end of year	\$ 777,848	777,848	860,264	82,416

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, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 1,169	1,169	777	(392)
Total revenues	<u>1,169</u>	<u>1,169</u>	<u>777</u>	<u>(392)</u>
Net change in fund balances	1,169	1,169	777	(392)
Fund balance, beginning of year	<u>138,808</u>	<u>138,808</u>	<u>138,808</u>	<u>-</u>
Fund balance, end of year	<u>\$ 139,977</u>	<u>139,977</u>	<u>139,585</u>	<u>(392)</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, 2012

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Revenues:				
Interest and rents	\$ 10,765	10,765	14,027	3,262
Intergovernmental	<u>2,587,000</u>	<u>2,587,000</u>	<u>2,313,626</u>	<u>(273,374)</u>
Total revenues	<u>2,597,765</u>	<u>2,597,765</u>	<u>2,327,653</u>	<u>(270,112)</u>
Expenditures:				
Capital outlay	<u>4,958,532</u>	<u>4,958,532</u>	<u>243,685</u>	<u>4,714,847</u>
Total expenditures	<u>4,958,532</u>	<u>4,958,532</u>	<u>243,685</u>	<u>4,714,847</u>
Net change in fund balances	(2,360,767)	(2,360,767)	2,083,968	4,444,735
Fund balance, beginning of year	<u>68,502</u>	<u>68,502</u>	<u>68,502</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (2,292,265)</u></u>	<u><u>(2,292,265)</u></u>	<u><u>2,152,470</u></u>	<u><u>4,444,735</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, 2012

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 846,200	-	-	-
Total revenues	<u>846,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital outlay	945,346	622,194	56,775	565,419
Total expenditures	<u>945,346</u>	<u>622,194</u>	<u>56,775</u>	<u>565,419</u>
Net change in fund balances	(99,146)	(622,194)	(56,775)	565,419
Fund balance (deficit), beginning of year	<u>(476,515)</u>	<u>(476,515)</u>	<u>(476,515)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (575,661)</u>	<u>(1,098,709)</u>	<u>(533,290)</u>	<u>565,419</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, 2012

	<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	500	690	190
Intergovernmental	-	-	95,493	95,493
Total revenues	<u>1,270</u>	<u>500</u>	<u>96,183</u>	<u>95,683</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,270</u>	<u>500</u>	<u>96,183</u>	<u>95,683</u>
Net change in fund balances	1,270	500	96,183	95,683
Fund balance, beginning of year as restated	<u>27,773</u>	<u>27,773</u>	<u>27,773</u>	-
Fund balance, end of year	<u>\$ 29,043</u>	<u>28,273</u>	<u>123,956</u>	<u>95,683</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, 2012

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Expenditures:				
Capital outlay	\$ 2,035	2,035	-	2,035
Total expenditures	<u>2,035</u>	<u>2,035</u>	<u>-</u>	<u>2,035</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,035)</u>	<u>(2,035)</u>	<u>-</u>	<u>2,035</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>61,537</u>	<u>61,537</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>61,537</u>	<u>61,537</u>
Net change in fund balances	(2,035)	(2,035)	61,537	63,572
Fund balance (deficit), beginning of year	<u>(61,537)</u>	<u>(61,537)</u>	<u>(61,537)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (63,572)</u>	<u>(63,572)</u>	<u>-</u>	<u>63,572</u>

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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, 2012
(with comparative information for the prior year)

	<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	\$ 477,472	8,213,846	-	1,226,533	1,270,514
Cash and investments with fiscal agents	38,326	-	-	-	-
Accounts receivable	-	7,401	-	-	-
Inventories	-	-	-	-	-
Prepaid items and deposits	-	-	-	-	-
	<u>515,798</u>	<u>8,221,247</u>	<u>-</u>	<u>1,226,533</u>	<u>1,270,514</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable assets	-	-	-	-	-
Depreciable assets, net of accumulated depreciation	2,008,178	-	-	125,516	97,387
	<u>2,008,178</u>	<u>-</u>	<u>-</u>	<u>125,516</u>	<u>97,387</u>
Total capital assets	<u>2,008,178</u>	<u>-</u>	<u>-</u>	<u>125,516</u>	<u>97,387</u>
Total noncurrent assets	<u>2,008,178</u>	<u>-</u>	<u>-</u>	<u>125,516</u>	<u>97,387</u>
Total assets	<u>2,523,976</u>	<u>8,221,247</u>	<u>-</u>	<u>1,352,049</u>	<u>1,367,901</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 163,263	70,969	-	61,152	-
Salaries payable	17,709	726	-	5,436	-
Capital leases payable - due within one year	88,203	-	-	-	-
Compensated absences	52,304	-	-	5,423	-
Self-insurance claims payable - due within one year	-	1,581,396	-	-	-
	<u>321,479</u>	<u>1,653,091</u>	<u>-</u>	<u>72,011</u>	<u>-</u>
Total current liabilities	<u>321,479</u>	<u>1,653,091</u>	<u>-</u>	<u>72,011</u>	<u>-</u>
Noncurrent liabilities:					
Capital leases payable - due in more than one year	1,534,636	-	-	-	-
Self-insurance claims payable - due in more than one year	-	4,701,604	-	-	-
	<u>1,534,636</u>	<u>4,701,604</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,856,115</u>	<u>6,354,695</u>	<u>-</u>	<u>72,011</u>	<u>-</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	2,008,178	-	-	125,516	97,387
Unrestricted	<u>(1,340,317)</u>	<u>1,866,552</u>	<u>-</u>	<u>1,154,522</u>	<u>1,270,514</u>
Total net assets (deficit)	<u>\$ 667,861</u>	<u>1,866,552</u>	<u>-</u>	<u>1,280,038</u>	<u>1,367,901</u>

Tele-communications Revolving	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Unemployment Insurance Reserve	Totals	
					2012	2011
338,331	663,332	1,649,252	287,555	-	14,126,835	13,688,707
-	-	-	-	-	38,326	45,764
-	4,751	-	-	-	12,152	72,231
-	9,345	-	-	-	9,345	11,128
-	-	-	-	-	-	43,101
<u>338,331</u>	<u>677,428</u>	<u>1,649,252</u>	<u>287,555</u>	<u>-</u>	<u>14,186,658</u>	<u>13,860,931</u>
-	-	-	-	-	-	1,644,621
-	-	532,580	292,317	-	3,055,978	1,178,976
-	-	532,580	292,317	-	3,055,978	2,823,597
-	-	532,580	292,317	-	3,055,978	2,823,597
<u>338,331</u>	<u>677,428</u>	<u>2,181,832</u>	<u>579,872</u>	<u>-</u>	<u>17,242,636</u>	<u>16,684,528</u>
-	16,739	52,648	45,135	-	409,906	461,201
-	21,509	8,053	-	-	53,433	52,943
-	-	-	-	-	88,203	88,203
-	57,991	24,077	-	-	139,795	135,464
-	-	-	-	-	1,581,396	1,578,371
-	96,239	84,778	45,135	-	2,272,733	2,316,182
-	-	-	-	-	1,534,636	1,645,576
-	-	-	-	-	4,701,604	4,535,629
-	96,239	84,778	45,135	-	8,508,973	8,497,387
-	-	532,580	292,317	-	3,055,978	2,823,597
<u>338,331</u>	<u>581,189</u>	<u>1,564,474</u>	<u>242,420</u>	<u>-</u>	<u>5,677,685</u>	<u>5,363,544</u>
<u>338,331</u>	<u>581,189</u>	<u>2,097,054</u>	<u>534,737</u>	<u>-</u>	<u>8,733,663</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, 2012
(with comparative information for the prior year)

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Operating revenues:					
Services charges	\$ 2,730,168	2,937,861	-	1,473,704	-
Other revenues	<u>509</u>	<u>28,543</u>	<u>729</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>2,730,677</u>	<u>2,966,404</u>	<u>729</u>	<u>1,473,704</u>	<u>-</u>
Operating expenses:					
Personnel services	676,327	21,393	-	219,595	-
Maintenance and operations	1,591,447	2,579,416	-	1,231,895	46,001
Depreciation	<u>143,441</u>	<u>-</u>	<u>-</u>	<u>26,009</u>	<u>64,589</u>
Total operating expenses	<u>2,411,215</u>	<u>2,600,809</u>	<u>-</u>	<u>1,477,499</u>	<u>110,590</u>
Operating income (loss)	<u>319,462</u>	<u>365,595</u>	<u>729</u>	<u>(3,795)</u>	<u>(110,590)</u>
Nonoperating revenues (expenses):					
Interest income	13	-	-	-	-
Interest expense	(104,566)	-	-	-	-
Capital contribution	<u>499,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>394,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	714,457	365,595	729	(3,795)	(110,590)
Transfers in	13,000	-	-	-	-
Transfers out	<u>-</u>	<u>(28,889)</u>	<u>(371,341)</u>	<u>(13,000)</u>	<u>-</u>
Change in net assets	727,457	336,706	(370,612)	(16,795)	(110,590)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 667,861</u>	<u>1,866,552</u>	<u>-</u>	<u>1,280,038</u>	<u>1,367,901</u>

Tele-communications Revolving	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Unemployment Insurance Reserve	Totals	
					2012	2011
-	1,071,167	1,359,623	-	-	9,572,523	8,997,696
<u>3,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,247</u>	<u>115,008</u>
<u>3,466</u>	<u>1,071,167</u>	<u>1,359,623</u>	<u>-</u>	<u>-</u>	<u>9,605,770</u>	<u>9,112,704</u>
-	681,906	324,347	-	-	1,923,568	1,978,193
-	409,631	987,601	15,324	-	6,861,315	7,007,307
<u>-</u>	<u>-</u>	<u>132,777</u>	<u>23,655</u>	<u>-</u>	<u>390,471</u>	<u>279,082</u>
<u>-</u>	<u>1,091,537</u>	<u>1,444,725</u>	<u>38,979</u>	<u>-</u>	<u>9,175,354</u>	<u>9,264,582</u>
<u>3,466</u>	<u>(20,370)</u>	<u>(85,102)</u>	<u>(38,979)</u>	<u>-</u>	<u>430,416</u>	<u>(151,878)</u>
-	-	-	-	-	13	220
-	-	-	-	-	(104,566)	(86,880)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>499,548</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>394,995</u>	<u>(86,660)</u>
3,466	(20,370)	(85,102)	(38,979)	-	825,411	(238,538)
-	121,341	-	47,574	-	181,915	4,211
<u>-</u>	<u>-</u>	<u>(47,574)</u>	<u>-</u>	<u>-</u>	<u>(460,804)</u>	<u>(678,415)</u>
3,466	100,971	(132,676)	8,595	-	546,522	(912,742)
<u>334,865</u>	<u>480,218</u>	<u>2,229,730</u>	<u>526,142</u>	<u>-</u>	<u>8,187,141</u>	<u>9,099,883</u>
<u>338,331</u>	<u>581,189</u>	<u>2,097,054</u>	<u>534,737</u>	<u>-</u>	<u>8,733,663</u>	<u>8,187,141</u>

CITY OF NATIONAL CITY
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012
(with comparative information for the prior year)

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Cash flows from operating activities:					
Cash received from customers/other funds	\$ 2,730,168	2,930,460	11,128	1,545,935	-
Cash payments to suppliers	(1,516,484)	(2,412,037)	(5,606)	(1,248,719)	(135,112)
Cash payments for general and administrative	(681,803)	(22,794)	(3,306)	(227,146)	-
Cash received from (payments to) other	509	28,543	729	-	-
Net cash provided (used) by operating activities	<u>532,390</u>	<u>524,172</u>	<u>2,945</u>	<u>70,070</u>	<u>(135,112)</u>
Cash flows from capital and related financing activities:					
Acquisition or disposal of capital assets	(7,450)	-	-	(74,501)	-
Payment on lease payable	(110,940)	-	-	-	-
Interest paid	(104,566)	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(222,956)</u>	<u>-</u>	<u>-</u>	<u>(74,501)</u>	<u>-</u>
Cash flows from non-capital financing activities:					
Cash received from other funds	13,000	-	-	-	-
Cash paid to other funds	-	(28,889)	(371,341)	(13,000)	-
Net cash provided (used) by non-capital financing activities	<u>13,000</u>	<u>(28,889)</u>	<u>(371,341)</u>	<u>(13,000)</u>	<u>-</u>
Cash flows from investing activities					
Interest income	13	-	-	-	-
Net cash provided (used) by investing activities	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>322,447</u>	<u>495,283</u>	<u>(368,396)</u>	<u>(17,431)</u>	<u>(135,112)</u>
Cash and investments:					
Beginning of year	193,351	7,718,563	368,396	1,243,964	1,405,626
End of year	<u>\$ 515,798</u>	<u>8,213,846</u>	<u>-</u>	<u>1,226,533</u>	<u>1,270,514</u>
Cash flows from operating activities:					
Operating income (loss)	\$ 319,462	365,595	729	(3,795)	(110,590)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	143,441	-	-	26,009	64,589
Changes in current assets and liabilities:					
Accounts receivable	-	(7,401)	-	72,231	-
Inventories	-	-	11,128	-	-
Prepaid items and deposits	43,101	-	-	-	-
Accounts payable and accrued liabilities	31,862	(1,621)	(5,606)	(16,824)	(89,111)
Salaries payable	(3,254)	10	(3,306)	1,773	-
Compensated absences	(2,222)	(1,411)	-	(9,324)	-
Self-insurance claims payable	-	169,000	-	-	-
Total adjustments	<u>212,928</u>	<u>158,577</u>	<u>2,216</u>	<u>73,865</u>	<u>(24,522)</u>
Net cash provided (used) by operating activities	<u>\$ 532,390</u>	<u>524,172</u>	<u>2,945</u>	<u>70,070</u>	<u>(135,112)</u>

Tele-communications Revolving	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Totals	
				2012	2011
-	1,066,417	1,359,623	-	9,643,731	8,999,747
(23,962)	(409,324)	(987,372)	-	(6,738,616)	(6,737,079)
(1,318)	(654,484)	(327,896)	-	(1,918,747)	(2,020,201)
<u>3,466</u>	<u>-</u>	<u>-</u>	<u>28,762</u>	<u>62,009</u>	<u>115,008</u>
<u>(21,814)</u>	<u>2,609</u>	<u>44,355</u>	<u>28,762</u>	<u>1,048,377</u>	<u>357,475</u>
-	-	-	(41,354)	(123,305)	(1,245,445)
-	-	-	-	(110,940)	(21,381)
-	-	-	-	(104,566)	(86,880)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,354)</u>	<u>(338,811)</u>	<u>(1,353,706)</u>
-	121,341	-	47,574	181,915	4,211
-	-	(47,574)	-	(460,804)	(678,415)
<u>-</u>	<u>121,341</u>	<u>(47,574)</u>	<u>47,574</u>	<u>(278,889)</u>	<u>(674,204)</u>
-	-	-	-	13	220
-	-	-	-	13	220
(21,814)	123,950	(3,219)	34,982	430,690	(1,670,215)
<u>360,145</u>	<u>539,382</u>	<u>1,652,471</u>	<u>252,573</u>	<u>13,734,471</u>	<u>15,404,686</u>
<u>338,331</u>	<u>663,332</u>	<u>1,649,252</u>	<u>287,555</u>	<u>14,165,161</u>	<u>13,734,471</u>
<u>3,466</u>	<u>(20,370)</u>	<u>(85,102)</u>	<u>(38,979)</u>	<u>430,416</u>	<u>(151,878)</u>
-	-	132,777	23,655	390,471	279,082
-	(4,751)	-	-	60,079	2,051
-	(9,345)	-	-	1,783	3,521
-	-	-	-	43,101	(43,101)
(23,962)	9,652	229	44,086	(51,295)	79,810
(1,318)	7,908	(1,323)	-	490	1,087
-	19,515	(2,226)	-	4,332	(43,097)
-	-	-	-	169,000	230,000
<u>(25,280)</u>	<u>22,979</u>	<u>129,457</u>	<u>67,741</u>	<u>617,961</u>	<u>509,353</u>
<u>(21,814)</u>	<u>2,609</u>	<u>44,355</u>	<u>28,762</u>	<u>1,048,377</u>	<u>357,475</u>

FIDUCIARY FUNDS

Private Purpose Trust Funds:

Library Trust Fund

This fund is used to account for amounts collected by the City for the Library

Successor Agency Funds

Housing Fund

This fund is used to account for activities of housing assistance programs of the former Community Development Commission.

Housing Projects Fund

This fund is used to account for housing projects of the former Community Development Commission.

Capital Projects Fund

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

RPTTF Fund

This fund is used to account for the property tax receipts and payment of enforceable obligations for the former Community Development Commission.

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
Combining Statement of Fiduciary Net Assets
Private-Purpose Trust Funds
June 30, 2012
(with comparative information for the prior year)

	Library	<u>Successor Agency</u>	
	Trust	<u>Housing</u>	<u>Housing</u>
		Housing	Projects
		<u>Projects</u>	
<u>ASSETS</u>			
Cash and investments	\$ 50,012	8,413,601	14,979,289
Cash and investments with fiscal agent	-	-	-
Property tax receivable	-	-	-
Interest receivable	17	4,605	-
Due from other governments	-	-	-
Contracts, notes, and loans receivable	-	-	-
Land held for resale	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
	<u>50,029</u>	<u>8,418,206</u>	<u>14,979,289</u>
Total assets			
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ -	528,038	-
Salaries payable	-	-	-
Due to other governments	-	-	-
Deposits payable	-	-	-
Interest payable	-	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
	<u>-</u>	<u>528,038</u>	<u>-</u>
Total liabilities			
<u>NET ASSETS</u>			
Held in trust for private purposes	<u>\$ 50,029</u>	<u>7,890,168</u>	<u>14,979,289</u>

Successor Agency		Totals	
Capital Projects	RPTTF	2012	2011
17,719,358	4,949,639	46,111,899	1,013,344
-	6,957,040	6,957,040	-
-	8,167	8,167	-
-	1,255	5,877	83
-	2,796	2,796	-
-	737,026	737,026	-
-	9,845,509	9,845,509	-
-	2,468,334	2,468,334	-
<u>17,719,358</u>	<u>24,969,766</u>	<u>66,136,648</u>	<u>1,013,427</u>
29,166	37,688	594,892	22,942
4,049	36,264	40,313	-
-	4,272,833	4,272,833	-
-	25,000	25,000	940,734
-	1,903,357	1,903,357	-
-	3,955,000	3,955,000	-
-	67,571,216	67,571,216	-
<u>33,215</u>	<u>77,801,358</u>	<u>78,362,611</u>	<u>963,676</u>
<u>17,686,143</u>	<u>(52,831,592)</u>	<u>(12,225,963)</u>	<u>49,751</u>

CITY OF NATIONAL CITY

Statement of Changes in Fiduciary Net Assets

Private-Purpose Trust Funds

Year Ended June 30, 2012

	Library Trust	Successor Agency	
		Housing	Housing Projects
Additions:			
Taxes	\$ -	-	-
Interest and rents	278	17,666	-
Intergovernmental	-	-	-
Transfers from other trust funds	-	-	-
Total additions	<u>278</u>	<u>17,666</u>	<u>-</u>
Deductions:			
Community development	-	-	-
Capital outlay	-	834,931	4,565
Transfers to other trust funds	-	<u>150,164</u>	<u>-</u>
Total deductions	<u>-</u>	<u>985,095</u>	<u>4,565</u>
Total additions less deductions	278	(967,429)	(4,565)
Extraordinary gain (loss)	<u>-</u>	<u>8,857,597</u>	<u>14,983,854</u>
Net increase (decrease)	278	7,890,168	14,979,289
Net assets, beginning of year	<u>49,751</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 50,029</u>	<u>7,890,168</u>	<u>14,979,289</u>

Successor Agency		Totals	
Capital Projects	RPTTF	2012	2011
-	4,576,072	4,576,072	-
1,953	33,641	53,538	282
-	249	249	-
-	150,164	150,164	-
<u>1,953</u>	<u>4,760,126</u>	<u>4,780,023</u>	<u>282</u>
-	5,004,651	5,004,651	-
372,005	62,742	1,274,243	-
-	-	150,164	-
<u>372,005</u>	<u>5,067,393</u>	<u>6,429,058</u>	<u>-</u>
(370,052)	(307,267)	(1,649,035)	282
<u>18,056,195</u>	<u>(52,524,325)</u>	<u>(10,626,679)</u>	<u>-</u>
17,686,143	(52,831,592)	(12,275,714)	282
-	-	49,751	49,469
<u>17,686,143</u>	<u>(52,831,592)</u>	<u>(12,225,963)</u>	<u>49,751</u>

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

For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>COBRA INSURANCE FUND</u>				
Assets:				
Cash and investments	\$ 22,942	567,397	(590,339)	-
Total assets	\$ 22,942	567,397	(590,339)	-
Liabilities:				
Accounts payable	\$ 22,942	1,122,923	(1,145,865)	-
Total liabilities	\$ 22,942	1,122,923	(1,145,865)	-
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>MISCELLANEOUS DEPOSITS FUND</u>				
Assets:				
Cash and investments	\$ 940,734	214,729	(244,367)	911,096
Total assets	\$ 940,734	214,729	(244,367)	911,096
Liabilities:				
Deposits payable	\$ 940,734	393,934	(423,572)	911,096
Total liabilities	\$ 940,734	393,934	(423,572)	911,096
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>TOTAL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 963,676	782,126	(834,706)	911,096
Total assets	\$ 963,676	782,126	(834,706)	911,096
Liabilities:				
Accounts payable	\$ 22,942	1,122,923	(1,145,865)	-
Deposits payable	940,734	393,934	(423,572)	911,096
Total liabilities	\$ 963,676	1,516,857	(1,569,437)	911,096