

City of National City

National City, California

Basic Financial Statements and Independent Auditor's Report

For the year ended June 30, 2013

Prepared By
Finance Department
of the City of National City



**City of National City
Basic Financial Statements
For the year ended June 30, 2013**

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

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 (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to previously 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, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that Fund Budgetary Comparison Schedules and Schedules of Funding Progress for Pensions and OPEB Plans on pages 72 through 78 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Fund Budgetary Comparison Schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Fund Budgetary Comparison Schedules on pages 83 through 101 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and Fund Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of National City
National City, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a large, stylized "P" and "M".

San Diego, California
March 11, 2014

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BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

City of National City
Statement of Net Position
June 30, 2013

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 73,179,290	\$ 401,372	\$ 73,580,662
Receivables:			
Accounts	1,037,637	1,950	1,039,587
Interest	18,436	-	18,436
Due from other governments	4,100,837	-	4,100,837
Due from Successor Agency	411,216	-	411,216
Due from agency fund	6,197	-	6,197
Land held for resale	1,245,000	-	1,245,000
Inventories and prepaid items	34,046	164,768	198,814
Total current assets	80,032,659	568,090	80,600,749
Noncurrent assets:			
Restricted cash and investments:			
Held by city	42,895	-	42,895
Held by fiscal agent	531,637	1,953,838	2,485,475
Loans receivable	6,919,235	-	6,919,235
Deferred charges, net	141,261	-	141,261
Non-depreciable capital assets	30,062,155	528,382	30,590,537
Depreciable capital assets, net	84,811,045	6,067,535	90,878,580
Total noncurrent assets	122,508,228	8,549,755	131,057,983
Total assets	202,540,887	9,117,845	211,658,732

City of National City
Statement of Net Position (Continued)
June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable	2,182,127	165,974	2,348,101
Accrued liabilities	1,727,449	48,365	1,775,814
Interest payable	211,501	-	211,501
Unearned revenue	424,130	-	424,130
Deposits payable	-	88,295	88,295
Compensated absences - due within one year	1,803,897	-	1,803,897
Claims payable - due within one year	2,171,990	-	2,171,990
Long-term debt - due within one year	1,261,599	248,737	1,510,336
Total current liabilities	9,782,693	551,371	10,334,064
Noncurrent liabilities:			
Developer deposits	106,382	-	106,382
Net OPEB liability	237,779	-	237,779
Compensated absences - due in more than one year	948,661	-	948,661
Claims payable - due in more than one year	4,604,010	-	4,604,010
Long-term debt - due in more than one year	12,715,499	1,586,419	14,301,918
Total noncurrent liabilities	18,612,331	1,586,419	20,198,750
Total liabilities	28,395,024	2,137,790	30,532,814
NET POSITION			
Net investment in capital assets	99,343,176	4,760,761	104,103,937
Restricted:			
Community development	535,026	-	535,026
Debt service	472,988	1,953,838	2,426,826
Capital projects	2,332,408	-	2,332,408
Total restricted	3,340,422	1,953,838	5,294,260
Unrestricted	71,462,265	265,456	71,727,721
Total Net Position	\$ 174,145,863	\$ 6,980,055	\$ 181,125,918

City of National City
Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General Government	\$ 443,592	\$ 1,258,710	\$ 895,887	\$ -	\$ 2,154,597
Public Safety	28,024,676	3,018,064	1,440,970	-	4,459,034
Transportation	3,061,647	1,549,092	138,204	-	1,687,296
Community Development	11,991,339	2,079,578	10,938,314	1,003,724	14,021,616
Health	8,477,778	7,414,151	27,404	2,335	7,443,890
Culture and Leisure	5,784,578	246,880	1,292,217	-	1,539,097
Depreciation (unallocated)	4,423,669	-	-	-	-
Interest on long-term debt	633,338	-	-	-	-
Total governmental activities	<u>62,840,617</u>	<u>15,566,475</u>	<u>14,732,996</u>	<u>1,006,059</u>	<u>31,305,530</u>
Business-type activities:					
Kimball Towers	1,089,698	1,073,082	-	-	1,073,082
Morgan Towers	1,177,596	1,241,253	-	-	1,241,253
Total business-type activities	<u>2,267,294</u>	<u>2,314,335</u>	<u>-</u>	<u>-</u>	<u>2,314,335</u>
Total primary government	<u><u>\$ 65,107,911</u></u>	<u><u>\$ 17,880,810</u></u>	<u><u>\$ 14,732,996</u></u>	<u><u>\$ 1,006,059</u></u>	<u><u>\$ 33,619,865</u></u>

City of National City
Statement of Activities and Changes in Net Position (Continued)
For the year ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General Government	\$ 1,711,005	\$ -	\$ 1,711,005
Public Safety	(23,565,642)	-	(23,565,642)
Transportation	(1,374,351)	-	(1,374,351)
Community Development	2,030,277	-	2,030,277
Health	(1,033,888)	-	(1,033,888)
Culture and Leisure	(4,245,481)	-	(4,245,481)
Depreciation (unallocated)	(4,423,669)	-	(4,423,669)
Interest on long-term debt	(633,338)	-	(633,338)
Total governmental activities	(31,535,087)	-	(31,535,087)
Business-type activities:			
Kimball Towers	-	(16,616)	(16,616)
Morgan Towers	-	63,657	63,657
Total business-type activities	-	47,041	47,041
Total primary government	(31,535,087)	47,041	(31,488,046)
General revenues:			
Taxes:			
Property taxes	4,724,959	-	4,724,959
Sales taxes	23,757,635	-	23,757,635
Franchise taxes	1,602,891	-	1,602,891
Utilities user taxes	815,136	-	815,136
Transient occupancy taxes	5,154,530	-	5,154,530
Total taxes	36,055,151	-	36,055,151
Investment earnings	1,873,896	3,685	1,877,581
Gain on sale of assets	151,879	-	151,879
Miscellaneous	-	14,776	14,776
Total general revenues	38,080,926	18,461	38,099,387
Change in Net Position	6,545,839	65,502	6,611,341
Net Position - beginning of year, as restated (Note 13)	167,600,024	6,914,553	174,514,577
Net Position - end of year	\$ 174,145,863	\$ 6,980,055	\$ 181,125,918

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - This is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required 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 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 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.

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City of National City
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds			
	General Fund	Housing Fund	Section 8 Housing Choice Vouchers Fund	Other Special Revenue Fund
ASSETS				
Cash and investments	\$ 24,578,209	\$ 433,970	\$ 526,638	\$ 8,350,044
Receivables:				
Accounts	875,543	-	52,498	8,105
Interest	18,436	-	-	-
Loans	-	5,811,829	-	-
Due from other funds	1,162,880	-	-	-
Due from other governments	3,370,996	-	-	717,602
Due from Successor Agency	-	-	-	-
Due from agency fund	6,197	-	-	-
Advances to other funds	-	-	-	395,921
Inventory	10,162	-	-	-
Land held for resale	-	1,245,000	-	-
Restricted cash and investments:				
Held by City	-	-	42,895	-
Held by fiscal agents	-	-	-	-
Total assets	\$ 30,022,423	\$ 7,490,799	\$ 622,031	\$ 9,471,672
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 671,945	\$ -	\$ 47,034	\$ 166,652
Accrued liabilities	1,456,813	-	22,402	22,163
Due to other funds	-	-	-	413,007
Advances from other funds	395,921	-	-	-
Deposits	11,419	-	-	94,963
Deferred revenue	3,901,364	-	-	-
Total liabilities	6,437,462	-	69,436	696,785
Fund Balances:				
Nonspendable	10,162	7,056,829	-	-
Restricted	707,262	-	552,595	7,800,331
Committed	9,085,066	-	-	-
Assigned	6,787,396	-	-	740,177
Unassigned	6,995,075	433,970	-	234,379
Total fund balances	23,584,961	7,490,799	552,595	8,774,887
Total liabilities and fund balances	\$ 30,022,423	\$ 7,490,799	\$ 622,031	\$ 9,471,672

City of National City
Balance Sheet (Continued)
Governmental Funds
June 30, 2013

	<u>Major Funds</u>		
	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 14,889,620	\$ 9,921,852	\$ 58,700,333
Receivables:			
Accounts	8,988	92,503	1,037,637
Interest	-	-	18,436
Loans	-	1,107,406	6,919,235
Due from other funds	-	-	1,162,880
Due from other governments	192	12,047	4,100,837
Due from Successor Agency	411,216	-	411,216
Due from agency fund	-	-	6,197
Advances to other funds	760,034	-	1,155,955
Inventory	-	-	10,162
Land held for resale	-	-	1,245,000
Restricted cash and investments:			
Held by City	-	-	42,895
Held by fiscal agents	-	521,303	521,303
Total assets	\$ 16,070,050	\$ 11,655,111	\$ 75,332,086
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 27,080	\$ 805,119	\$ 1,717,830
Accrued liabilities	11,224	138,571	1,651,173
Due to other funds	-	749,873	1,162,880
Advances from other funds	-	760,034	1,155,955
Deposits	-	-	106,382
Deferred revenue	-	-	3,901,364
Total liabilities	38,304	2,453,597	9,695,584
Fund Balances:			
Nonspendable	-	1,107,406	8,174,397
Restricted	16,031,746	8,737,728	33,829,662
Committed	-	-	9,085,066
Assigned	-	-	7,527,573
Unassigned	-	(643,620)	7,019,804
Total fund balances	16,031,746	9,201,514	65,636,502
Total liabilities and fund balances	\$ 16,070,050	\$ 11,655,111	\$ 75,332,086

City of National City
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

Total Fund Balances - Total Governmental Funds	<u>\$ 65,636,502</u>
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Deferred charges, such as bond issuance costs, were expenditures in the fund financial statements but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Position.	<u>141,261</u>
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Government-Wide Financial Statements	114,873,200
Less: Internal Service Funds' Capital Assets	<u>(2,755,265)</u>
Total capital assets	<u>112,117,935</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	<u>(211,501)</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position:	
Compensated absences - due within one year	(1,803,897)
Compensated absences - due in more than one year	(948,661)
Claims payable - due within one year	(2,171,990)
Claims payable - due in more than one year	(4,604,010)
Long-term debt - due within one year	(1,261,599)
Long-term debt - due in more than one year	(12,715,499)
Net OPEB liability	<u>(237,779)</u>
	<u>(23,743,435)</u>
Less: Amount reported in Internal Service Funds	
Capital leases payable - due within one year	97,323
Compensated absences - due within one year	126,342
Claims payable - due within one year	2,171,990
Capital leases payable - due in more than one year	1,455,603
Claims payable - due within one year	<u>4,604,010</u>
	<u>8,455,268</u>
Net long-term liabilities	<u>(15,288,167)</u>
Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	
Amounts reported in Government-Wide Statement of Net Position	(424,130)
Amounts reported in Governmental Fund Financial Statements	<u>3,901,364</u>
Total adjustments on deferred revenues	<u>3,477,234</u>
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	<u>8,272,599</u>
Net Position of Governmental Activities	<u><u>\$ 174,145,863</u></u>

City of National City
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2013

	Major Funds			
	General Fund	Housing Fund	Section 8 Housing Choice Vouchers Fund	Other Special Revenue Fund
REVENUES:				
Taxes	\$ 34,909,075	\$ -	\$ -	\$ 291,036
Licenses and permits	980,591	-	-	244,080
Fines and forfeitures	909,632	-	28,380	550
Use of money and property	653,326	47,995	-	18,718
Intergovernmental	551,743	-	9,735,778	2,755,584
Charges for services	2,792,159	-	-	454,985
Other revenues	592,506	-	-	818
Total revenues	41,389,032	47,995	9,764,158	3,765,771
EXPENDITURES:				
Current:				
General Government	4,824,753	-	-	118,044
Public Safety	26,389,072	-	-	1,698,688
Transportation	809,953	-	-	(2,307)
Community Development	-	-	10,285,701	243,545
Health	-	-	-	104,248
Culture and Leisure	1,960,091	-	-	1,052,514
Capital outlay	1,169,910	-	-	249,020
Debt service:				
Principal	178,193	-	-	1,591
Interest and fiscal charges	16,520	-	-	255
Total expenditures	35,348,492	-	10,285,701	3,465,598
REVENUES OVER (UNDER) EXPENDITURES	6,040,540	47,995	(521,543)	300,173
OTHER FINANCING SOURCES (USES):				
Proceeds from debt issuance	-	-	-	-
Premium on debt issuance	-	-	-	-
Deposit to escrow for bond refunding	-	-	-	-
Cost of issuance	-	-	-	-
Transfers in	1,133,577	-	-	430,344
Transfers out	(1,506,094)	-	-	(868,074)
Total other financing sources (uses)	(372,517)	-	-	(437,730)
NET CHANGE IN FUND BALANCES	5,668,023	47,995	(521,543)	(137,557)
FUND BALANCES:				
Beginning of year	17,916,938	7,442,804	1,074,138	8,912,444
End of year	<u>\$ 23,584,961</u>	<u>\$ 7,490,799</u>	<u>\$ 552,595</u>	<u>\$ 8,774,887</u>

City of National City
Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)
Governmental Funds
For the year ended June 30, 2013

	<u>Major Funds</u>		
	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ -	\$ 3,637,168	\$ 38,837,279
Licenses and permits	900	-	1,225,571
Fines and forfeitures	-	105,860	1,044,422
Use of money and property	17,264	31,309	768,612
Intergovernmental	-	2,760,781	15,803,886
Charges for services	6,828,086	4,799	10,080,029
Other revenues	2,139	162,450	757,913
Total revenues	<u>6,848,389</u>	<u>6,702,367</u>	<u>68,517,712</u>
EXPENDITURES:			
Current:			
General Government	-	406,667	5,349,464
Public Safety	-	68,486	28,156,246
Transportation	-	2,150,295	2,957,941
Community Development	-	-	10,529,246
Health	7,356,770	1,098,570	8,559,588
Culture and Leisure	-	2,784,622	5,797,227
Capital outlay	147	2,330,394	3,749,471
Debt service:			
Principal	2,652	886,365	1,068,801
Interest and fiscal charges	425	530,380	547,580
Total expenditures	<u>7,359,994</u>	<u>10,255,779</u>	<u>66,715,564</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(511,605)</u>	<u>(3,553,412)</u>	<u>1,802,148</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from debt issuance	-	4,885,000	4,885,000
Premium on debt issuance	-	25,678	25,678
Deposit to escrow for bond refunding	-	(4,760,000)	(4,760,000)
Cost of issuance	-	(150,678)	(150,678)
Transfers in	-	1,521,614	3,085,535
Transfers out	-	(140,520)	(2,514,688)
Total other financing sources (uses)	<u>-</u>	<u>1,381,094</u>	<u>570,847</u>
NET CHANGE IN FUND BALANCES	<u>(511,605)</u>	<u>(2,172,318)</u>	<u>2,372,995</u>
FUND BALANCES:			
Beginning of year	<u>16,543,351</u>	<u>11,373,832</u>	<u>63,263,507</u>
End of year	<u>\$ 16,031,746</u>	<u>\$ 9,201,514</u>	<u>\$ 65,636,502</u>

City of National City
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 2,372,995
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	8,553,901
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount did not include the depreciation expense for Internal Service Funds in the amount of \$360,013.	(4,423,669)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position.	(1,983,028)
The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Issuance of long-term debt	(4,885,000)
Proceeds from bond issuance	(25,678)
Costs of issuance	150,678
Principal payment of long-term debt	1,068,801
Deposit to escrow for bond refunding	4,760,000
Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.	
Bond premium and loss on refunding	(2,595)
Deferred charges	(9,417)
Certain long-term liabilities were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, long-term liabilities were not reported as expenditures in governmental funds. These amounts represented the changes in long-term liabilities from prior year.	
Changes in compensated absences	754,701
Changes in net OPEB liabilities	(110,367)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. This amount represented the change in accrued interest from prior year.	(83,163)
Interest earned on long-term receivables did not provide current financial resources were not reported as revenues in the Governmental Funds.	868,744
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds was reported with governmental activities.	(461,064)
Change in Net Position of Governmental Activities	\$ 6,545,839

PROPRIETARY FUND FINANCIAL STATEMENTS

Kimball Towers Fund – 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 Fund – 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.

Internal Service Funds are funds 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.

City of National City
Statement of Net Position
Proprietary Funds
June 30, 2013

	Major Fund		Total	Governmental
	Kimball Towers	Morgan Towers		Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 277,424	\$ 123,948	\$ 401,372	\$ 14,478,957
Accounts receivable	-	1,950	1,950	-
Restricted cash and investments with fiscal agents	1,303,747	650,091	1,953,838	10,334
Prepaid items and deposits	81,991	82,777	164,768	23,884
Total current assets	<u>1,663,162</u>	<u>858,766</u>	<u>2,521,928</u>	<u>14,513,175</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable assets	315,814	212,568	528,382	-
Depreciable assets, net of accumulated depreciation	4,197,092	1,870,443	6,067,535	2,755,265
Total capital assets, net	<u>4,512,906</u>	<u>2,083,011</u>	<u>6,595,917</u>	<u>2,755,265</u>
Total noncurrent assets	<u>4,512,906</u>	<u>2,083,011</u>	<u>6,595,917</u>	<u>2,755,265</u>
Total assets	<u><u>6,176,068</u></u>	<u><u>2,941,777</u></u>	<u><u>9,117,845</u></u>	<u><u>17,268,440</u></u>
LIABILITIES AND NET POSITION				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	122,389	43,585	165,974	464,297
Salaries payable	21,718	26,647	48,365	76,276
Capital leases payable - due within one year	-	-	-	97,323
Compensated absences - due within one year	-	-	-	126,342
Note payable - due within one year	-	248,737	248,737	-
Claims payable - due within one year	-	-	-	2,171,990
Total current liabilities	<u>144,107</u>	<u>318,969</u>	<u>463,076</u>	<u>2,936,228</u>
Noncurrent liabilities:				
Tenant security deposit liability	44,688	43,607	88,295	-
Capital leases payable - due in more than one year	-	-	-	1,455,603
Note payable - due in more than one year	-	1,586,419	1,586,419	-
Self-insurance claims payable - due in more than one year	-	-	-	4,604,010
Total noncurrent liabilities	<u>44,688</u>	<u>1,630,026</u>	<u>1,674,714</u>	<u>6,059,613</u>
Total liabilities	<u><u>188,795</u></u>	<u><u>1,948,995</u></u>	<u><u>2,137,790</u></u>	<u><u>8,995,841</u></u>
Net Position:				
Net investment in capital assets	4,512,906	247,855	4,760,761	1,202,339
Restricted	1,303,747	650,091	1,953,838	-
Unrestricted	170,620	94,836	265,456	7,070,260
Total net position	<u><u>\$ 5,987,273</u></u>	<u><u>\$ 992,782</u></u>	<u><u>\$ 6,980,055</u></u>	<u><u>\$ 8,272,599</u></u>

City of National City
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2013

	Major Fund		Total	Governmental
	Kimball Towers	Morgan Towers		Activities Internal Service Funds
OPERATING REVENUES:				
Rental income	\$ 1,073,082	\$ 1,241,253	\$ 2,314,335	\$ -
Charges for services	-	-	-	9,852,760
Other	7,398	7,378	14,776	224,786
Total operating revenues	1,080,480	1,248,631	2,329,111	10,077,546
OPERATING EXPENSES:				
Operations and administration	488,021	423,960	911,981	7,377,922
Maintenance	420,202	405,576	825,778	2,229,828
Depreciation	181,475	212,729	394,204	360,013
Total operating expenses	1,089,698	1,042,265	2,131,963	9,967,763
OPERATING INCOME (LOSS)	(9,218)	206,366	197,148	109,783
NONOPERATING REVENUES (EXPENSES):				
Interest income	1,936	1,749	3,685	-
Interest expense	-	(135,331)	(135,331)	-
Total nonoperating revenues (expenses)	1,936	(133,582)	(131,646)	-
INCOME (LOSS) BEFORE TRANSFERS	(7,282)	72,784	65,502	109,783
TRANSFERS:				
Transfers in	-	-	-	575,342
Transfers out	-	-	-	(1,146,189)
Total transfers	-	-	-	(570,847)
CHANGE IN NET POSITION	(7,282)	72,784	65,502	(461,064)
NET POSITION:				
Beginning of year, as restated (Note 13)	5,994,555	919,998	6,914,553	8,733,663
End of year	<u>\$ 5,987,273</u>	<u>\$ 992,782</u>	<u>\$ 6,980,055</u>	<u>\$ 8,272,599</u>

City of National City
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Major Fund			Governmental
	Kimball Towers	Morgan Towers	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,073,420	\$ 1,240,032	\$ 2,313,452	\$ -
Cash received from (payments to) other funds	-	-	-	9,864,912
Cash payments to supplier and employees for goods and services	(813,401)	(1,038,802)	(1,852,203)	(9,041,624)
Other operating revenues	7,398	7,378	14,776	224,786
Net cash provided (used) by operating activities	267,417	208,608	476,025	1,048,074
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	-	-	-	(93,797)
Acquisition of capital assets	-	(1)	(1)	(89,422)
Proceeds received from disposal of capital assets	-	-	-	30,122
Net cash provided (used) by capital and related financing activities	-	(1)	(1)	(153,097)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interest expense	-	(135,331)	(135,331)	-
Transfers in	-	-	-	575,342
Transfers (out)	-	-	-	(1,146,189)
Net cash provided (used) by noncapital financing activities	-	(135,331)	(135,331)	(570,847)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	1,936	1,749	3,685	-
Net cash provided (used) by investing activities	1,936	1,749	3,685	-
Net increase (decrease) in cash and cash equivalents	269,353	75,025	344,378	324,130
CASH AND CASH EQUIVALENTS:				
Beginning of year	1,311,818	699,014	2,010,832	14,165,161
End of year	<u>\$ 1,581,171</u>	<u>\$ 774,039</u>	<u>\$ 2,355,210</u>	<u>\$ 14,489,291</u>
RECONCILIATION TO STATEMENT OF CASH POSITION:				
Cash and investments	\$ 277,424	\$ 123,948	\$ 401,372	\$ 14,478,957
Restricted cash and investments with fiscal agents	1,303,747	650,091	1,953,838	10,334
Total cash and cash equivalents	<u>\$ 1,581,171</u>	<u>\$ 774,039</u>	<u>\$ 2,355,210</u>	<u>\$ 14,489,291</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (9,218)	\$ 206,366	\$ 197,148	\$ 109,783
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	181,475	212,729	394,204	360,013
Changes in operating assets and liabilities:				
Accounts receivable	338	(1,221)	(883)	12,152
Inventories	-	-	-	9,345
Prepaid items and deposits	(1,007)	(2,769)	(3,776)	-
Accounts payable and accrued liabilities	75,120	(9,798)	65,322	54,391
Salaries payable	21,718	26,647	48,365	22,843
Tenant security deposit liability	(1,009)	(109)	(1,118)	-
Compensated absences	-	-	-	(13,453)
Claims payable	-	-	-	493,000
Notes payable	-	(223,237)	(223,237)	-
Total adjustments	<u>276,635</u>	<u>2,242</u>	<u>278,877</u>	<u>938,291</u>
Net cash provided (used) by operating activities	<u>\$ 267,417</u>	<u>\$ 208,608</u>	<u>\$ 476,025</u>	<u>\$ 1,048,074</u>

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Fund – This fund is used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments and/or other funds.

Library Trust Fund – This fund is used to account for a financial endowment made to the Library. Only interest earned on the principal can be used to purchase books and other library materials.

Successor Agency to the Community Development Commission of the National City Private Purpose Trust Fund – This fund is used to account for monies received from the San Diego County Auditor Controller for the repayment of the enforceable obligations of the former National City Redevelopment Agency. These funds are restricted for the sole purpose of payment of items on an approved Recognized Payment Obligation Schedule (ROPS).

City of National City
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds	Library Trust Fund	Successor Agency To the Community Development Commission of National City Private-purpose Trust Fund
ASSETS			
Cash and investments	\$ 700,582	\$ 50,101	\$ 40,818,082
Receivables:			
Account	-	-	9,342
Interest	-	-	20,938
Loans	-	-	646,573
Restricted cash and investments with fiscal agent	-	-	6,777,309
Land held for resale	-	-	9,845,509
Capital asset, net accumulated depreciation	-	-	2,525,000
Total assets	\$ 700,582	\$ 50,101	60,642,753
LIABILITIES			
Accounts payable and accrued liabilities	\$ 13,543	\$ -	135,103
Due to City	-	-	411,216
Interest payable	-	-	1,616,725
Long-term debt	-	-	67,160,000
Developer deposits	-	-	25,000
Deposits payable	687,039	-	-
Total liabilities	\$ 700,582	-	69,348,044
NET POSITION			
Held in trust		50,101	(8,705,291)
Total net position		\$ 50,101	\$ (8,705,291)

City of National City
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013

	Library Private-purpose Trust Fund	Successor Agency To the Community Development Commission of National City Private-purpose Trust Fund
	<u> </u>	<u> </u>
ADDITIONS:		
Property taxes	\$ -	\$ 11,505,010
Investment income	72	209,599
Total additions	<u>72</u>	<u>11,714,609</u>
DEDUCTIONS:		
Enforceable Obligations	-	3,688,973
Community Development	-	4,203,104
Administrative Expenses	-	308,497
Depreciation	-	41,667
Total deductions	<u>-</u>	<u>8,242,241</u>
Change in Net Position	72	3,472,368
NET POSITION:		
Beginning of period, as restated (Note 14)	<u>50,029</u>	<u>(12,177,659)</u>
End of period	<u>\$ 50,101</u>	<u>\$ (8,705,291)</u>

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City of National City
Notes to Basic Financial Statements
For the year ended June 30, 2013

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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City of National City
Notes to Basic Financial Statements
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

The basic financial statements of the City of National City, California (the “City”) have been prepared in conformity with accounting principles generally accepted of the United States of America (“U.S. 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 the primary government, the City, and its component units. Component units are legally separate entities for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government is accountable and their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance part of the government’s operation and so data from these units are combined with data of the primary government. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability. As a result, these organizations are considered component units of the City and are included within the financial statements of the City using the blended method. All component units have a June 30 year-end. The City has no discretely presented component units.

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.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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. Although the CDC dissolved on February 1, 2012, the Morgan Towers Enterprise Fund continues to issue annual HUD regulated financial statements under the CDC name.

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 by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

In 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Government - Wide Financial Statements

The City’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. 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 these statements.

These 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 Position. The Statement of Activities presents changes in Net Position. 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

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position 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 Position, 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
- Advances to/from other funds
- Transfers in/out

Governmental Fund 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 Position as presented in these statements to the Net Position 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 from the Balance Sheet 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.

The City reports the following major Governmental Funds:

General Fund – This is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

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. The City's internal service funds include three individual funds which provide services directly to other City funds. These areas of service include Fleet and Vehicle Maintenance, Information Technology Replacement and Workers Compensation.

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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. 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.

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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

Kimball Towers Fund – 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 Fund – 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.

Internal Service Funds are funds 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.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City’s fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

Fiduciary fund types are accounted for according to the nature of the fund. The City’s Agency Funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. These funds are used to account for money and property held by the City as trustee or custodian. The City’s private purpose trust fund is a fiduciary fund type used by the City to report assets, liabilities and activities of the Successor Agency to the CDC. Its results of operations are presented on the Statement of Changes of Fiduciary Net Position.

The *Successor Agency of the Community Development Commission of National City* was created by the City Council of National City (City Council) in August 2012. It was established pursuant to Assembly Bill x1 26. Its purpose is to expeditiously wind down the affairs of the dissolved CDC. The governing body of the Successor Agency is comprised of the members of the Oversight Board selected by the County of San Diego, City of National City, school and special districts. The Successor Agency has been included in the accompanying basic financial statements as a private purpose trust fund.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

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. The City reported its investments at fair value and the unrealized loss on investments amounted to \$384,135 for the fiscal year ended June 30, 2013.

The statement of cash flows requires presentation of “cash and cash equivalents”. For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents”, as such funds are available to the various funds as needed.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

D. Inventories and Prepaid items

Inventories are valued on an average-cost basis which are adjusted to annual physical counts or estimates under the consumption method of accounting and are recorded in the internal service fund. Prepaid items are items the City has paid in advance and will receive future benefit from.

E. Restricted Assets

Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation or tax allocation bonds and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

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” or “advances to/from other funds” (i.e., the current 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.”

G. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 (including infrastructure assets). Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

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

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. 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.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

H. *Compensated Absences*

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as expenses and liabilities as incurred.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years 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. The General Fund is typically used to liquidate compensated absences.

I. *Long-Term Debt*

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

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 premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

J. *Property Taxes*

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Diego, California (County) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected. No allowance for doubtful accounts was considered necessary.

K. *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 Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

L. Net Position

In governmental-wide and proprietary fund financial statements, Net Position are categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

M. Fund Balances

In governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager for that purpose.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

N. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

O. Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

P. Accounting Changes

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("SCA"). The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on the City's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement became effective for periods beginning after June 15, 2012 and did not have a significant impact on the City's financial statements for year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants ("AICPA"). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This statement became effective for period beginning after December 15, 2011 and did not have a significant impact on the City's financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirement of this statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government's net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the City was limited to renaming of "Net Assets" to "Net Position".

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments, including cash and investments with fiscal agents at June 30, 2013.

	<u>Government-Wide Statement of Net Assets</u>			<u>Fiduciary Funds</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Statement of</u>	
	<u>Activities</u>	<u>Activities</u>		<u>Net Position</u>	<u>Total</u>
Cash and investments	\$ 73,179,290	\$ 401,372	\$ 73,580,662	\$ 41,568,765	\$ 115,149,427
Restricted cash and investments:					
Held by City	42,895	-	42,895	-	42,895
Held by fiscal agents	531,637	1,953,838	2,485,475	6,777,309	9,262,784
Total restricted cash and investments	574,532	1,953,838	2,528,370	6,777,309	9,305,679
Total cash and investments	\$ 73,753,822	\$ 2,355,210	\$ 76,109,032	\$ 48,346,074	\$ 124,455,106

Cash, cash equivalents and investments consisted of the following at June 30, 2013:

Petty cash	\$ 3,798
Deposits with financial institution	18,048,666
Investments	97,139,858
Investments held by bond trustee	9,262,784
Total cash and investments	\$ 124,455,106

A. Deposits

The carrying amount of the City's cash deposits were \$18,048,666 at June 30, 2013. Bank balances before reconciling items were \$18,900,692 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

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

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

B. Investments

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 (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Bankers' Acceptance	180 days	40%	30%
Negotiable Certificates of Deposits	5 years	30%	5%
Commercial Paper	270 days	25%	10%
State and Local Agency Bond Issues	5 years	None	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Repurchase Agreement	90 days	None	10%
Reverse-Purchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	5 years	30%	10%
Time Certificates of Deposits	3 years	None	10%
Money Market Funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$50 Million**
Investment Trust of California (CalTrust)	N/A	None	10%

* Excluding amounts held by bond trustee that are not subject to California Government Code restriction.

** Maximum is \$50 million per account.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreement rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

C. Restricted Cash and Investments of Morgan Towers and Kimball Towers

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:

	Kimball Towers	Morgan Towers	Total
Replacement reserve	\$ -	\$ 383,795	\$ 383,795
Residual receipts reserve	308,168	256,058	564,226
MIP and insurance impounds reserve	-	10,238	10,238
Other	995,579	-	995,579
Total restricted cash and investments	\$ 1,303,747	\$ 650,091	\$ 1,953,838

Kimball Towers

Reserve for replacements of \$383,795 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 \$256,058 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 \$6,875 and \$3,363, respectively, totaling \$10,238, which represents amounts held for the future payment of property and mortgage insurance.

Morgan Towers

Residual receipts reserve of \$308,168 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 \$995,579 are included in the accompanying basic financial statements.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

D. Risks Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2013, the City's pooled cash and investments had the following maturities:

As of June 30, 2013, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		1 year or fewer	1 to 2 years	2-3 years	3-4 years	4-5 years
LAIF	\$ 64,696,049	\$ 64,696,049	\$ -	\$ -	\$ -	\$ -
Money Market Funds	5,004,497	5,004,497	-	-	-	-
San Diego County Investment Pool	4,968,000	4,968,000	-	-	-	-
Time Certificates of Deposits	2,000,000	2,000,000	-	-	-	-
Federal National Mortgage Association	515,660	-	515,660	-	-	-
U.S. Treasury Obligations	4,471,663	1,495,142	2,402,113	574,408	-	-
U.S. Agency Securitites	15,483,989	4,019,369	8,432,215	3,032,405	-	-
Total Investments	\$ 97,139,858	\$ 82,183,057	\$ 11,349,988	\$ 3,606,813	\$ -	\$ -

The weighted average maturity of the portfolio was 1.2 years.

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. To be eligible to receive City money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low-and moderate income neighborhoods.

The City's investments are rated by the nationally recognized statistical rating organizations as follows:

Investment Type	Fair Value	Moody's	Standard & Poor's
LAIF	\$ 64,696,049	Not Rated	Not Rated
Time Deposits	5,004,497	Not Rated	Not Rated
San Diego County Investment Pool	4,968,000	Not Rated	AAAf
Corporate Bonds	2,000,000	Not Rated	Aaf
Federal Home Loan Bank	515,660	Aaa	AAA
Federal National Mortgage Association	4,471,663	Aaa	AAA
Federal Home Loan Mortgage Corporation	15,483,989	Aaa	AAA
	\$ 97,139,858		

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

D. Risks Disclosures (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian (BNY Western Trust). BNY is a registered member of the Federal Reserve Bank.

Concentration of Credit Risk

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>
Federal Home Loan Bank	Federal Agency Securities	\$ 515,660
Federal National Mortgage Association	Federal Agency Securities	4,471,663
Federal Home Loan Mortgage Corporation	Federal Agency Securities	15,483,989

E. Investments in Local Agency Investment

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2013 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2013, the City had \$64,696,049 invested in LAIF, which had invested 1.96% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2013, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The credit quality rating of LAIF is unrated as of June 30, 2013.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash and Investments (Continued)

F. Investments 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 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.sdteastax.com>.

Note 3 – Loans Receivable

At June 30, 2013, the City had the following loans receivable, including principal and accrued interest:

Copper Hills Apartments, LP	\$	7,596,232
Plaza Manor Preservation, LP		484,377
Plaza City Apartments, LP		3,422,000
Home Improvement Loan Program		103,674
First Time Home Buyers Program		3,273,452
Owner Occupied Loan Program		286,502
Rental Rehabilitation Loan Program		3,316,918
Subtotal		18,483,155
Less: Contractual Allowance		(11,563,920)
Total	\$	6,919,235

Copper Hills Apartment, LP

In 1999, the former Community Development Commission of the City of National City (CDC) entered into several loan agreements with 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. At June 30, 2013, the outstanding balance was \$7,596,232.

Plaza Manor Preservation, LP

The City of National City Rental Rehabilitation Loan Program is administered by the Housing Authority and funded through U.S. Department of Housing and Urban Development HOME Investment Partnerships Program and the Low- and Moderate-Income Housing Asset Fund. The program offers gap financing to developers for the rehabilitation of multi-family complexes and also provides for long-term rental assistance to deed-restricted units. At June 30, 2013, the outstanding balance of loans made was \$484,377.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 3 – Loans Receivable (Continued)

Plaza City Apartments, LP

The 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. At June 30, 2013, the outstanding balance of loans made was \$3,422,000.

Home Improvement Loan program

The City of National City Home Improvement Loan Program was administered by the Housing Authority and funded with Community Development Block Grant funds. The loan program provided loans to owners of single family residences that wished to rehabilitate their property, providing for safe, decent, and sanitary housing throughout National City. The loan program provided favorable terms of repayment and stopped issuing loans in 2002. At June 30, 2013, the outstanding balance of the loans made was \$103,674.

First Time Home Buyers program

The City of National City First-Time Homebuyer Assistance Program is currently funded through U.S. Department of Housing and Urban Development HOME Investment Partnerships Program and previously was also funded with the State of California Low- and Moderate-Income Housing Set-Aside funds. The Program is currently administered by Community Housing Works, a 501(c)3 affordable housing agency that offers equity share deferred home gap financing loans to qualified borrowers. At June 30, 2013, the outstanding balance of the loans made was \$3,273,452.

Owner Occupied Loan program

The City of National City Owner Occupied Loan Program is administered by the Housing Authority. The program provides loans to owners of single family residences that wish to rehabilitate their property, providing for safe, decent, and sanitary housing throughout National City. Principal payment on the loans provided is deferred for 30 years. At June 30, 2013, the outstanding balance of the loans made was \$286,502.

Rental Rehabilitation program

The City of National City Rental Rehabilitation Loan Program is administered by the Housing Authority and funded through U.S. Department of Housing and Urban Development HOME Investment Partnerships Program and the Low- and Moderate-Income Housing Asset Fund. The program offers gap financing to developers for the rehabilitation of multi-family complexes and also provides for long-term rental assistance to deed-restricted units. At June 30, 2013, the outstanding balance of loans made was \$3,316,918.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 4 – Interfund Balances and Transactions

A. Due to/Due from other funds

At June 30, 2013, interfund receivables and payables were as follows:

Due From Other Funds	Due To Other Funds		
	Other Special Revenue Fund	Nonmajor Governmental Funds	Total
General Fund	\$ 413,007	\$ 749,873	\$ 1,162,880
Total	\$ 413,007	\$ 749,873	\$ 1,162,880

Current interfund balances arise in the normal course of operations to cover cash shortages and are expected to be repaid shortly after the end of the fiscal year.

B. Long-Term Advances

At June 30, 2013, long-term advances balances were as follows:

Advances To Other Funds	Advances From Other Funds
	Nonmajor Governmental Funds
Other Special Revenue Fund	\$ 395,921
Sewer Special Revenue Fund	760,034
Total	\$ 1,155,955

City Council authorized loan 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 and the Transnet Fund for the last two years at an interest rate of 0.75% per annum and matures June 30, 2015. The balance was \$395,921 at June 30, 2013 to the *Transnet* fund. See Note 13 for description of loan to Successor Agency

City Council authorized a loan 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. The balance was \$760,034 at June 30, 2013.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 4 – Interfund Balances and Transactions (Continued)

C. Transfers In/Out

For the year ended June 30, 2013, interfund transfers were as follows:

Transfers Out	Transfers In				Total
	General Fund	Other Special Revenue Fund	Non-major Governmental Funds	Governmental Activities Internal Service	
General Fund	\$ -	\$ 125,000	\$ 1,381,094	\$ -	\$ 1,506,094
Other Special Revenue Fund	562,730	305,344	-	-	868,074
Nonmajor Governmental Fund	-	-	140,520	-	140,520
Governmental Activities Internal Service	570,847	-	-	575,342	1,146,189
Total	\$ 1,133,577	\$ 430,344	\$ 1,521,614	\$ 575,342	\$ 3,660,877

General Fund - Operating support to subsidize library operations, park maintenance operations and nutrition program for seniors. Total amount of operating support transfers was \$1,381,094. Also a transfer was made to fund retiree health benefits in the amount of \$125,000.

Other Special Revenue Fund - Transferring funds to consolidate and close out funds.

Non-major Governmental Fund - Transferring funds to consolidate and close out funds.

Governmental Activities Internal Service Funds – Transferring funds to build up reserves for vehicle replacement in the amount of \$575,342.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions	Deletions	CIP Transfers	Balance June 30, 2013
Capital assets, not being depreciated:					
Land	\$ 17,975,598	\$ 1,520,000	\$ (900,000)	\$ -	\$ 18,595,598
Right of way	4,245,088	-	-	-	4,245,088
Construction in progress	2,946,277	5,465,841	-	(1,190,649)	7,221,469
Total capital assets, not being depreciated	25,166,963	6,985,841	(900,000)	(1,190,649)	30,062,155
Capital assets, being depreciated:					
Buildings and improvements	44,045,586	-	(1,348,144)	76,192	42,773,634
Machinery and equipment	15,253,989	621,816	(878,190)	-	14,997,615
Infrastructure	113,420,380	1,035,666	(153,080)	1,114,457	115,417,423
Subtotal	172,719,955	1,657,482	(2,379,414)	1,190,649	173,188,672
Less accumulated depreciation					
Buildings and improvements	(18,178,481)	(1,306,365)	332,875	-	(19,151,971)
Machinery and equipment	(10,870,754)	(890,179)	840,221	-	(10,920,712)
Infrastructure	(55,810,974)	(2,587,138)	93,168	-	(58,304,944)
Subtotal	(84,860,209)	(4,783,682)	1,266,264	-	(88,377,627)
Total capital assets, being depreciated	87,859,746	(3,126,200)	(1,113,150)	1,190,649	84,811,045
Total capital assets, net	\$ 113,026,709	\$ 3,859,641	\$ (2,013,150)	\$ -	\$ 114,873,200

Depreciation expense was charged to functions/programs as follows:

Depreciation (unallocated)	\$ 4,423,669
Internal service fund	360,013
Total depreciation expense	\$ 4,783,682

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2013 are as follows:

	<u>Balance July 1, 2012</u>	<u>Reclass/ Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets, not being depreciated:					
Land	\$ 528,382	\$ -	\$ -	\$ -	\$ 528,382
Total capital assets, not being depreciated	<u>528,382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>528,382</u>
Capital assets, being depreciated:					
Building and improvements	15,654,171	168,968	-	-	15,823,139
Furniture and equipment	492,568	(168,968)	-	-	323,600
Subtotal	<u>16,146,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,146,739</u>
Less accumulated depreciation					
Building and improvements	(8,279,616)	(1,122,214)	(383,237)	-	(9,785,067)
Furniture and equipment	(1,592,735)	1,309,564	(10,966)	-	(294,137)
Subtotal	<u>(9,872,351)</u>	<u>187,350</u>	<u>(394,203)</u>	<u>-</u>	<u>(10,079,204)</u>
Total capital assets, being depreciated	<u>6,274,388</u>	<u>187,350</u>	<u>(394,203)</u>	<u>-</u>	<u>6,067,535</u>
Total capital assets, net	<u>\$ 6,802,770</u>	<u>\$ 187,350</u>	<u>\$ (394,203)</u>	<u>\$ -</u>	<u>\$ 6,595,917</u>

Depreciation expenses for business-type activities for the year ended June 30, 2013 are as follows:

Kimball Towers	\$ 181,474
Morgan Towers	<u>212,729</u>
Total depreciation expense	<u>\$ 394,203</u>

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Capital Assets (Continued)

C. Fiduciary Funds Financial Statements

Summary of changes in capital assets for fiduciary funds for the year ended June 30, 2013 are as follows:

	<u>Balance July 1, 2012</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets, not being depreciated:					
Land	\$ 2,050,000	\$ -	\$ -	\$ -	\$ 2,050,000
Total capital assets, not being depreciated	<u>2,050,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,050,000</u>
Capital assets, being depreciated:	-				
Buildings	2,450,000	-	-	-	2,450,000
Machinery and equipment	81,163	-	-	-	81,163
Subtotal	<u>2,531,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,531,163</u>
Less accumulated depreciation					
Buildings	(2,031,667)	98,334	(41,667)	-	(1,975,000)
Machinery and equipment	(81,163)	-	-	-	(81,163)
Subtotal	<u>(2,112,830)</u>	<u>98,334</u>	<u>(41,667)</u>	<u>-</u>	<u>(2,056,163)</u>
Total capital assets, being depreciated	<u>418,333</u>	<u>98,334</u>	<u>(41,667)</u>	<u>-</u>	<u>475,000</u>
Total capital assets, net	<u>\$ 2,468,333</u>	<u>\$ 98,334</u>	<u>\$ (41,667)</u>	<u>\$ -</u>	<u>\$ 2,525,000</u>

Depreciation expense for fiduciary fund financial statements for the year ended June 30, 2013 was \$41,667.

Note 6 – Long-Term Debt

A. Governmental Activities

A summary of changes in governmental activities long-term debt for the year ended June 30, 2013 is as follows:

	<u>Balance July 1, 2012</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance June 30, 2013</u>	<u>Classification</u>	
					<u>Due within One Year</u>	<u>Due in More Than One Year</u>
General Obligation Bonds	\$ 4,945,000	\$ 4,885,000	\$ (4,945,000)	\$ 4,885,000	\$ 235,000	\$ 4,650,000
Lease Revenue Refunding Bonds	2,715,000	-	(415,000)	2,300,000	430,000	1,870,000
Section 108 Bond	5,245,000	-	(280,000)	4,965,000	305,000	4,660,000
Capital Leases	2,147,477	-	(281,452)	1,866,025	294,194	1,571,831
Bond Premium	-	25,678	(1,605)	24,073	1,605	22,468
Deferred Loss on Refunding	-	(67,200)	4,200	(63,000)	(4,200)	(58,800)
Total	<u>\$ 15,052,477</u>	<u>\$ 4,843,478</u>	<u>\$ (5,918,857)</u>	<u>\$ 13,977,098</u>	<u>\$ 1,261,599</u>	<u>\$ 12,715,499</u>

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

General Obligation Bonds

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due within One Year	Due in More Than One Year
2002 General Obligation Bonds	\$ 4,945,000	\$ -	\$ (4,945,000)	\$ -	\$ -	\$ -
2012 General Obligation Refundings Bond	-	4,885,000	-	4,885,000	235,000	4,650,000
Bond Premium	-	25,678	(1,605)	24,073	1,605	22,468
Deferred Loss on Refunding	-	(67,200)	4,200	(63,000)	(4,200)	(58,800)
Total	\$ 4,945,000	\$ 4,843,478	\$ (4,942,405)	\$ 4,846,073	\$ 232,405	\$ 4,613,668

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 2002 General Obligation Bonds were refunded on August 1, 2012.

2012 General Obligation Refunding Bonds

The City issued \$4,885,000 of general obligation bonds, 2012 General Obligation Refunding Bonds, on August 1, 2012 to refund the 2002 General Obligation Bonds. The bonds mature annually through August 1, 2028 in the amounts ranging from \$235,000 to \$395,000 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 2.00% to 3.500%. 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. As of June 30, 2013 the outstanding balance is \$4,885,000.

The annual debt service requirements for the 2012 General Obligation Refunding Bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 235,000	\$ 140,439	\$ 375,439
2015	245,000	135,350	380,350
2016	250,000	130,450	380,450
2017	255,000	125,450	380,450
2018	265,000	119,075	384,075
2019-2023	1,460,000	487,350	1,947,350
2024-2028	1,780,000	251,363	2,031,363
2029	395,000	13,825	408,825
Total	\$ 4,885,000	\$ 1,403,302	\$ 6,288,302

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Economic Gain on Refunding

On August 1, 2012, the City issued 2012 General Obligation Refunding Bonds in the amount of \$4,885,000 to providing funding to refund its General Obligation Bonds, Election of 2002, Series A. The reacquisition price exceeded the net carrying amount of the old debt by \$529,844. This amount is netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payment by \$529,844 and resulted in an economic gain of \$2,473,789.

Lease Revenue Refunding Bonds

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due within One Year	Due in More Than One Year
NCJPFA Lease Revenue Refunding Bonds	\$ 2,715,000	\$ -	\$ (415,000)	\$ 2,300,000	\$ 430,000	\$ 1,870,000
Total	<u>\$ 2,715,000</u>	<u>\$ -</u>	<u>\$ (415,000)</u>	<u>\$ 2,300,000</u>	<u>\$ 430,000</u>	<u>\$ 1,870,000</u>

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. As of June 30, 2013 the outstanding balance is \$2,300,000.

The annual debt service requirements for the NCJPFA Lease Revenue Refunding Bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	490,000	7,350	497,350
Total	<u>\$ 2,300,000</u>	<u>\$ 177,000</u>	<u>\$ 2,477,000</u>

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Section 108 Bonds

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due within One Year	Due in More Than One Year
Section 108	\$ 5,245,000	\$ -	\$ (280,000)	\$ 4,965,000	\$ 305,000	\$ 4,660,000
Total	\$ 5,245,000	\$ -	\$ (280,000)	\$ 4,965,000	\$ 305,000	\$ 4,660,000

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. As of June 30, 2013 the outstanding balance is \$4,965,000.

The annual debt service requirements for the Section 108 Bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2019-2023	2,560,000	558,276	3,118,276
2024	635,000	18,066	653,066
Total	\$ 4,965,000	\$ 1,707,147	\$ 6,672,147

Capital Leases

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due within One Year	Due in More Than One Year
Honeywell Lease	\$ 1,645,577	\$ -	\$ (92,651)	\$ 1,552,926	\$ 97,323	\$ 1,455,603
800 MHz Radio System	459,591	-	(178,193)	281,398	185,785	95,613
CAT Loader Equipment	42,309	-	(10,608)	31,701	11,086	20,615
Total	\$ 2,147,477	\$ -	\$ (281,452)	\$ 1,866,025	\$ 294,194	\$ 1,571,831

Honeywell Lease

A fifteen year contract was entered into on March 16, 2010 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 principal and interest are \$43,101. The final payment will be made in 2025. The balance at June 30, 2013 on this contract was \$1,552,926.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Honeywell Lease (Continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 97,323	\$ 75,082	\$ 172,405
2015	102,230	70,174	172,404
2016	107,385	65,019	172,404
2017	112,801	59,604	172,405
2018	118,489	53,916	172,405
2019-2023	688,325	173,697	862,022
2024-2025	326,373	18,435	344,808
Total	\$ 1,552,926	\$ 515,927	\$ 2,068,853

800 MHz Radio System

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, 2013 was \$281,378.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 185,785	\$ 8,928	\$ 194,713
2015	95,613	1,512	97,125
Total	\$ 281,398	\$ 10,440	\$ 291,838

CAT Loader Equipment

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, 2013 was \$31,701.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 11,086	\$ 1,222	\$ 12,308
2015	11,585	723	12,308
2016	9,030	201	9,231
Total	\$ 31,701	\$ 2,146	\$ 33,847

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Long-Term Debt (Continued)

B. Business-Type Activities

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due within One Year	Due in More Than One Year
Morgan Towers Notes Payable	\$ 2,058,393	\$ -	\$ (233,123)	\$ 1,825,270	\$ 248,737	\$ 1,576,533
Total	\$ 2,058,393	\$ -	\$ (233,123)	\$ 1,825,270	\$ 248,737	\$ 1,576,533

Morgan Towers Notes 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 note is insured by HUD and is secured by substantially all property and equipment of the Morgan Towers Enterprise Fund. As of June 30, 2013, the outstanding balance is \$1,825,270. The annual debt service payments are as follows:

Year Ending	Year Ending			
	June 30,	Principal	Interest	Total
2014	\$ 248,737	\$ 111,324	\$ 360,061	
2015	265,396	94,665	360,061	
2016	283,170	76,890	360,060	
2017	302,134	57,924	360,058	
2018	322,369	37,692	360,061	
2019-2020	403,464	16,606	420,070	
Total	\$ 1,825,270	\$ 395,101	\$ 2,220,371	

C. Fiduciary Funds

A summary of changes in fiduciary funds long-term debt for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due within One Year	Due in More Than One Year
1999 Tax Allocation Bonds	\$ 3,835,000	\$ -	\$ (135,000)	\$ 3,700,000	\$ 145,000	\$ 3,555,000
2004 Tax Allocation Bonds	4,060,000	-	(295,000)	3,765,000	305,000	3,460,000
2005 Series A and B Tax Allocation Bonds	23,560,000	-	(3,200,000)	20,360,000	3,345,000	17,015,000
2011 Tax Allocation Bonds	39,660,000	-	(325,000)	39,335,000	325,000	39,010,000
Total	\$ 71,115,000	\$ -	\$ (3,955,000)	\$ 67,160,000	\$ 4,120,000	\$ 63,040,000

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

1999 Tax Allocation Bonds

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

The annual debt service requirements for the 1999 Tax Allocations Bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2019-2023	1,000,000	622,218	1,622,218
2024-2028	1,295,000	329,923	1,624,923
2029-2030	615,000	31,903	646,903
Total	\$ 3,700,000	\$ 1,829,919	\$ 5,529,919

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 Allocations Bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2019-2023	-	747,000	747,000
2024-2028	705,000	731,750	1,436,750
2029-2033	2,110,000	360,750	2,470,750
Total	\$ 3,765,000	\$ 2,666,605	\$ 6,431,605

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

2005 Series A and B 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 Series A and B Tax Allocations Bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2019-2023	3,735,000	1,586,090	5,321,090
2024-2028	3,440,000	767,107	4,207,107
2029-2033	1,115,000	175,090	1,290,090
Total	\$ 20,360,000	\$ 5,498,827	\$ 25,858,827

2011 Tax Allocation Bonds

In February 2011, the Commission issued \$39,660,000 in Tax Allocation Bonds for the purpose of funding 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%.

The annual debt service requirements for the 2011 Tax Allocations Bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
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
2019-2023	8,035,000	11,208,176	19,243,176
2024-2028	10,830,000	8,338,600	19,168,600
2029-2033	17,110,000	3,769,500	20,879,500
Total	\$ 39,335,000	\$ 35,917,469	\$ 75,252,469

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

Pledged Revenues

The Successor Agency has pledged tax revenues to the repayment of the RDA’s debts transferred to it on February 1, 2012 through the final maturity of the Bonds, or early retirement of the Bonds, whichever comes first.

Tax revenues consist of property tax revenues allocated to the Redevelopment Property Tax Trust Fund (RPTTF) for the Successor Agency that is maintained by the County of San Diego Auditor and Controller. The amounts so allocated are those that would have been allocated to the RDA had the RDA not been dissolved. The Auditor and Controller (A&C) then distributes RPTTF revenues to the Successor Agency based on Recognized Obligation Payment Schedules (ROPS) as approved by the California State Department of Finance (DOF) and after deducting amounts for A&C administrative costs and amounts required to be paid under tax-sharing agreements unless the payment of such amounts has been subordinated to payment of debt services on the Bonds. Each ROPS covers a six-month period and includes the applicable debt service payments on the Bonds.

Property tax revenue allocated to the RPTTF for the Successor Agency totaled \$14,224,454 in fiscal year 2013. The RPTTF revenue distributed to the Successor Agency in fiscal year 2013 was \$11,505,010. Total debt service of all Tax Allocation Bonds paid was \$7,922,594, 69% of the RPTTF revenue received by the Successor Agency. For the next three fiscal years, annual principal and interest payments on the Tax Allocation Bonds are expected to average 65% of the RPTTF revenue available to be distributed to the Successor Agency. Beyond the three year period, the percentage initially drops to 52% because the final payment on the 2005 Series A bonds will be made in fiscal year 2016. Beginning in fiscal year 2017, annual principal and interest payments decrease to approximately \$5.3 million and will remain at or near that level until the final maturity of all of the Bonds in fiscal year 2033.

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Prior period Adjustment	Additions	Deletions	Balance June 30, 2013	Classification	
						Due within One Year	Due in More Than One Year
Compensated Absences	\$ 4,727,777	\$ (1,207,064)	\$ 1,035,742	\$ (1,803,897)	\$ 2,752,558	\$ 1,803,897	\$ 948,661
Total	<u>\$ 4,727,777</u>	<u>\$ (1,207,064)</u>	<u>\$ 1,035,742</u>	<u>\$ (1,803,897)</u>	<u>\$ 2,752,558</u>	<u>\$ 1,803,897</u>	<u>\$ 948,661</u>

The City’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$2,752,558 at June 30, 2013. For the governmental activities claims and judgments and compensated absences are generally liquidated by the general fund.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 7 – Compensated Absences (Continued)

Compensated absences at June 30, 2013 are obligations of the following funds:

Governmental Funds	\$ 2,626,216
Facilities Maintenance	45,590
Liability Insurance	2,542
Information Systems Maintenance	16,548
General Accounting Services	45,858
Motor Vehicle Services	15,804
Total	\$ 2,752,558

Note 8 – Other Required Fund Disclosures

At June 30, 2013, the following funds had deficit fund equity:

Fund Type	Funds	Deficit
Special Revenue	Community Development Block Grant	\$ 253,806
Special Revenue	Brownsfield Grant	17,569
Capital Projects	STP Local TransNet	274,558
Fiduciary Fund	CDC Successor Agency Private Purpose Trust	8,705,291

Community Development Block Grant Special Revenue Fund - The Community Development Block Grant Special Revenue Fund had an accumulated deficit of \$(253,806). The City expects to repay the advances via transfers from other funds.

Brownsfield Grant Special Revenue Fund - The Brownsfield Grant Special Revenue Fund had an accumulated deficit of \$(17,569). The City expects to repay the deficit via transfers from other funds.

STP Local TransNet Capital Projects Fund - The STP Local TransNet Capital Projects Fund had an accumulated deficit of \$(274,558). The City expects to repay the deficit via transfers from other funds.

CDC Successor Agency Private Purpose Trust - The CDC Successor Agency Private Purpose Trust fund had an accumulated deficit of \$(8,705,291), which resulted from insufficient revenues received through property tax increment. The City expects the fund to be repaid via property tax increment.

Note 9 – Self-Insurance Accrued Liabilities

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 Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 9 – Self-Insurance Accrued Liabilities (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, 2013, the City accrued \$6,776,000 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, 2013 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:

The aggregate change in the balance of claims payable as recorded in the Governmental Activities were as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2010-2011	\$ 5,884,000	\$ 1,061,409	\$ (831,409)	\$ 6,114,000
2011-2012	6,114,000	1,581,396	(1,412,396)	6,283,000
2012-2013	6,283,000	2,664,990	(2,171,990)	6,776,000

Note 10 – Pension Plans

A. California Public Employees’ Retirement Plan

Plan Description

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.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 10 – Pension Plans (Continued)

A. California Public Employees’ Retirement Plan (Continued)

Funding Policy

Active plan members are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer is required to contribute at an actuarially determined rate of 18.334% of annual covered payroll for miscellaneous employees and 33.122% of annual covered payroll for safety employees for the fiscal year ended June 30, 2013.

Readers of this document are advised to refer directly to the full disclosure of actuarial and funding practices of the multi-employer CalPERS system, which this agency does not control. CalPERS may employ actuarial techniques such as extended smoothing and amortization periods that would result in future increases in required employer contributions which are not reflected in these financial statements, particularly in the event of any future changes in governmental financial reporting standards and system-wide funding practices. Further information on its financial practices should be requested from CalPERS.

Annual Pension Cost

For fiscal year 2013, the City’s annual pension cost of \$6,657,620 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.55% to 14.45% for miscellaneous employees and 3.55% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) for both miscellaneous and safety employees are being amortized as a level percentage of projected payrolls over a closed 20-year period for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous Employees	Safety Employees	Total		
6/30/2011	\$ 1,683,420	\$ 3,277,155	\$ 4,960,575	100%	\$ -
6/30/2012	2,313,089	4,233,722	6,546,811	100%	-
6/30/2013	2,231,490	4,426,130	6,657,620	100%	-

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 10 – Pension Plans (Continued)

A. California Public Employees’ Retirement Plan (Continued)

Most Recent Actuarial Study – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous:						
6/30/2012	\$ 80,945,227	\$ 94,022,047	\$ 13,076,820	86.09%	\$ 9,294,612	140.69%
Safety:						
6/30/2012	\$ 110,236,928	\$ 145,521,058	\$ 35,284,130	75.8%	\$ 10,864,610	324.76%

Note 11 – Other Postemployment Benefits

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. Membership of the plan consisted of the following at June 30, 2013, the date of the latest actuarial valuation:

	Executives & Management	Safety	Other	Total
Eligible active employee	30	118	128	276
Enrolled eligible retirees	23	18	7	48

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 2012-13, the City contributed \$99,836 to the plan for current premiums.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 11 – Post Retirement Health Benefits (Continued)

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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 213,079	\$ 128,176	\$ 126,454
Interest on net OPEB obligation	5,096	2,690	2,690
Adjustment to the annual required contribution	(7,972)	(2,690)	(2,690)
Net OPEB cost	210,203	128,176	126,454
Contribution made (includes premiums paid)	(99,836)	(105,993)	(75,020)
Increase in net OPEB liability	110,367	22,183	51,434
Net OPEB liability, beginning of the year	127,412	105,229	53,795
Net OPEB liability, end of year	<u>\$ 237,779</u>	<u>\$ 127,412</u>	<u>\$ 105,229</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2012 and 2013 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010-2011	\$ 126,454	\$ 75,020	59%	\$ 105,229
2011-2012	128,176	105,993	83%	127,412
2012-2013	210,203	99,836	47%	237,779

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was not funded in its initial year of implementation. The actuarial accrued liability for benefits was \$2,114,382, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (“UAAL”) of \$2,114,382 and a funded ratio (actuarial value of assets as a percentage of the actuarial liability) of 0%.

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 the 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 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.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 11 – Post Retirement Health Benefits (Continued)

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.

Most Recent Actuarial Study – Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Assets Value</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u>
6/30/2012	\$ -	\$ 2,114,382	\$ 2,114,382	0.00%	\$ 18,771,000	11.26%

Note 12 – Commitments and Contingencies

Litigation

The City is presently involved in certain matters of litigation that have risen 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.

Grants

The City participates in a number of federally assisted grant programs, including those from the U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Treasury, U.S. Department of Transportation, and the U.S. Department of Education. Receipts from these grant programs are subject to audit to determine if the monies were expended in accordance with appropriate statues, grant terms and regulations. The City believes no significant liabilities will result on this audit.

City Loan to Successor Agency

The Sewer Special Revenue Fund has loaned a cumulative amount of \$411,216 to the Successor Agency for 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 Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 12 – Commitments and Contingencies (Continued)

Successor Agency – Long Range Property Management Plan

The City, acting as the Successor Agency to the Community Development Commission of National City, is in the process of preparing a Long Range Property Management Plan (LRPMP) in compliance with AB 1484.

Note 13 – Prior Period Adjustments

On July 1, 2012, the City has made certain prior period adjustments as follows:

1. **Deferred Charges** – Amount reported in previous year was overstated by \$1,475,617. These deferred charges are related to the Tax Allocations Bonds and was not properly removed during the dissolution of the Community Development Commission of National City under AB 1x26.
2. **Compensated Absences** – Amount reported in previous year was overstated by \$1,207,065.
3. **Depreciation** – Amounts reported in previous year were understated by \$187,350, \$98,334 for Kimball Tower Enterprise Fund and Successor Agency to the Community Development Commission of National City Private Purpose Trust Fund.
4. **Land Held for Resale** – Amount reported in previous year was overstated by \$755,000.

Accordingly, governmental activities' net position, Kimball Towers fund net position and Successor Agency to the Community Development Commission of National City fund's fund balances at July 1, 2012 were restated as follows:

	Governmental Activities	Busines-Type Activities
Beginning Net Position, as previously reported	\$ 167,868,576	\$ 6,727,203
Prior period adjustments:		
Deferred charges	(1,475,617)	-
Compensated absences	1,207,065	-
Depreciation	-	187,350
Beginning Net Position, as restated	\$ 167,600,024	\$ 6,914,553
	Kimball Towers Enterprise Fund	
Beginning Net Position, as previously reported	\$ 5,807,205	
Prior period adjustment:		
Depreciation	187,350	
Beginning Net Position, as restated	\$ 5,994,555	
	Successor Agency to the Community Development Commission of National City Private Purpose Trust Fund	
Beginning Net Position, as previously reported	\$ (11,470,963)	
Prior period adjustments:		
Land held for resale	(755,000)	
Depreciation	98,334	
Beginning Net Position, as restated	\$ (12,127,629)	

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 14 – Classification of Fund Balances

	Major Funds					Nonmajor Governmental Funds	Total
	Section 8						
	General	Housing	Housing Choice Vouchers	Other Special Revenue	Sewer		
Nonspendable							
Loans receivable	\$ -	\$ 5,811,829	\$ -	\$ -	\$ -	\$ 1,107,406	\$ 6,919,235
Land held for resale	-	1,245,000	-	-	-	-	1,245,000
Inventory	10,162	-	-	-	-	-	10,162
Total nonspendable	10,162	7,056,829	-	-	-	1,107,406	8,174,397
Restricted							
Housing	-	-	552,595	320,597	16,031,746	-	16,904,938
Debt service	687,263	-	-	-	-	1,006,546	1,693,809
Community development	19,999	-	-	5,225,317	-	1,957,235	7,202,551
Public safety	-	-	-	395,219	-	433,535	828,754
Transportation	-	-	-	1,277,814	-	2,372,131	3,649,945
General Services	-	-	-	581,384	-	2,968,281	3,549,665
Total restricted	707,262	-	552,595	7,800,331	16,031,746	8,737,728	33,829,662
Committed							
Economic contingency	9,085,066	-	-	-	-	-	9,085,066
Total committed	9,085,066	-	-	-	-	-	9,085,066
Assigned							
Accrued employee benefits	2,626,215	-	-	-	-	-	2,626,215
Post-employment benefits	2,972,225	-	-	740,177	-	-	3,712,402
Community development	790,854	-	-	-	-	-	790,854
Public safety	92,587	-	-	-	-	-	92,587
Transportation	305,515	-	-	-	-	-	305,515
Total assigned	6,787,396	-	-	740,177	-	-	7,527,573
Unassigned	6,995,075	433,970	-	234,379	-	(643,620)	7,019,804
Total fund balances	\$ 23,584,961	\$ 7,490,799	\$ 552,595	\$ 8,774,887	\$ 16,031,746	\$ 9,201,514	\$ 65,636,502

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REQUIRED SUPPLEMENTARY INFORMATION

City of National City
Required Supplementary Information
For the year ended June 30, 2013

Note 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, 2013, 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
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 36,077,460	\$ 36,077,460	\$ 34,909,075	\$ (1,168,385)
Licenses and permits	661,648	661,648	980,591	318,943
Fines and forfeitures	779,058	779,058	909,632	130,574
Use of money and property	836,559	836,559	653,326	(183,233)
Intergovernmental	590,017	590,017	551,743	(38,274)
Charges for services	2,079,950	2,079,950	2,792,159	712,209
Other revenues	1,119,553	1,119,553	592,506	(527,047)
Total revenues	42,144,245	42,144,245	41,389,032	(755,213)
EXPENDITURES:				
Current:				
General Government	5,823,651	5,823,651	4,824,753	998,898
Public Safety	27,552,842	27,552,842	26,389,072	1,163,770
Transportation	825,109	825,109	809,953	15,156
Culture and Leisure	2,079,985	2,079,985	1,960,091	119,894
Capital outlay	4,955,655	4,955,655	1,169,910	3,785,745
Debt service:				
Principal	178,183	178,183	178,193	(10)
Interest and fiscal charges	16,530	16,530	16,520	10
Total expenditures	41,431,955	41,431,955	35,348,492	6,083,463
REVENUES OVER (UNDER) EXPENDITURES	712,290	712,290	6,040,540	5,328,250
OTHER FINANCING SOURCES (USES)				
Transfers in	120,613	120,613	1,133,577	1,012,964
Transfers out	(2,049,631)	(2,049,631)	(1,506,094)	543,537
Total other financing sources (uses)	(1,929,018)	(1,929,018)	(372,517)	1,556,501
Net change in fund balance	\$ (1,216,728)	\$ (1,216,728)	5,668,023	\$ 6,884,751
Fund Balance:				
Beginning of year			17,916,938	
End of year			<u>\$ 23,584,961</u>	

City of National City
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 47,995	\$ 47,995
Total revenues	<u>-</u>	<u>-</u>	<u>47,995</u>	<u>47,995</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>47,995</u>	<u>47,995</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>47,995</u>	<u>\$ 47,995</u>
Fund Balance:				
Beginning of year			<u>7,442,804</u>	
End of year			<u>\$ 7,490,799</u>	

City of National City
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Section 8 Housing Assistance Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 16,000	\$ 16,000	\$ 28,380	\$ 12,380
Intergovernmental	9,420,000	9,420,000	9,735,778	315,778
Total revenues	9,436,000	9,436,000	9,764,158	328,158
EXPENDITURES:				
Current:				
General Government	85	85	-	(85)
Community Development	9,779,594	9,779,594	10,285,701	506,107
Total expenditures	9,779,679	9,779,679	10,285,701	506,022
REVENUES OVER (UNDER) EXPENDITURES	(343,679)	(343,679)	(521,543)	(177,864)
Net change in fund balance	\$ (343,679)	\$ (343,679)	(521,543)	\$ (177,864)
Fund Balance:				
Beginning of year			1,074,138	
End of year			\$ 552,595	

City of National City
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Other Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 302,794	\$ 302,794	\$ 291,036	\$ (11,758)
Licenses and permits	155,635	155,635	244,080	88,445
Fines and forfeitures	57,000	57,000	550	(56,450)
Use of money and property	34,400	34,400	18,718	(15,682)
Intergovernmental	2,764,126	2,764,126	2,755,584	(8,542)
Charges for services	521,000	521,000	454,985	(66,015)
Other revenues	2,000	2,000	818	(1,182)
Total revenues	<u>3,836,955</u>	<u>3,836,955</u>	<u>3,765,771</u>	<u>(71,184)</u>
EXPENDITURES:				
Current:				
General Government	455,891	455,891	118,044	337,847
Public Safety	4,175,147	4,175,147	1,698,688	2,476,459
Transportation	-	-	(2,307)	2,307
Community Development	300,968	300,968	243,545	57,423
Health	110,765	110,765	104,248	6,517
Culture and Leisure	1,240,070	1,240,070	1,052,514	187,556
Capital outlay	2,704,495	2,704,495	249,020	2,455,475
Debt service:				
Principal	1,592	1,592	1,591	1
Interest and fiscal charges	256	256	255	1
Total expenditures	<u>8,989,184</u>	<u>8,989,184</u>	<u>3,465,598</u>	<u>5,523,586</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,152,229)</u>	<u>(5,152,229)</u>	<u>300,173</u>	<u>5,452,402</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	125,000	125,000	430,344	305,344
Transfers out	-	-	(868,074)	(868,074)
Total other financing sources (uses)	<u>125,000</u>	<u>125,000</u>	<u>(437,730)</u>	<u>(562,730)</u>
Net change in fund balance	<u>\$ (5,027,229)</u>	<u>\$ (5,027,229)</u>	<u>(137,557)</u>	<u>\$ 4,889,672</u>
Fund Balance:				
Beginning of year			<u>8,912,444</u>	
End of year			<u>\$ 8,774,887</u>	

City of National City
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Sewer Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 10,000	\$ 10,000	\$ 900	\$ (9,100)
Use of money and property	138,399	138,399	17,264	(121,135)
Charges for services	7,107,910	7,107,910	6,828,086	(279,824)
Total revenues	<u>7,256,309</u>	<u>7,256,309</u>	<u>6,848,389</u>	<u>(407,920)</u>
EXPENDITURES:				
Current:				
Health	13,892,702	13,892,702	7,356,770	6,535,932
Capital outlay	200	200	147	53
Debt service:				
Principal	2,652	2,652	2,652	-
Interest and fiscal charges	426	426	425	1
Total expenditures	<u>13,895,980</u>	<u>13,895,980</u>	<u>7,359,994</u>	<u>6,535,986</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,639,671)</u>	<u>(6,639,671)</u>	<u>(511,605)</u>	<u>6,128,066</u>
Net change in fund balance	<u>\$ (6,639,671)</u>	<u>\$ (6,639,671)</u>	<u>(511,605)</u>	<u>\$ 6,128,066</u>
Fund Balance:				
Beginning of year			<u>16,543,351</u>	
End of year			<u>\$ 16,031,746</u>	

City of National City
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 2 - Schedule of Funding Progress

PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2010	\$ 74,371,003	\$ 86,337,687	\$ 11,966,684	86.14%	\$ 11,057,870	108.22%
6/30/2011	78,123,768	92,018,537	13,894,769	84.90%	9,549,659	145.50%
6/30/2012	80,945,227	94,022,047	13,076,820	86.09%	9,294,612	140.69%

Safety Employees

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2010	\$ 100,895,281	\$ 128,928,110	\$ 28,032,829	78.26%	\$ 12,140,600	230.90%
6/30/2011	106,058,122	139,578,104	33,519,982	75.98%	10,893,982	307.69%
6/30/2012	110,236,928	145,521,058	35,284,130	75.75%	10,864,610	324.76%

OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	\$ -	\$ 1,058,356	\$ 1,058,356	0.00%	\$ 22,466,000	4.71%
6/30/2010	-	1,370,805	1,370,805	0.00%	18,322,000	7.48%
6/30/2012	-	2,114,382	2,114,382	0.00%	18,771,000	11.26%

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

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

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

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

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

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.

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

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS:

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 r

Library Bond Debt Service Fund - This fund is used to account for debt service of the Library.

CAPITAL PROJECTS 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

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.

City of National City
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

Special Revenue

	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Parks and Recreation Capital Outlay
ASSETS						
Cash and investments	\$ 1,011,697	\$ 57,651	\$ 41,287	\$ 1,243,068	\$ 1,602,699	\$ 546,852
Receivables:						
Accounts	-	-	-	-	-	402
Loans	-	-	-	-	-	-
Due from other governments	-	2,619	3,051	3,537	-	-
Restricted cash and investments:						
Held by fiscal agent	-	-	-	-	-	-
Total assets	\$ 1,011,697	\$ 60,270	\$ 44,338	\$ 1,246,605	\$ 1,602,699	\$ 547,254
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 13,318	\$ 11,440	\$ 27,892	\$ 85,758	\$ -
Accrued liabilities	-	24,263	22,936	-	16,488	-
Due to other funds	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	37,581	34,376	27,892	102,246	-
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	1,011,697	22,689	9,962	1,218,713	1,500,453	547,254
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	1,011,697	22,689	9,962	1,218,713	1,500,453	547,254
Total liabilities and fund balances	\$ 1,011,697	\$ 60,270	\$ 44,338	\$ 1,246,605	\$ 1,602,699	\$ 547,254

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2013

	Special Revenue					Debt Service
	CDBG	HOME	Asset Forfeiture	Nutrition	Brownsfield Grant	Joint Powers Financing Authority
ASSETS						
Cash and investments	\$ -	\$ 1,981,072	\$ 434,396	\$ 133,397	\$ -	\$ 218
Receivables:						
Accounts	-	-	(705)	92,793	-	-
Loans	103,674	1,003,732	-	-	-	-
Due from other governments	1,080	-	1,501	-	-	-
Restricted cash and investments:						
Held by fiscal agent	521,303	-	-	-	-	-
Total assets	\$ 626,057	\$ 2,984,804	\$ 435,192	\$ 226,190	\$ -	\$ 218
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 407,317	\$ 11,074	\$ 1,657	\$ 14,929	\$ -	\$ -
Accrued liabilities	14,813	6,776	-	53,295	-	-
Due to other funds	457,733	-	-	-	17,569	-
Advances from other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	879,863	17,850	1,657	68,224	17,569	-
Fund Balances:						
Nonspendable	103,674	1,003,732	-	-	-	-
Restricted	-	1,957,235	433,535	157,966	-	218
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	(357,480)	5,987	-	-	(17,569)	-
Total fund balances	(253,806)	2,966,954	433,535	157,966	(17,569)	218
Total liabilities and fund balances	\$ 626,057	\$ 2,984,804	\$ 435,192	\$ 226,190	\$ -	\$ 218

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2013

	Debt Service	Capital Projects				Total Other Governmental Funds
	Library Bonds	Library Construction Bonds	Proposition A	STP Local TransNet	State/Local Partnership	
ASSETS						
Cash and investments	\$ 1,006,069	\$ -	\$ 1,739,314	\$ -	\$ 124,132	\$ 9,921,852
Receivables:						
Accounts	-	-	-	13	-	92,503
Loans	-	-	-	-	-	1,107,406
Due from other governments	259	-	-	-	-	12,047
Restricted cash and investments:						
Held by fiscal agent	-	-	-	-	-	521,303
Total assets	\$ 1,006,328	\$ -	\$ 1,739,314	\$ 13	\$ 124,132	\$ 11,655,111
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 231,734	\$ -	\$ -	\$ 805,119
Accrued liabilities	-	-	-	-	-	138,571
Due to other funds	-	-	-	274,571	-	749,873
Advances from other funds	-	-	760,034	-	-	760,034
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	991,768	274,571	-	2,453,597
Fund Balances:						
Nonspendable	-	-	-	-	-	1,107,406
Restricted	1,006,328	-	747,546	-	124,132	8,737,728
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	(274,558)	-	(643,620)
Total fund balances	1,006,328	-	747,546	(274,558)	124,132	9,201,514
Total liabilities and fund balances	\$ 1,006,328	\$ -	\$ 1,739,314	\$ 13	\$ 124,132	\$ 11,655,111

(Concluded)

City of National City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2013

Special Revenue

	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Parks and Recreation Capital Outlay
REVENUES:						
Taxes	\$ -	\$ 705,646	\$ 822,256	\$ 86,639	\$ 1,511,545	\$ -
Fines and Forfeitures	-	-	-	-	-	-
Use of Money and Property	-	-	-	-	2,085	-
Intergovernmental	-	6,348	7,397	-	-	-
Charges for Services	-	-	1,599	-	-	-
Other Revenues	-	-	155	44,586	397	-
Total revenues	-	711,994	831,407	131,225	1,514,027	-
EXPENDITURES:						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Transportation	-	-	-	-	1,472,626	-
Health	-	-	-	-	-	-
Culture and Leisure	-	1,626,513	1,106,885	-	-	-
Capital outlay	-	-	-	48,745	152,393	-
Debt Service:						
Principal	-	-	-	-	5,304	1,061
Interest and fiscal charges	-	-	-	-	850	170
Total expenditures	-	1,626,513	1,106,885	48,745	1,631,173	1,231
REVENUES OVER (UNDER) EXPENDITURES	-	(914,519)	(275,478)	82,480	(117,146)	(1,231)
OTHER FINANCING SOURCES (USES):						
Proceeds from debt issuance	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-
Deposit to escrow for bond refunding	-	-	-	-	-	-
Cost of issuance	-	-	-	-	-	-
Transfers in	-	860,580	231,818	120,717	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	860,580	231,818	120,717	-	-
NET CHANGE IN FUND BALANCES	-	(53,939)	(43,660)	203,197	(117,146)	(1,231)
FUND BALANCES:						
Beginning of year	1,011,697	76,628	53,622	1,015,516	1,617,599	548,485
End of year	\$ 1,011,697	\$ 22,689	\$ 9,962	\$ 1,218,713	\$ 1,500,453	\$ 547,254

(Continued)

City of National City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the year ended June 30, 2013

	Special Revenue					Debt Service
	Community Development Block Grant	HOME Program	Asset Forfeiture	Nutrition Program	Brownsfield Grant	Joint Powers Financing Authority
REVENUES:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	105,860	-	-	-
Use of Money and Property	8,210	13,748	2,328	-	21	-
Intergovernmental	925,587	777,002	-	295,490	-	490,225
Charges for Services	3,200	-	-	-	-	-
Other Revenues	-	-	2,690	113,936	-	-
Total revenues	936,997	790,750	110,878	409,426	21	490,225
EXPENDITURES:						
Current:						
General Government	406,667	-	-	-	-	-
Public Safety	-	-	68,486	-	-	-
Transportation	-	677,669	-	-	-	-
Health	367,641	-	-	697,818	33,111	-
Culture and Leisure	51,224	-	-	-	-	-
Capital outlay	719,840	-	-	-	-	-
Debt Service:						
Principal	280,000	-	-	-	-	415,000
Interest and fiscal charges	274,117	-	-	-	-	75,225
Total expenditures	2,099,489	677,669	68,486	697,818	33,111	490,225
REVENUES OVER (UNDER) EXPENDITURES	(1,162,492)	113,081	42,392	(288,392)	(33,090)	-
OTHER FINANCING SOURCES (USES):						
Proceeds from debt issuance	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-
Deposit to escrow for bond refunding	-	-	-	-	-	-
Cost of issuance	-	-	-	-	-	-
Transfers in	-	-	-	308,499	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	308,499	-	-
NET CHANGE IN FUND BALANCES	(1,162,492)	113,081	42,392	20,107	(33,090)	-
FUND BALANCES:						
Beginning of year	908,686	2,853,873	391,143	137,859	15,521	218
End of year	\$ (253,806)	\$ 2,966,954	\$ 433,535	\$ 157,966	\$ (17,569)	\$ 218

(Continued)

City of National City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the year ended June 30, 2013

	Debt Service		Capital Projects			Total Other Governmental Funds
	Library Bonds	Library Construction Bonds	Proposition A	STP Local TransNet	State/Local Partnership	
REVENUES:						
Taxes	\$ 511,082	\$ -	\$ -	\$ -	\$ -	\$ 3,637,168
Fines and Forfeitures	-	-	-	-	-	105,860
Use of Money and Property	-	935	3,806	-	176	31,309
Intergovernmental	-	-	-	258,732	-	2,760,781
Charges for Services	-	-	-	-	-	4,799
Other Revenues	-	-	686	-	-	162,450
Total revenues	511,082	935	4,492	258,732	176	6,702,367
EXPENDITURES:						
Current:						
General Government	-	-	-	-	-	406,667
Public Safety	-	-	-	-	-	68,486
Transportation	-	-	-	-	-	2,150,295
Health	-	-	-	-	-	1,098,570
Culture and Leisure	-	-	-	-	-	2,784,622
Capital outlay	-	-	1,409,416	-	-	2,330,394
Debt Service:						
Principal	185,000	-	-	-	-	886,365
Interest and fiscal charges	180,018	-	-	-	-	530,380
Total expenditures	365,018	-	1,409,416	-	-	10,255,779
REVENUES OVER (UNDER) EXPENDITURES	146,064	935	(1,404,924)	258,732	176	(3,553,412)
OTHER FINANCING SOURCES (USES):						
Proceeds from debt issuance	4,885,000	-	-	-	-	4,885,000
Premium on debt issuance	25,678	-	-	-	-	25,678
Deposit to escrow for bond refunding	(4,760,000)	-	-	-	-	(4,760,000)
Cost of issuance	(150,678)	-	-	-	-	(150,678)
Transfers in	-	-	-	-	-	1,521,614
Transfers out	-	(140,520)	-	-	-	(140,520)
Total other financing sources (uses)	-	(140,520)	-	-	-	1,381,094
NET CHANGE IN FUND BALANCES	146,064	(139,585)	(1,404,924)	258,732	176	(2,172,318)
FUND BALANCES:						
Beginning of year	860,264	139,585	2,152,470	(533,290)	123,956	11,373,832
End of year	\$ 1,006,328	\$ -	\$ 747,546	\$ (274,558)	\$ 124,132	\$ 9,201,514

(Concluded)

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Capital Outlay Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
Capital outlay	\$ 1,014,015	\$ 1,014,015	\$ -	\$ 1,014,015
Total expenditures	<u>1,014,015</u>	<u>1,014,015</u>	<u>-</u>	<u>1,014,015</u>
REVENUES OVER				
(UNDER) EXPENDITURES	<u>(1,014,015)</u>	<u>(1,014,015)</u>	<u>-</u>	<u>1,014,015</u>
CHANGE IN FUND BALANCES	<u>\$ (1,014,015)</u>	<u>\$ (1,014,015)</u>	<u>-</u>	<u>\$ 1,014,015</u>
FUND BALANCES:				
Beginning of year			<u>1,011,697</u>	
End of year			<u>\$ 1,011,697</u>	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Library Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 623,364	\$ 623,364	\$ 705,646	\$ 82,282
Intergovernmental	6,600	6,600	6,348	(252)
Total revenues	629,964	629,964	711,994	82,030
EXPENDITURES:				
Current:				
Culture and Leisure	1,772,735	1,772,735	1,626,513	146,222
Total expenditures	1,772,735	1,772,735	1,626,513	146,222
REVENUES OVER				
(UNDER) EXPENDITURES	(1,142,771)	(1,142,771)	(914,519)	228,252
OTHER FINANCING SOURCES (USES):				
Transfers in	1,142,777	1,142,777	860,580	(282,197)
Total other financing sources (uses)	1,142,777	1,142,777	860,580	(282,197)
CHANGE IN FUND BALANCES	\$ 6	\$ 6	(53,939)	\$ (53,945)
FUND BALANCES:				
Beginning of year			76,628	
End of year			\$ 22,689	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Park Maintenance Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 704,673	\$ 704,673	\$ 822,256	\$ 117,583
Use of Money and Property	2,180	2,180	-	(2,180)
Intergovernmental	-	-	7,397	7,397
Charges for Services	-	-	1,599	1,599
Other Revenues	-	-	155	155
Total revenues	<u>706,853</u>	<u>706,853</u>	<u>831,407</u>	<u>124,554</u>
EXPENDITURES:				
Current:				
Culture and Leisure	1,121,672	1,121,672	1,106,885	14,787
Total expenditures	<u>1,121,672</u>	<u>1,121,672</u>	<u>1,106,885</u>	<u>14,787</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>(414,819)</u>	<u>(414,819)</u>	<u>(275,478)</u>	<u>139,341</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	411,818	411,818	231,818	(180,000)
Total other financing sources (uses)	<u>411,818</u>	<u>411,818</u>	<u>231,818</u>	<u>(180,000)</u>
CHANGE IN FUND BALANCES	<u>\$ (3,001)</u>	<u>\$ (3,001)</u>	(43,660)	<u>\$ (40,659)</u>
FUND BALANCES:				
Beginning of year			<u>53,622</u>	
End of year			<u>\$ 9,962</u>	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Library Capital Outlay Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 77,760	\$ 77,760	\$ 86,639	\$ 8,879
Other Revenues	44,471	44,471	44,586	115
Total revenues	122,231	122,231	131,225	8,994
EXPENDITURES:				
Current:				
Capital outlay	234,999	234,999	48,745	186,254
Total expenditures	234,999	234,999	48,745	186,254
REVENUES OVER (UNDER) EXPENDITURES				
	(112,768)	(112,768)	82,480	195,248
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	120,717	120,717
Total other financing sources (uses)	-	-	120,717	120,717
CHANGE IN FUND BALANCES	\$ (112,768)	\$ (112,768)	203,197	\$ 315,965
FUND BALANCES:				
Beginning of year			1,015,516	
End of year			\$ 1,218,713	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,661,317	\$ 1,661,317	\$ 1,511,545	\$ (149,772)
Use of Money and Property	8,210	8,210	2,085	(6,125)
Other Revenues	-	-	397	397
Total revenues	<u>1,669,527</u>	<u>1,669,527</u>	<u>1,514,027</u>	<u>(155,500)</u>
EXPENDITURES:				
Current:				
General Government	15,500	15,500	-	15,500
Transportation	1,555,562	1,555,562	1,472,626	82,936
Capital outlay	1,009,132	1,009,132	152,393	856,739
Debt Service:				
Principal	5,304	5,304	5,304	-
Interest and fiscal charges	851	851	850	1
Total expenditures	<u>2,586,349</u>	<u>2,586,349</u>	<u>1,631,173</u>	<u>955,176</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(916,822)</u>	<u>(916,822)</u>	<u>(117,146)</u>	<u>799,676</u>
CHANGE IN FUND BALANCES	<u>\$ (916,822)</u>	<u>\$ (916,822)</u>	<u>(117,146)</u>	<u>\$ 799,676</u>
FUND BALANCES:				
Beginning of year			<u>1,617,599</u>	
End of year			<u>\$ 1,500,453</u>	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Parks and Recreation Capital Outlay Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ 5,236	\$ 5,236	\$ -	\$ 5,236
Debt Service:				
Principal	1,061	1,061	1,061	-
Interest and fiscal charges	171	171	170	1
Total expenditures	<u>6,468</u>	<u>6,468</u>	<u>1,231</u>	<u>5,237</u>
REVENUES OVER				
(UNDER) EXPENDITURES	<u>(6,468)</u>	<u>(6,468)</u>	<u>(1,231)</u>	<u>5,237</u>
CHANGE IN FUND BALANCES	<u>\$ (6,468)</u>	<u>\$ (6,468)</u>	<u>(1,231)</u>	<u>\$ 5,237</u>
FUND BALANCES:				
Beginning of year			<u>548,485</u>	
End of year			<u>\$ 547,254</u>	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and Forfeitures	\$ -	\$ -	\$ 8,210	\$ 8,210
Intergovernmental	959,406	959,406	925,587	(33,819)
Charges for Services	1,600	1,600	3,200	1,600
Total revenues	<u>961,006</u>	<u>961,006</u>	<u>936,997</u>	<u>(24,009)</u>
EXPENDITURES:				
Current:				
General Government	470,791	470,791	406,667	64,124
Health	397,672	397,672	367,641	30,031
Culture and Leisure	51,025	51,025	51,224	(199)
Capital outlay	774,531	774,531	719,840	54,691
Debt Service:				
Principal	280,000	280,000	280,000	-
Interest and fiscal charges	274,117	274,117	274,117	-
Total expenditures	<u>2,248,136</u>	<u>2,248,136</u>	<u>2,099,489</u>	<u>148,647</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,287,130)</u>	<u>(1,287,130)</u>	<u>(1,162,492)</u>	<u>124,638</u>
CHANGE IN FUND BALANCES	<u>\$ (1,287,130)</u>	<u>\$ (1,287,130)</u>	<u>(1,162,492)</u>	<u>\$ 124,638</u>
FUND BALANCES:				
Beginning of year			<u>908,686</u>	
End of year			<u>\$ (253,806)</u>	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
HOME Program Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 13,748	\$ 13,748
Intergovernmental	953,486	953,486	777,002	(176,484)
Total revenues	<u>953,486</u>	<u>953,486</u>	<u>790,750</u>	<u>(162,736)</u>
EXPENDITURES:				
Current:				
Health	1,085,523	1,085,523	677,669	407,854
Total expenditures	<u>1,085,523</u>	<u>1,085,523</u>	<u>677,669</u>	<u>407,854</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(132,037)</u>	<u>(132,037)</u>	<u>113,081</u>	<u>245,118</u>
CHANGE IN FUND BALANCES	<u>\$ (132,037)</u>	<u>\$ (132,037)</u>	<u>113,081</u>	<u>\$ 245,118</u>
FUND BALANCES:				
Beginning of year			<u>2,853,873</u>	
End of year			<u>\$ 2,966,954</u>	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Asset Forfeiture Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and Forfeitures	\$ 123,085	\$ 123,085	\$ 105,860	\$ (17,225)
Use of Money and Property	4,546	4,546	2,328	(2,218)
Other Revenues	-	-	2,690	2,690
Total revenues	<u>127,631</u>	<u>127,631</u>	<u>110,878</u>	<u>(16,753)</u>
EXPENDITURES:				
Current:				
Public Safety	<u>75,369</u>	<u>75,369</u>	<u>68,486</u>	<u>6,883</u>
Total expenditures	<u>75,369</u>	<u>75,369</u>	<u>68,486</u>	<u>6,883</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>52,262</u>	<u>52,262</u>	<u>42,392</u>	<u>(9,870)</u>
CHANGE IN FUND BALANCES	<u>\$ 52,262</u>	<u>\$ 52,262</u>	<u>42,392</u>	<u>\$ (9,870)</u>
FUND BALANCES:				
Beginning of year			<u>391,143</u>	
End of year			<u>\$ 433,535</u>	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Nutrition Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 324,180	\$ 324,180	\$ 295,490	\$ (28,690)
Other Revenues	115,000	115,000	113,936	(1,064)
Total revenues	439,180	439,180	409,426	(29,754)
EXPENDITURES:				
Current:				
Health	752,537	752,537	697,818	54,179
Total expenditures	752,537	752,537	697,818	54,719
REVENUES OVER (UNDER) EXPENDITURES	(313,357)	(313,357)	(288,392)	24,965
OTHER FINANCING SOURCES (USES):				
Transfers in	308,499	308,499	308,499	-
Total other financing sources (uses)	308,499	308,499	308,499	-
CHANGE IN FUND BALANCES	\$ (4,858)	\$ (4,858)	20,107	\$ 24,965
FUND BALANCES:				
Beginning of year			137,859	
End of year			\$ 157,966	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Brownsfield Grant Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of Money and Property	\$ -	\$ -	\$ 21	\$ 21
Total revenues	-	-	21	21
EXPENDITURES:				
Current:				
Health	-	-	33,111	(33,111)
Total expenditures	-	-	33,111	(33,111)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(33,090)	(33,090)
CHANGE IN FUND BALANCES	\$ -	\$ -	(33,090)	\$ (33,090)
FUND BALANCES:				
Beginning of year			15,521	
End of year			\$ (17,569)	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
National City Joint Powers Financing Authority Debt Service Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 490,225	\$ 490,225	\$ 490,225	\$ -
Total revenues	<u>490,225</u>	<u>490,225</u>	<u>490,225</u>	<u>-</u>
EXPENDITURES:				
Debt Service:				
Principal	415,000	415,000	415,000	-
Interest and fiscal charges	<u>75,225</u>	<u>75,225</u>	<u>75,225</u>	<u>-</u>
Total expenditures	<u>490,225</u>	<u>490,225</u>	<u>490,225</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning of year			<u>218</u>	
End of year			<u>\$ 218</u>	

City of National City
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Library Bonds Debt Service Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 398,889	\$ 398,889	\$ 511,082	\$ 112,193
Total revenues	398,889	398,889	511,082	112,193
EXPENDITURES:				
Debt Service:				
Principal	185,000	185,000	185,000	-
Interest and fiscal charges	213,889	213,889	180,018	33,871
Total expenditures	398,889	398,889	365,018	33,871
REVENUES OVER				
(UNDER) EXPENDITURES	-	-	146,064	146,064
OTHER FINANCING SOURCES (USES):				
Proceeds from debt issuance	-	-	4,885,000	4,885,000
Premium on debt issuance	-	-	25,678	25,678
Deposit to escrow for bond refunding	-	-	(4,760,000)	(4,760,000)
Cost of issuance	-	-	(150,678)	(150,678)
Total other financing sources (uses)	-	-	-	-
CHANGE IN FUND BALANCES	\$ -	\$ -	146,064	\$ 146,064
FUND BALANCES:				
Beginning of year			860,264	
End of year			<u>\$ 1,006,328</u>	

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INTERNAL SERVICE FUND

Internal Service Funds are used to finance and account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

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.

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.

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City of National City
Combining Statement of Net Position
All Internal Service Funds
June 30, 2013

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation	Tele- communications Revolving
ASSETS					
Current assets:					
Cash and investments	\$ 602,242	\$ 8,471,954	\$ 1,761,744	\$ 1,226,514	\$ 338,631
Restricted cash and investments with fiscal agents	10,334	-	-	-	-
Prepaid items and deposits	23,884	-	-	-	-
Total current assets	636,460	8,471,954	1,761,744	1,226,514	338,631
Noncurrent assets:					
Capital assets, net	1,864,737	-	176,019	53,692	-
Total noncurrent assets	1,864,737	-	176,019	53,692	-
Total assets	2,501,197	8,471,954	1,937,763	1,280,206	338,631
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	160,094	48,039	140,545	1,059	-
Salaries payable	21,404	1,497	8,949	-	-
Capital leases payable - due within one year	97,323	-	-	-	-
Compensated absences - due within one year	45,590	2,542	16,548	-	-
Claims payable - due within one year	-	2,171,990	-	-	-
Total current liabilities	324,411	2,224,068	166,042	1,059	-
Noncurrent liabilities:					
Capital leases payable - due in more than one year	1,455,603	-	-	-	-
Claims payable - due within one year	-	4,604,010	-	-	-
Total noncurrent liabilities	1,455,603	4,604,010	-	-	-
Total liabilities	1,780,014	6,828,078	166,042	1,059	-
NET POSITION					
Net investment in capital assets	311,811	-	176,019	53,692	-
Unrestricted	409,372	1,643,876	1,595,702	1,225,455	338,631
Total net position	\$ 721,183	\$ 1,643,876	\$ 1,771,721	\$ 1,279,147	\$ 338,631

City of National City
Combining Statement of Net Position
All Internal Service Funds (Continued)
June 30, 2013

	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Total
ASSETS				
Current assets:				
Cash and investments	\$ 127,211	\$ 1,132,899	\$ 817,762	\$ 14,478,957
Restricted cash and investments with fiscal agents	-	-	-	10,334
Prepaid items and deposits	-	-	-	23,884
Total current assets	<u>127,211</u>	<u>1,132,899</u>	<u>817,762</u>	<u>14,513,175</u>
Noncurrent assets:				
Capital assets, net	-	396,290	264,527	2,755,265
Total noncurrent assets	<u>-</u>	<u>396,290</u>	<u>264,527</u>	<u>2,755,265</u>
Total assets	<u>127,211</u>	<u>1,529,189</u>	<u>1,082,289</u>	<u>17,268,440</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	44,817	69,743	-	464,297
Salaries payable	36,536	7,890	-	76,276
Capital leases payable - due within one year	-	-	-	97,323
Compensated absences - due within one year	45,858	15,804	-	126,342
Claims payable - due within one year	-	-	-	2,171,990
Total current liabilities	<u>127,211</u>	<u>93,437</u>	<u>-</u>	<u>2,936,228</u>
Noncurrent liabilities:				
Capital leases payable - due in more than one year	-	-	-	1,455,603
Claims payable - due within one year	-	-	-	4,604,010
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,059,613</u>
Total liabilities	<u>127,211</u>	<u>93,437</u>	<u>-</u>	<u>8,995,841</u>
NET POSITION				
Net investment in capital assets	-	396,290	264,527	1,202,339
Unrestricted	-	1,039,462	817,762	7,070,260
Total net position	<u>\$ -</u>	<u>\$ 1,435,752</u>	<u>\$ 1,082,289</u>	<u>\$ 8,272,599</u>

City of National City
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the year ended June 30, 2013

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation	Tele- communications Revolving
OPERATING REVENUES:					
Charges for services	\$ 2,467,648	\$ 2,932,081	\$ 2,010,804	\$ -	\$ -
Other	493	203,878	-	-	300
Total operating revenues	2,468,141	3,135,959	2,010,804	-	300
OPERATING EXPENSES:					
Operations and administration	1,736,532	3,358,326	690,241	45,059	-
Maintenance	534,846	309	789,961	-	-
Depreciation	143,441	-	38,919	43,695	-
Total operating expenses	2,414,819	3,358,635	1,519,121	88,754	-
Operating income (loss)	53,322	(222,676)	491,683	(88,754)	300
Income (loss) before transfers	53,322	(222,676)	491,683	(88,754)	300
TRANSFERS:					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total transfers	-	-	-	-	-
Net increase (decrease) in net position	53,322	(222,676)	491,683	(88,754)	300
NET POSITION:					
Beginning of year	667,861	1,866,552	1,280,038	1,367,901	338,331
End of year	\$ 721,183	\$ 1,643,876	\$ 1,771,721	\$ 1,279,147	\$ 338,631

City of National City
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds (Continued)
For the year ended June 30, 2013

	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Total
OPERATING REVENUES:				
Charges for services	\$ 1,279,924	\$ 1,162,303	\$ -	\$ 9,852,760
Other	-	20,115	-	224,786
Total operating revenues	1,279,924	1,182,418	-	10,077,546
OPERATING EXPENSES:				
Operations and administration	1,178,119	369,645	-	7,377,922
Maintenance	112,147	792,565	-	2,229,828
Depreciation	-	106,168	27,790	360,013
Total operating expenses	1,290,266	1,268,378	27,790	9,967,763
Operating income (loss)	(10,342)	(85,960)	(27,790)	109,783
Income (loss) before transfers	(10,342)	(85,960)	(27,790)	109,783
TRANSFERS:				
Transfers in	-	-	575,342	575,342
Transfers out	(570,847)	(575,342)	-	(1,146,189)
Total transfers	(570,847)	(575,342)	575,342	(570,847)
Net increase (decrease) in net position	(581,189)	(661,302)	547,552	(461,064)
NET POSITION:				
Beginning of year	581,189	2,097,054	534,737	8,733,663
End of year	\$ -	\$ 1,435,752	\$ 1,082,289	\$ 8,272,599

City of National City
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2013

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation	Tele- communications Revolving
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from other funds	\$ 2,467,648	\$ 2,939,482	\$ 2,010,804	\$ -	\$ -
Cash payments to suppliers and employees for goods and services	(2,277,566)	(2,885,252)	(1,386,171)	(44,000)	-
Other operating revenues	493	203,878	-	-	300
Net cash provided (used) by operating activities	190,575	258,108	624,633	(44,000)	300
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on capital lease	(93,797)	-	-	-	-
Acquisition of capital assets	-	-	(89,422)	-	-
Proceeds received from disposal of capital assets	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	(93,797)	-	(89,422)	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	96,778	258,108	535,211	(44,000)	300
CASH AND CASH EQUIVALENT:					
Beginning of year	515,798	8,213,846	1,226,533	1,270,514	338,331
End of year	<u>\$ 612,576</u>	<u>\$ 8,471,954</u>	<u>\$ 1,761,744</u>	<u>\$ 1,226,514</u>	<u>\$ 338,631</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and investments	\$ 602,242	\$ 8,471,954	\$ 1,761,744	\$ 1,226,514	\$ 338,631
Restricted cash and investments with fiscal agents	10,334	-	-	-	-
Total cash and cash equivalents	\$ 612,576	\$ 8,471,954	\$ 1,761,744	\$ 1,226,514	\$ 338,631
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 53,322	\$ (222,676)	\$ 491,683	\$ (88,754)	\$ 300
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	143,441	-	38,919	43,695	-
Changes in operating assets and liabilities:					
Accounts receivable	-	7,401	-	-	-
Inventories	-	-	-	-	-
Accounts payable	(3,169)	(22,930)	79,393	1,059	-
Salaries payable	3,695	771	3,513	-	-
Compensated absences	(6,714)	2,542	11,125	-	-
Claims payable	-	493,000	-	-	-
Total adjustments	<u>137,253</u>	<u>480,784</u>	<u>132,950</u>	<u>44,754</u>	<u>-</u>
Net cash provided (used) by operating activities	\$ 190,575	\$ 258,108	\$ 624,633	\$ (44,000)	\$ 300

City of National City
Combining Statement of Cash Flows
All Internal Service Funds (Continued)
For the year ended June 30, 2013

	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ 1,284,675	\$ 1,162,303	\$ -	\$ 9,864,912
Cash payments to suppliers and employees for goods and services	(1,249,949)	(1,153,551)	(45,135)	(9,041,624)
Other operating revenues	-	20,115	-	224,786
Net cash provided (used) by operating activities	34,726	28,867	(45,135)	1,048,074
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	-	-	-	(93,797)
Acquisition of capital assets	-	-	-	(89,422)
Proceeds received from disposal of capital assets	-	30,122	-	30,122
Net cash provided (used) by capital and related financing activities	-	30,122	-	(153,097)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	575,342	575,342
Transfers (out)	(570,847)	(575,342)	-	(1,146,189)
Net cash provided (used) by noncapital financing activities	(570,847)	(575,342)	575,342	(570,847)
Net increase (decrease) in cash and cash equivalents	(536,121)	(516,353)	530,207	324,130
CASH AND CASH EQUIVALENT:				
Beginning of year	663,332	1,649,252	287,555	14,165,161
End of year	<u>\$ 127,211</u>	<u>\$ 1,132,899</u>	<u>\$ 817,762</u>	<u>\$ 14,489,291</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 127,211	\$ 1,132,899	\$ 817,762	\$ 14,478,957
Restricted cash and investments with fiscal agents	-	-	-	10,334
Total cash and cash equivalents	<u>\$ 127,211</u>	<u>\$ 1,132,899</u>	<u>\$ 817,762</u>	<u>\$ 14,489,291</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (10,342)	\$ (85,960)	\$ (27,790)	\$ 109,783
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	-	106,168	27,790	360,013
Changes in operating assets and liabilities:				
Accounts receivable	4,751	-	-	12,152
Inventories	9,345	-	-	9,345
Accounts payable	28,078	17,095	(45,135)	54,391
Salaries payable	15,027	(163)	-	22,843
Compensated absences	(12,133)	(8,273)	-	(13,453)
Claims payable	-	-	-	493,000
Total adjustments	<u>45,068</u>	<u>114,827</u>	<u>(17,345)</u>	<u>938,291</u>
Net cash provided (used) by operating activities	<u>\$ 34,726</u>	<u>\$ 28,867</u>	<u>\$ (45,135)</u>	<u>\$ 1,048,074</u>

FIDUCIARY FUNDS

AGENCY FUND

The Agency Fund is used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other 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 - This fund accounts for all money collected to pay for certain deposits.

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City of National City
Statement of Changes in Assets and Liabilities
Agency Fund
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Cobra Insurance Fund</u>				
Assets:				
Cash and investments	\$ -	\$ 487,869	\$ (487,869)	\$ -
Total assets	\$ -	\$ 487,869	\$ (487,869)	\$ -
Liabilities:				
Vouchers payable	\$ -	\$ 487,869	\$ (487,869)	\$ -
Due to City	-	6,945	(6,945)	-
Total liabilities	\$ -	\$ 494,814	\$ (494,814)	\$ -
<u>Miscellaneous Deposits</u>				
Assets:				
Cash and investments	\$ 911,096	\$ 708,614	\$ (919,128)	\$ 700,582
Total assets	\$ 911,096	\$ 708,614	\$ (919,128)	\$ 700,582
Liabilities:				
Vouchers payable	\$ 18,055	\$ 906,869	\$ (911,381)	\$ 13,543
Deposits payable	893,041	708,614	(914,616)	687,039
Total liabilities	\$ 911,096	\$ 1,615,483	\$ (1,825,997)	\$ 700,582
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 911,096	\$ 1,196,483	\$ (1,406,997)	\$ 700,582
Total assets	\$ 700,582	\$ 700,582	\$ 700,582	\$ 700,582
Liabilities:				
Vouchers payable	\$ 18,055	\$ 1,394,738	\$ (1,399,250)	\$ 13,543
Due to City	-	6,945	(6,945)	-
Deposits payable	893,041	708,614	(914,616)	687,039
Total liabilities	\$ 911,096	\$ 2,110,297	\$ (2,320,811)	\$ 700,582