

CITY OF NATIONAL CITY  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2007

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Prepared by:  
Finance Department

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March 17, 2008

To the Honorable Mayor, Members of the City Council  
And the Citizens of the City of National City:

The Comprehensive Annual Financial Report of the City of National City for the fiscal year ended June 30, 2007 is hereby submitted in accordance with Title 2.16.100(N) of the National City Municipal Code and section 25253 of the Government Code of the State of California. The City is responsible for the accuracy, completeness, and fair presentation of this report. Under the direction of the City's Director of Finance our financial reports are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various Funds, account groups and component units of the City. It is believed that all disclosures necessary have been included in order to enable the reader to gain maximum understanding of the City's financial affairs as of June 30, 2007.

As required by the City of National City Municipal Code, Title 2.16.100(N), the independent auditing firm Mayer Hoffman McCann, P.C. has reviewed the City's financial records and the internal control system. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of National City for the fiscal year ended June 30, 2007, are free of material misstatements. The audit firm of Conrad ad Associates, LLP, has issued an unqualified opinion on the City of National City's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

The Report is organized into three major sections:

- |                       |  |
|-----------------------|--|
| Introductory Section: | This section includes a table of contents, this transmittal letter and a City organizational chart.  |
| Financial Section:    | This section includes the independent auditors' report, the management discussion and analysis report, the basic financial statements and the notes to these financial statements, followed by supplemental information. |
| Statistical Section:  | This section contains both financial and non-financial trend data about the City and its operations.   |

In addition to meeting the requirements set forth in the City's Municipal Code, the City is required to have a Single Audit performed by our independent audit firm. The Single Audit was designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the City of National City's separately issued Single Audit Report.

Generally Accepted Accounting Principles requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City of National City's MD&A is located in the Financial Section, following the independent auditor's report.

## GOVERNMENT

The City of National City is located on the bay in San Diego County, bordered by the City of San Diego to the north, and the port of San Diego to the west. The nearly built-out city is home to a fairly constant population of about 61,115 residents over 9.2 square miles.

The City of National City was incorporated September 17, 1887. It is a general law city and operates under the council-manager form of government. The City Council has five members who are elected at large for a term of four years. The citizens of National City also elect the City Treasurer and the City Clerk.

The City Council is responsible for setting policies, passing ordinances, adopting the budget, appointing committees and appointing the City Manager. The City Manager is responsible for carrying out policies and ordinances of the City Council, appointing City Department heads and overseeing the day-to-day operations of the City. The City Manager also serves as executive director and secretary of the Community Development Commission of the City of National City and may delegate that authority.

## REPORTING ENTITY

This report includes all funds of the City, as well as all of its component units. Component units are legally separate entities for which the City is financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the City's operations and are included in this CAFR as part of the City. Accordingly, the City of National City Joint Powers Financing Authority, the National City Parking Authority, Bayshore Transit Corporation and the Community Development Commission of the City of National City are reported as part of the City. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City and to differentiate their financial position, results of operations and cash flows from those of the City.

## BOARDS AND COMMISSIONS

The City Manager is committed to the support of government programs that can expand the City's ability to reach-out to the community. The National City Neighborhood Councils were implemented in 2005 and has greatly enhanced the citizen interaction with the City Services. The following boards and commissions are available for the citizens of National City to participate on as advisors to the Mayor and City Council:

- Building and Advisory and Appeals Board - acts in matters related to the Building Code.
- Civil Service Commission - recommends hears appeals of any person in the classified service relative to any suspension, demotion or dismissal.
- Community and Police Relations Commission - a forum for citizens to voice their concerns about issues related to police-community relations.
- Housing and Community Development Committee - members stay in touch with community attitudes, and identify the physical, social, and economic needs of National City.
- Library Board of Trustees - acts in accordance with the Education Code; coordinates the activities of the City Library; advises the City Librarian on operational policies; approves warrants; and recommends to the City Council the adoption of rules and regulations.
- Parks and Recreation Advisory Board - acts in matters of policy and administration of the city owned parks and the recreation programs operated in said parks.
- Planning Commission - recommends the adoption, amendment, or repeal of a master plan or any part thereof for the physical development of the City.
- Public Art Committee - advises the City Council on public art projects meant to increase the aesthetic value of parks, public buildings, and new development. The committee also promotes the City's substantial historical and cultural assets throughout the county.
- Senior Citizens Advisory Board - acts in an advisory capacity in matters pertaining to seniors.
- Street Tree and Parkway Committee - reviews and makes recommendations relative to the planting, removal, or transplanting of trees upon public property.
- Traffic Safety Committee - reviews and makes recommendations concerning the safety of traffic.



## FACTORS AFFECTING FINANCIAL CONDITION

In June 6, 2006, voters approved Proposition D (District Tax), a 1% increase in local sales tax, which is effective for 10 years. Implementation of the district tax began on October 1, 2006 and has generated \$6 million in additional sales tax revenue. The City has repaid the General Fund Reserve that had been used to restore those services which had been previously cut.

Additionally, several Council and Administrative actions were taken to assist in balancing the budget, attain fiscal sustainability, and provide for efficient and transparent government. An employee-driven committee was established to brainstorm ideas to reduce internal costs. The Cost Reduction and Revenue Efficiency (C.A.R.E.) Committee publishes quarterly newsletters to encourage voluntary participation in such endeavors. The Purchasing Review and Personnel Review Committees were established to affirm fiscal responsibility in purchasing and hiring practices.

A reorganization plan proposed by the City Manager consolidated the Community Development Commission with other City departments and reorganized departments into more efficient departments. Likewise, the organization's management was flattened, resulting in additional savings.

The revenues from the district tax temporarily fix the fundamental problem of more money going out than coming in. It also challenges National City to become proactive in building stable and diverse revenue sources within the next five to ten years to achieve financial sustainability. The last major revenue generating developments, Plaza Bonita Mall and the Mile of Cars, occurred over 20 years ago. Efficiency, vision and innovation are necessary to reverse the current stagnation. Some of the projects designed to meet these needs are:

- \$130 million expansion of Plaza Bonita Mall
- Expected approval of an Environmental Impact Report for COSTCO
- Opening of Sweetwater Harley-Davidson
- Development of Marina Gateway Hotel Project
- Relocation of Mervyns
- Beginning negotiations with Home Depot
- Paradise Village approved for a 498-unit senior housing/assisted living facility

In some cases, revenue from these projects will not be seen for a three to five year period.

National City faced a serious decision with a spirited community debate regarding the district tax. Many discussions and presentations occurred over the last two years and the voters weighed the tradeoffs and made an informed decision. If the district tax is repealed in 2008, the City Manager predicts that the City will be unable to sustain current service levels to the community through the General Fund.

## FISCAL IMPACT

If the district tax were to be repealed, the City would face an automatic cessation of the estimated revenue from the district tax over the remaining course of the voter-approved ten-year period. Estimates put those streams at minimum \$7-\$9 million annually.

Given the above fiscal impacts, the City would again face across-the-board budget cuts and/or elimination of services. Some of those cuts would include a reduction in hours at the pool and library, elimination of core recreation programs, reduction in code enforcement and graffiti abatement, and the reduction of vehicle and technology replacement programs. In addition, a reduction in public safety personnel would lead to the possible closure of one of the City's fire stations and elimination of proactive police task forces such as Gang Enforcement, Vice, Auto Theft, and Narcotics.

## BUDGETARY CONTROLS

The City maintains budgetary controls at the individual fund level. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The budget includes estimated revenues and appropriations for the City's funds categorized into six fund types including one general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds and all internal service funds are included in the annual appropriated budgets of the City.

Using the City's automated accounting system, each City department's expenditures are restricted to the amount of that department's budgeted appropriations for the year at the object level. No department is allowed to spend more than its available appropriations.

Changes in appropriations in excess of a department's total appropriation or fund balance or unrealized revenues must be approved by the City Council as a transfer from contingency reserve, transfer from another department, or as an appropriation of unanticipated or over-realized revenue identified to a specific source. There is no "floor" in the level amount requiring approval.

## CASH MANAGEMENT POLICIES AND PRACTICES

The investment operations of the City are under the direction of the City Finance Director. The City Treasurer and the Finance Director share investment policy review, operations and approval. On an annual basis, the City's investment policy is reviewed and approved by the City Council. The Finance Director and Financial Services Officer monitor cash balances daily and invest temporarily idle funds in accordance with the California Government Code and the City's Investment Policy. The City employs a pooled cash system for various City funds to maximize interest income. Investment earnings are distributed based on average cash balance. During Fiscal Year 2006-2007, the City invested funds in the State of California Local Agency Investment Fund, certificates of deposit, money market and federal agency bonds.

## RISK MANAGEMENT

The City is self-insured for its general liability exposures up to \$250,000 per occurrence, effective 7/1/07, and for its Workers' Compensation up to \$500,000 per claim. As a member of the San Diego Pooled Insurance Program Authority (SANDPIPA), the City is insured for general liability between \$250,000 and \$2 million. For general liability claims in excess of the pooled layer, the City purchases excess liability insurance through SANDPIPA with limits up to \$37 million per occurrence. The City also obtains its first party, all-risk property insurance and crime bond/fidelity coverage through SANDPIPA. In addition, the City participates in the County Supervisors' Association of California Excess Insurance Authority (CSAC-EIA) which enables it to purchase excess Workers' Compensation coverage for its large and catastrophic claims.

## MAJOR ACCOMPLISHMENTS

- 8th Street Utility Undergrounding Project - SDG&E began undergrounding overhead utility lines between National City Boulevard and Highland Avenue.
- Graffiti Removal Program - The Graffiti Removal Program identifies and removes graffiti on a daily basis from private and public property. Graffiti program staff responded to 800 complaints and identified 1,713 sites, while canvassing areas located within the City's Redevelopment Area. Graffiti staff removed a total of 267,806 square feet of graffiti.
- Highland Avenue Streetscape Project - Construction was completed on Phase I, between 8th Street and 16th Street.
- Historic Sites List / Mills Act - The McKnight residence at 2824 L Avenue was added to the historic sites list and approved for a Mills Act Contract.
- Las Palmas Municipal Pool - The City completed a \$2.1 million renovation of the municipal pool creating a valuable community asset and attractive venue for regional events.
- MSI Project - Motivational Systems, Inc. completed the redevelopment and expansion of their office/manufacturing facilities on Cleveland Avenue and 23th Street.
- National City Boulevard Streetscape Project - Construction was completed on Phase II, between 7th Street and 12th Street.
- Neighborhood Council Program - The National City Neighborhood Council Program consists of seven distinct neighborhoods within National City. Program coordinators meet with residents of each neighborhood once a month. The goal is to create a path for citizen participation, encourage involvement in the beautification and upkeep of one's own neighborhood, and provide a forum for civic training. These monthly meetings provide an avenue of communication by City of National City staff and officials to keep

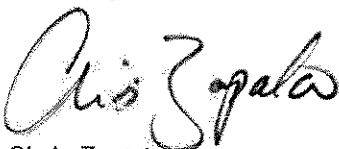
residents up to date on current events and happenings. The program serves all residents of the City of National City, 51% of who are low to moderate income persons.

- Old Library Remodel - The vacant former library underwent a partial renovation, attracting a short-term tenant, which now generates revenue while plans are underway to transform the building into a Cultural Arts Center.
- Paradise Creek Educational Park - Construction was completed in 2007 and includes a view pavilion, walking paths, interpretive elements, and native landscaping. Design and implementation included a joint partnership with the community and Kimball School.
- Paramedic Program - The City developed a plan to implement a paramedic program to improve pre-hospital medical care, which began on January 3, 2007.
- Proposition D Sales Tax Measure - Voters approved a 1-cent increase in local sales tax for 10 years. Implementation began on October 1, 2006.
- San Diego County Unified Disaster Council - The City participated as a member of the San Diego County Unified Disaster Council. The City managed the Urban Area Security Initiative, Law Enforcement Terrorism Prevention Program, and State Homeland Security Grants.
- Strategic Plan - The City developed and adopted a Strategic Plan after holding three public workshops to facilitate public participation and receive community input. The Strategic Plan establishes goals and objectives to be achieved through the implementation of key plans, programs, and projects that were identified during the planning process.

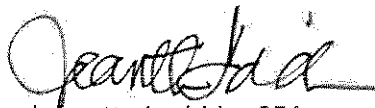
#### ACKNOWLEDGMENTS

The preparation of this Comprehensive Financial Report could not have been accomplished without the professional and dedicated service of the staff of the Finance department and the assistance of the City's auditors, Mayer Hoffman McCann, P.C. We sincerely thank you for a job well done. In addition, we acknowledge and appreciate the continued support of the Mayor and members of the City Council in the commitment to fiscal integrity and financial leadership.

Sincerely,



Chris Zapata  
City Manager



Jeanette Ladrado, CPA  
Director of Finance



## DIRECTORY OF CITY OFFICIALS

### City Council

Ron Morrison Mayor  
Frank Parra Vice Mayor  
Fideles Ungab Council Member  
Louie Natividad Council Member  
Rosalie Zarate Council Member

### City Treasurer

George Hood

### City Clerk

Michael R. Dalla

### City Manager

Chris Zapata

### City Attorney

George H. Eiser

### City Manager

Chris Zapata

### Assistant City Manager

Leslie Deese

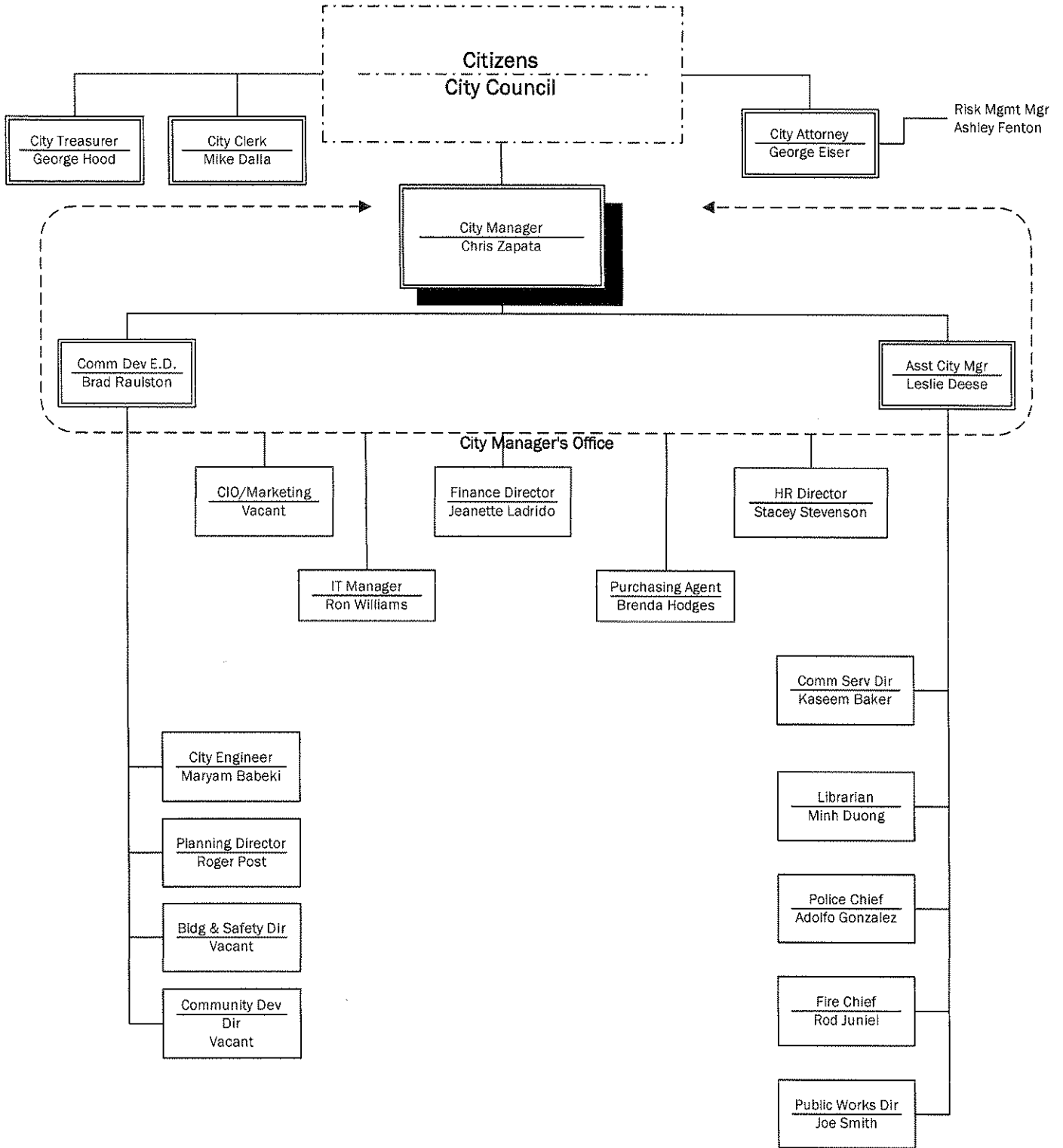
### Community Development Commission Executive Director.

Brad Raulston

### Department Heads

Minh Duong City Librarian  
Antonio Garcia Director of Building & Safety (Acting)  
Vacant Director of Community Development  
Kaseem Baker Director of Community Services (Acting)  
Maryam Babaki Director of Engineering  
Jeanette Ladrado, CPA Director of Finance  
Roderick Juniel Fire Chief  
Stacey Stevenson Director of Human Resources  
Roger G. Post Director of Planning  
Joe Smith Director of Public Works  
Dr. Adolfo Gonzales Police Chief

# CITY OF NATIONAL CITY ORGANIZATIONAL CHART





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

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of National City, California (City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

To the Honorable Mayor and Members of the City Council  
of the City of National City, California  
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procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Irvine, California  
March 17, 2008



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of National City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of National City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, which can be found in the introductory section of this report.

### FINANCIAL HIGHLIGHTS

- The primary government assets of the City of National City exceeded liabilities at the close of fiscal year 2007 by \$153,969,152 (*net assets*). Of this amount, \$5,449,969 (*unrestricted net assets*) is for unrestricted uses in accordance with finance-related legal requirements reflected in the City's fund structure.
- The primary government's total net assets increased by \$11,780,402. This increase is attributable to the approximately 10 percent of increase of the Governmental Activities.
- As of the close of fiscal year 2007, the City of National City governmental funds reported combined ending fund balances of \$78,195,821 an increase of \$11,856,794 in comparison with the prior year. While approximately 65 percent of the total amount, or \$50,936,105, is labeled as Unreserved Fund Balance, \$24,476,572 of this has been designated for specific purposes by City Council.
- At the end of 2007, unreserved fund balance for the General Fund was \$15,585,066 or 49 percent of total general fund expenditures.
- Of the unreserved general fund balance of \$15,585,066, \$6,662,546 is undesignated and is \$608,423 more than what was available from the prior year.
- The City of National City total debt had a net decrease of \$1,397,260 or 2 percent during fiscal year 2007.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of National City's basic financial statements. The City of National City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements, also provided is other supplementary information.

#### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of National City's finances, in a manner similar to a private-sector business.

The *Statement of Net assets* (the "Unrestricted Net Assets") is similar to a bottom line for the City and its governmental and business-type activities. This statement reports all of the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of National City is improving or deteriorating.

The *Statement of Activities* presents information to show how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave and sick leave).

Both of the government-wide financial statements distinguish services of the City of National City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of National City include general government, public safety, transportation, health, culture and leisure, and community development. The business-type activities of the City of National City include transportation development act (TDA) and the community development commission.

The basic government-wide financial statements can be found in the accompanying comprehensive financial report.

#### Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of National City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds used by the City of National City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on the balances left at year end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the long-term focus of the government-wide statement, additional information is provided that reconciles the governmental fund financial statements to the government-wide statements explaining the relationship (or differences) between them.

The City maintains 149 individual governmental funds, which includes 11 funds maintained by the Community Development Commission. Information is presented separately in the government fund balance sheet and in the governmental fund statement of revenues' expenditures and changes in fund balance for the General Fund, Special Revenue Funds, Capital Project Funds, each of which are considered to be major funds. Data from the remaining not mentioned funds are combined into a single aggregate presentation. Individual fund data for these major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its Funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget. Except for the Community Development Commission funds, the City maintains an automated budgetary accounting system to restrict expenditures to established appropriations and to recognize yearend commitments (encumbrances) in the financial statements.

*Proprietary Funds.* The City of National City maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as

business-type activities in the government-wide financial statements. The City uses enterprise funds to account for transportation development act (TDA), Kimball Towers and Morgan Towers. *Internal Service Fund* is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle operations, workers compensation insurance, general liability insurance, separation benefits, accounting services and technology development. The internal service funds predominantly benefit governmental rather than business-type functions; therefore they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for transportation development act (TDA), Kimball Towers and Morgan Towers, each of which are considered to be major funds of the City of National City. Data for the additional enterprise funds and all of the internal service funds are combined into their respective single aggregated presentations. Individual fund data for the non-major enterprise funds and all internal service funds is provided in the form of *combining statements* elsewhere in this report.

*Fiduciary Funds.* The City uses fiduciary funds to account for assets held on behalf of outside parties. The City of National City's fiduciary funds reflect activity related to retiree medical and dental insurance premiums and refundable customer deposits for performance. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

#### Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in the financial section of this report.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of National City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in the financial section of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of National City, assets exceeded liabilities by \$153,969,152 at the close of the most recent fiscal year.

A portion of the City's net assets \$5,449,969 (4%) is unrestricted and may be used to meet the City's ongoing financial obligations. These are net assets that are not restricted by external requirements nor invested in capital.

Of the City's \$153,969,152 in net assets, \$105,490,511 (68%) reflects investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of National City uses these capital assets to provide services to citizens;

consequently, these assets are *not* available for future spending. Although the City of National City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets of the City also include \$43,028,672 of restricted net assets. These are assets representing resources subject to external restriction as to how they may be used by the City.

The following reflects the City of National City's net assets:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 101,785,338	\$ 88,091,081	\$ 2,138,229	\$ 2,507,176	\$ 103,923,567	\$ 90,598,257
Capital assets	117,953,932	117,955,173	13,429,521	14,034,876	131,383,453	131,990,049
Total assets	<u>219,739,270</u>	<u>206,046,254</u>	<u>15,567,750</u>	<u>16,542,052</u>	<u>235,307,020</u>	<u>222,588,306</u>
Long-term liabilities outstanding	68,495,982	69,735,237	3,022,049	3,180,054	71,518,031	72,915,291
Other liabilities	9,460,232	7,111,132	359,605	373,133	9,819,837	7,484,265
Total liabilities	<u>77,956,214</u>	<u>76,846,369</u>	<u>3,381,654</u>	<u>3,553,187</u>	<u>81,337,868</u>	<u>80,399,556</u>
Net assets:						
Invested in capital assets, net						
of related debt	95,083,039	93,916,816	10,407,472	10,854,822	105,490,511	104,771,638
Restricted	41,250,048	37,597,633	1,778,624	2,134,043	43,028,672	39,731,676
Unrestricted	5,449,969	(2,314,564)	-	-	5,449,969	(2,314,564)
Total net assets	<u>\$ 141,783,056</u>	<u>\$129,199,885</u>	<u>\$12,186,096</u>	<u>\$12,988,865</u>	<u>\$ 153,969,152</u>	<u>\$142,188,750</u>

At the end of the 2007 fiscal year, the City of National City is able to report positive balances in all three categories of net assets for the government as a whole and the separate governmental and business-type activities.

The following reflects the City of National City's Changes in Net Assets:

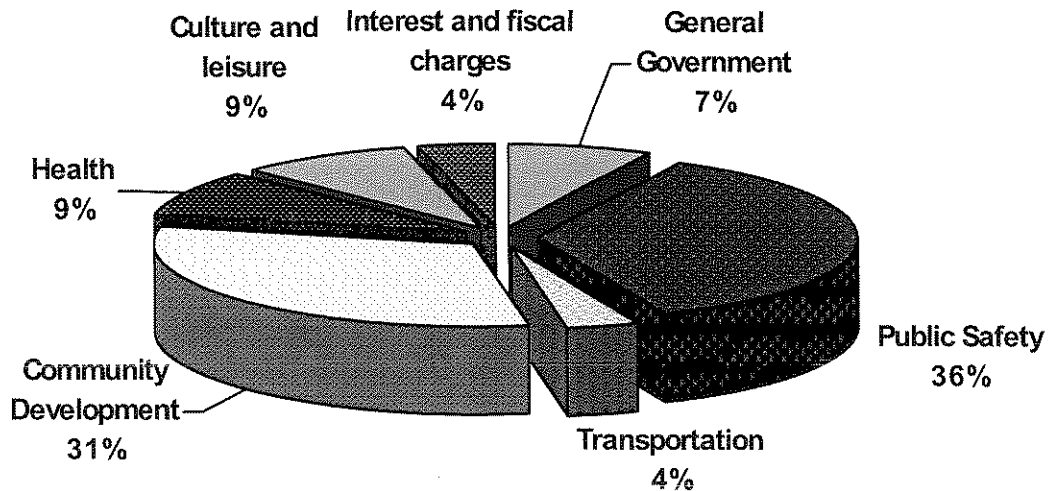
	Governmental		Business-type		Total Primary	
	Activities		Activities		Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 12,896,049	\$ 13,122,047	\$ 2,846,533	\$ 3,207,621	\$ 15,742,582	\$ 16,329,668
Operating grants and contributions	23,016,167	27,308,279	990,340	2,002,041	24,006,507	29,310,320
Capital grants and contributions	166,994	243,662	-	-	166,994	243,662
General Revenue:						
Property tax	15,232,910	13,304,816	-	-	15,232,910	13,304,816
Sales and Use tax	22,102,515	17,571,328	-	-	22,102,515	17,571,328
Franchise tax	1,440,770	1,357,256	-	-	1,440,770	1,357,256
Other taxes	5,745,864	5,176,456	-	-	5,745,864	5,176,456
Investment earnings	3,405,789	1,460,288	82,069	59,721	3,487,858	1,520,009
Rent	85,527	80,711	-	-	85,527	80,711
Other miscellaneous revenue	-	314,606	-	34,653	-	349,259
Total Revenues	<u>84,092,585</u>	<u>79,939,449</u>	<u>3,918,942</u>	<u>5,304,036</u>	<u>88,011,527</u>	<u>85,243,485</u>
Expenses:						
General government	5,219,116	3,141,167	-	-	5,219,116	3,141,167
Public safety	25,943,803	24,841,408	-	-	25,943,803	24,841,408
Transportation	2,680,880	9,979,551	-	-	2,680,880	9,979,551
Community development	22,209,522	23,709,596	-	-	22,209,522	23,709,596
Health	6,273,178	6,049,689	-	-	6,273,178	6,049,689
Culture and leisure	6,387,197	6,243,390	-	-	6,387,197	6,243,390
Interest and fiscal charges	2,768,004	2,631,082	-	-	2,768,004	2,631,082
TDA	-	-	2,689,687	3,684,772	2,689,687	3,684,772
Community Development Commission	-	-	2,059,738	2,535,540	2,059,738	2,535,540
Total Expenses	<u>71,481,700</u>	<u>76,595,883</u>	<u>4,749,425</u>	<u>6,220,312</u>	<u>76,231,125</u>	<u>82,816,195</u>
Increase (decrease) in net assets before transfers	12,610,885	3,343,566	(830,483)	(916,276)	11,780,402	2,427,290
Transfers	(27,714)	-	27,714	-	-	-
Increase (decrease) in net assets	<u>12,583,171</u>	<u>3,343,566</u>	<u>(802,769)</u>	<u>(916,276)</u>	<u>11,780,402</u>	<u>2,427,290</u>
Net assets - Beginning of Year	129,199,885	125,856,319	12,988,865	13,905,141	142,188,750	139,761,460
Net assets - End of Year	<u>\$ 141,783,056</u>	<u>\$ 129,199,885</u>	<u>\$ 12,186,096</u>	<u>\$ 12,988,865</u>	<u>\$ 153,969,152</u>	<u>\$ 142,188,750</u>

Governmental Activities

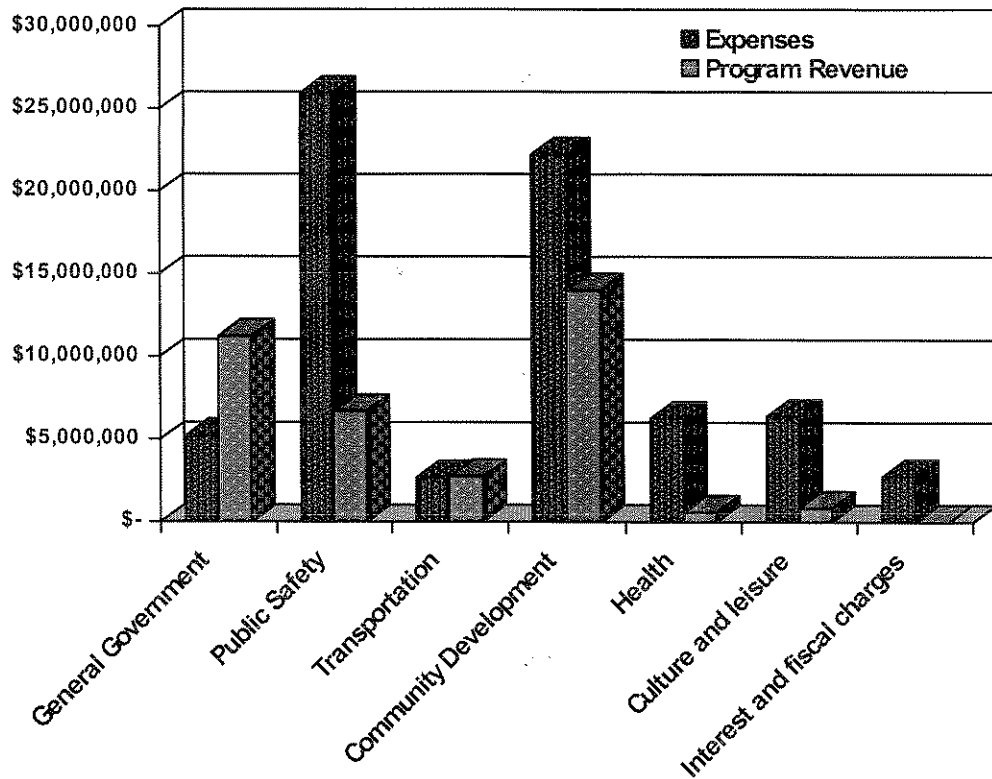
Governmental activities increased the City of National City's net assets by \$12,583,171 causing an 8 percent increase in the primary government's net assets. Key elements of this increase are as follows:

- Tax revenue increased by \$7,112,203 or 19 percent increase from fiscal year 2006. This change was a result from increases in sales taxes (\$4,531,187), property taxes (\$ 1,928,094), transient occupancy taxes (\$ 289,809), motor vehicle in lieu (\$279,599) and franchise tax (\$83,514). This increase is mainly attributed to the passing of Prop. D, which implemented a 1% district tax rate.
- Investment earnings increased 133 percent from \$1,460,288 to \$3,405,789. The increase reflects both higher market yields and investment gains generated by the portfolio.
- Total expenses decreased from fiscal year 2006 by \$5,114,183 or 7 percent. This is primarily driven by the decrease in Transportation expenses by \$7,298,671 or 73 percent compared to the prior fiscal year and Community Development expenses decrease of \$1,500,074 or 8 percent. General Government expenses increases by \$2,077,949 or 66 percent. Public Safety increased by \$1,102,395 or 4 percent, Health expenses increased \$223,498 or 4 percent. Also, Culture and Leisure increased \$143,807 or 2 percent.

**Program Expenses - Governmental Activities**

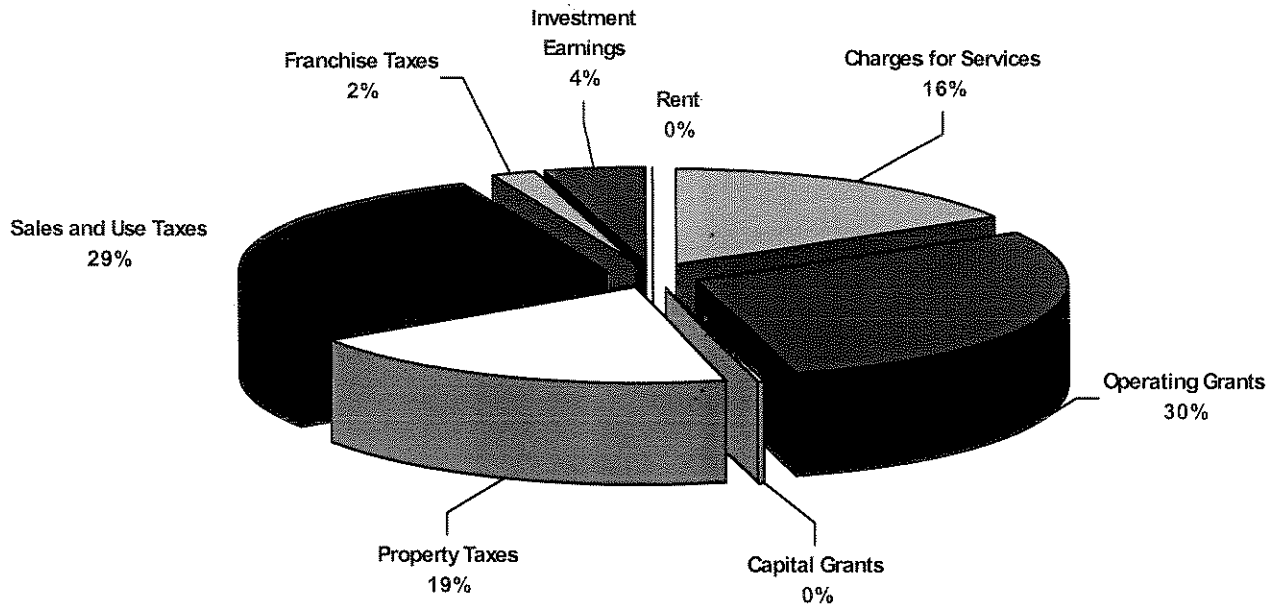


### Expenses and Program Revenues- Governmental Activities



Intergovernmental revenues are grants and other revenues received from the state and federal government. Licenses and permits include amounts collected from the issuance of licenses and permits required by the City of National City for various purposes. Revenues from fees collected by the City for a variety of services provided to the public are recorded as charges for services. Investment income reflects revenue from investment activity. Other revenue includes rent proceeds from the leasing of various government buildings.

### Revenue By Source - Governmental Activities



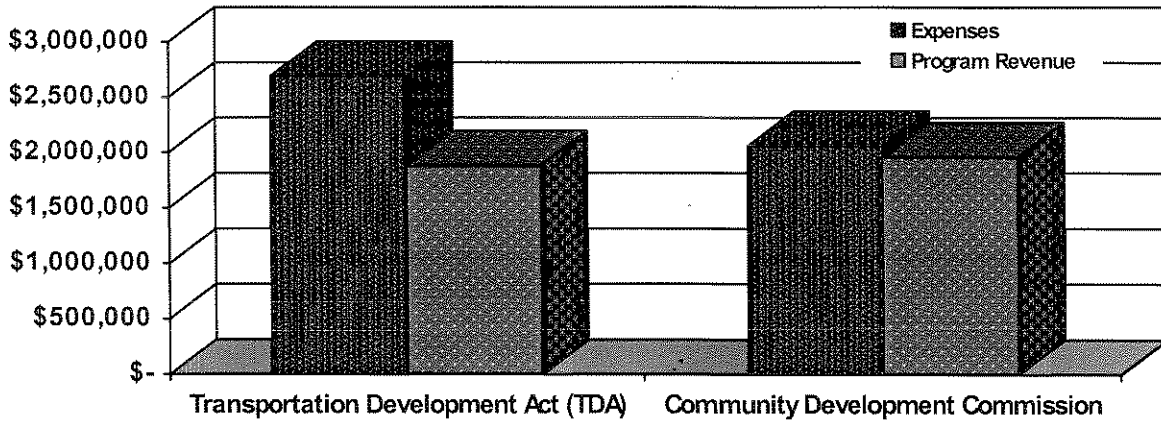
#### Business-type Activities

Business-type activities decreased the City of National City's net assets by \$802,769, a 2 percent decrease in the primary government's net assets. Key elements of this decrease are as follows:

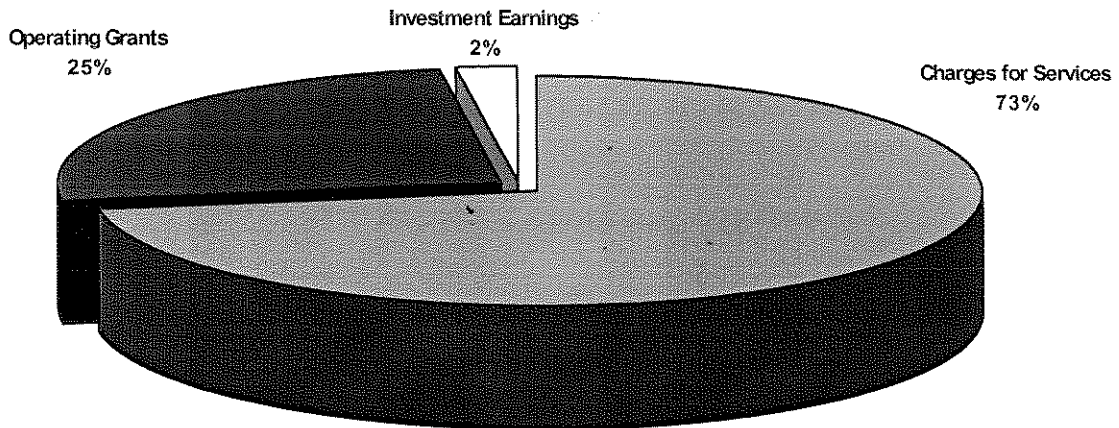
- Charges for services revenue decreased from the prior year by \$361,088 or 13 percent. Operating grants and contributions also decreased by \$1,011,701 or 51 percent. Investment earnings had an increase in revenue of \$22,348 or 37 percent.
- Total business-type activities expenses decreased by \$1,470,887 or 24 percent from \$6,220,312 for the prior year to \$4,749,425 for the current year. Transportation Development Act expenses decreased by \$995,085 or 27 percent. Community development commission expenses also decreased a total of \$475,802 or 19 percent.



### Expenses and Program Revenues - Business-Type Activities



### Revenue By Source - Business-Type Activities



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of National City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the City's governmental funds is to provide information on current year revenue, expenditures, and balances of spendable resources. Such information is useful in assessing the City of National City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Funds report the difference between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. The function of reserved fund balance is simply to isolate

the portion of fund balance that is unavailable for the following period's budget. The unreserved fund balance can serve as a measure of current available financial resources. City Council may commit a portion of the unreserved fund balance by designation of fund balance to an intended future use.

As of the fiscal year ended June 30, 2007, the City of National City's governmental funds reported combined ending fund balances of \$78,195,821, an increase of \$11,856,794 in comparison with the prior year. Approximately 65 percent of the total fund balance amount, or \$50,936,105, constitutes unreserved fund balance, \$24,476,572 of this has been designated for specific purposes by City Council. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$2,467,244), 2) to pay debt service (\$7,608,220), 3) for land held for resale (\$13,140,136), 4) for a variety of other purposes (\$4,044,116).

The General Fund is the chief operating fund of the City. For the fiscal year ended June 30, 2007, unreserved fund balance of the General Fund was \$15,585,066 while total fund balance was \$17,086,279. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 49.1 percent of total General Fund expenditures, while total fund balance represents 53.8 percent of the same amount.

The total fund balance of the City's General Fund increased by \$4,293,947 or 33.6 percent, during the fiscal year ended June 30, 2007. Key factors in this increase are as follows:

- The Change in fund balance of the General Fund, from an increase of \$209,089 for fiscal year 2006 to an increase of \$4,293,947 for fiscal 2007, represents an overall change of approximately \$4.5 million.
- Total expenditures decreased by \$1,026,945 or 3.1 percent. The expenditures decreased from the prior year in the following amounts: \$.7 million or 19% in General Government, \$22,575 or 1.7% in Culture and Leisure, and \$70,362 or 2.6% in Transportation. Expenditures that increased include: Public Safety with an increase of \$52,036 or .2%, and Community Development with an increase of \$26,403 or 3.5%.
- Revenue from taxes increased by \$5.8 million or 22.4 percent from the prior year. This increase is mainly attributed to the passing of Proposition D, which implemented one cent district tax. In more detail, the change in tax revenue is comprised of increases in: sales taxes of \$4,531,187 or 20.5 percent, property taxes of \$ 1,928,094 or 12.7 percent, transient occupancy taxes of \$ 289,809 or 31.9 percent, and franchise tax of \$83,514 or 5.8 percent.
- Interest and Rent Revenue increased \$967,196 or 89 percent from the prior year. This increase is mainly attributed to the increase in interest revenue. The increase in tax revenue resulted in an increase in the City's cash flow allowing more opportunity to invest.
- Intergovernmental Revenues increased \$127,741 or 11 percent from the prior year, reflecting income from Motor Vehicle in Lieu Tax, Tonnage Diversion Grant, Community Development Commission reimbursements and other mandated cost reimbursements.
- Charges for services increased \$392,701 or 42.4 percent from the prior year. This increase is composed of income from housing inspection fees (\$67,654), misc. fire services (\$398,932), tow/impound fees (\$44,520), misc. police services (\$478,658), booking fees (\$203,710) and various other charges.

The Section 8 Housing Assistance Fund has a fund deficit of (\$192,633), which is an increase of \$60,643 or 24 percent from the prior year deficit of (\$253,276) (after adjustment for error). The key factors contributing to this increase are as follows:

- Adjustment of \$1,165,471 that resulted in the restatement of beginning fund balance of the Section 8 Fund to reverse erroneous transfers made in previous year. Beginning Balance before the adjustment was (\$1,418,747) and after the adjustment, restated fund balance was (\$253,276).
- Total revenues increased \$253,637 or 3.1 percent, whereas total expenditures decreased \$473,350 or 6 percent.
- Intergovernmental Revenues increased \$236,986 or 2.9 percent. Interest and rent revenue was not produced this year. However \$30,035 of the funds revenue was attributed from other revenue sources.

The Sewer Service Fund has an ending fund balance of \$13,689,474, of which \$641,730 is reserved for encumbrances. This year's net increase in fund balance was \$1,104,345, approximately \$1 million less than last year's net increase. The change can be attributed to the decrease in total revenues of \$659,589 or 8.3 percent, and the increase in total expenditures of \$241,297 or 3.9 percent.

The Community Development Commission Debt Service Fund has a total fund balance of \$5,626,852. For the year ended June 30, 2007 \$686,783 was transferred in from other governmental funds to provide funding to cover debt service payments made during the fiscal year that related to low and moderate development. A total of \$4,640,000 was transferred to the redevelopment fund in order to provide funding for future capital project expenditures. The net change in fund balance during the current year in the debt service fund is \$2,887,730 or 105% percent increase from the prior year fund balance of \$2,739,122.

#### Proprietary Funds

The City of National City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the Transportation Development Act (TDA) Fund at yearend amounted to \$4,597,571 and those for the Kimball Towers, and Morgan Towers Funds amounted to \$6,530,373 and \$1,058,152; respectively. The total net income (loss) for each fund before transfers was (\$799,112), (\$40,621) and \$9,250; respectively.

The TDA Fund's net income decreased \$442,653 resulting in the net loss of (\$799,112). The decrease in net income is attributed to the discontinuation of this operation. The City of National City transit program is now outsourced to the San Diego Metropolitan Transit System (MTS). Effect from outsourcing are as follows: fare box revenue decreased \$396,205 or 30.8 percent, non-operating revenue provided from TDA grants decreased \$1,011,701 and Operating expenses decreased \$995,085 or 27.0 percent from \$3,684,772 to \$2,689,687.

Kimball Towers and Morgan Towers Funds account for activities relating to the operations of Kimball and Morgan Towers, which provide housing to low and moderate income seniors. For the year ended June 30, 2007 total operating revenue for Kimball Towers and Morgan Towers amounted to \$891,398 and

\$1,064,122; respectively. Operating expenses decreased in both funds, Kimball Towers by \$346,321 or 26.1 percent from the prior year and Morgan Towers by \$119,563 or 11.9 percent from the prior year.

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of National City's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the General Fund original budget and the final amended budget include significant changes in the revenue and expenditure amounts.

Original revenue estimates for the fiscal year 2006-07 were based on a predicted economical recession. Actual total General Fund revenues exceeded the final budgets estimated amount by \$3.3 million. The variance between actual and estimated revenue is mainly attributed to actual revenue produced by taxes. The passing of Proposition D, which implemented one cent district tax, caused a major increase in sales tax. Taxes produced revenue of \$1,446,276 or 4.6 percent higher than anticipated. Interest and rent revenue was also under estimated, with actual revenue of \$1,168,597 or 132 percent higher than anticipated. The increase in interest revenue is a rippling effect caused by the increase in tax revenue which increased the City's cash flow and allowed the City more opportunities to invest in various bonds and CD's. The largest negative variance occurred in the estimated revenue of Fines and Forfeitures which actual revenue was \$194,271 less than budget estimated.

The General Fund actual total expenditures did not exceed final budgeted appropriations. The variance between actual total expenditures and the final appropriation was \$3.4 million or 9.8 percent. The largest negative variance occurred in the community development expenditures which exceeded the final budget by \$99,918.

Ending Fund Balance exceeded the final budget estimated ending fund balance by \$5,189,387 or 43.6 percent. General Fund actual end of year fund balance was \$ 17,086,279.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2007, amounted to \$131,383,453 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment and infrastructure (including streets, alleys, traffic signals and signs and bridges) of governmental activities. Infrastructure type assets of business-type activities are reported as buildings and improvements.

The City's capital assets by activity at June 30, 2007 were as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 19,125,598	\$ 19,125,598	\$ 1,428,382	\$ 1,428,382	\$ 20,553,980	\$ 20,553,980
Right of way	4,245,088	4,245,088	-	-	4,245,088	4,245,088
Construction in progress	-	16,770,032	-	-	-	16,770,032
Buildings and improvements	44,491,598	27,419,981	17,629,514	17,499,293	62,121,112	44,919,274
Machinery and equipment	10,913,827	10,241,329	5,453,644	5,310,068	16,367,471	15,551,397
Infrastructure	105,421,595	102,401,216	-	-	105,421,595	102,401,216
Less accumulated depreciation	66,243,774	62,248,071	11,082,019	10,202,867	77,325,793	72,450,938
<b>Total</b>	<b>\$ 117,953,932</b>	<b>\$ 117,955,173</b>	<b>\$ 13,429,521</b>	<b>\$ 14,034,876</b>	<b>\$ 131,383,453</b>	<b>\$ 131,990,049</b>

Major capital asset activity during the year ended June 30, 2007 includes the following:

- Completion of the New National City Public Library - \$17,071,617.
- Purchase of new vehicles and equipment for the National City Police Department - \$154,396.
- Purchase of Sewer Flusher Truck - \$217,375.
- Street Pavement of 1,685,565 square feet - \$3,524,516.

Additional information on the City's capital assets can be found in the financial section of this report (Note 5).

#### Long-Term Debt

At year-end the City had a total long-term debt of \$71,518,031, a decrease of \$1,397,260 from the prior year. These include \$4,220,000 of Lease revenue refunding bonds issued by National City Joint Powers Financing Authority (NCJPFA) and \$43,885,000 of tax allocation bonds applicable to Community Development Commission. The City of National City's general obligation bond is rated AAA by Fitch and Standard & Poor's rating agencies.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
NCJPFA:						
Lease Revenue Refunding Bonds	\$ 4,220,000	\$ 4,510,000	\$ -	\$ -	\$ 4,220,000	\$ 4,510,000
Community Development Commission:						
1999 Tax Allocation Bonds	4,435,000	4,540,000	-	-	4,435,000	4,540,000
2004 Tax Allocation Bonds	5,395,000	5,640,000	-	-	5,395,000	5,640,000
2005 Series A and B Tax Allocation Bonds	34,055,000	35,705,000	-	-	34,055,000	35,705,000
General Obligation Bonds	5,720,000	5,850,000	-	-	5,720,000	5,850,000
HUD 108 Bond 2003 A	6,380,000	6,560,000	-	-	6,380,000	6,560,000
Claims Payable	4,145,000	2,105,127	-	-	4,145,000	2,105,127
Compensated Absences	2,490,655	2,897,920	-	-	2,490,655	2,897,920
Capitalized Lease Obligations	1,655,327	1,927,190	-	-	1,655,327	1,927,190
Notes Payable	-	-	3,022,049	3,180,054	3,022,049	3,180,054
<b>Total</b>	<b>\$ 68,495,982</b>	<b>\$ 69,735,237</b>	<b>\$ 3,022,049</b>	<b>\$ 3,180,054</b>	<b>\$ 71,518,031</b>	<b>\$ 72,915,291</b>

Additional information on the City of National City's long-term debt can be in the financial section of this report (Note 7).

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of National City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the office of the Director of Finance, 1243 National City Boulevard, National City, California, 91950-4397.

CITY OF NATIONAL CITY

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and investments (note 2)	\$ 69,077,059	233,830	69,310,889
Accounts receivable	2,961,198	9,561	2,970,759
Property tax receivable	456,761	-	456,761
Interest receivable	723,849	-	723,849
Short-term internal balances (note 3)	80,717	(80,717)	-
Due from other governmental entities	6,570,224	-	6,570,224
Total current assets	<u>79,869,808</u>	<u>162,674</u>	<u>80,032,482</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash and investments with fiscal agents (note 2)	4,934,434	1,719,118	6,653,552
Inventories	26,625	101,359	127,984
Prepaid items and deposits	35,632	155,078	190,710
Land held for resale	13,140,136	-	13,140,136
Contracts, notes and loans receivable (note 4)	3,778,703	-	3,778,703
Subtotal	<u>21,915,530</u>	<u>1,975,555</u>	<u>23,891,085</u>
Capital assets (note 5):			
Non-depreciable	23,370,686	1,428,382	24,799,068
Depreciable, net	94,583,246	12,001,139	106,584,385
Total capital assets	<u>117,953,932</u>	<u>13,429,521</u>	<u>131,383,453</u>
Total noncurrent assets	<u>139,869,462</u>	<u>15,405,076</u>	<u>155,274,538</u>
Total assets	<u>219,739,270</u>	<u>15,567,750</u>	<u>235,307,020</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	6,547,143	273,030	6,820,173
Interest payable	444,916	-	444,916
Salaries payable	1,082,105	-	1,082,105
Deposits payable	463,568	86,575	550,143
Unearned revenue	922,500	-	922,500
Total current liabilities	<u>9,460,232</u>	<u>359,605</u>	<u>9,819,837</u>
Long-term liabilities (note 7):			
Due within one year	5,660,920	168,586	5,829,506
Due beyond one year	62,835,062	2,853,463	65,688,525
Total noncurrent liabilities	<u>68,495,982</u>	<u>3,022,049</u>	<u>71,518,031</u>
Total liabilities	<u>77,956,214</u>	<u>3,381,654</u>	<u>81,337,868</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	95,083,039	10,407,472	105,490,511
Restricted for:			
Community development	31,487,994	-	31,487,994
Public Safety	1,323,836	-	1,323,836
Transportation	7,235,075	(21,211)	7,213,864
Health	1,203,143	-	1,203,143
Housing	-	1,799,835	1,799,835
Total restricted	<u>41,250,048</u>	<u>1,778,624</u>	<u>43,028,672</u>
Unrestricted	<u>5,449,969</u>	-	<u>5,449,969</u>
Total net assets	<u>\$ 141,783,056</u>	<u>12,186,096</u>	<u>153,969,152</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

Statement of Activities

For the year ended June 30, 2007

	Expenses	Program Revenues			Total Program Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 5,219,116	11,210,231	-	-	11,210,231
Public safety	25,943,803	74,987	6,610,351	-	6,685,338
Transportation	2,680,880	-	2,758,963	-	2,758,963
Community development	22,209,522	767,558	13,063,194	166,994	13,997,746
Health	6,273,178	-	583,659	-	583,659
Culture and leisure	6,387,197	843,273	-	-	843,273
Interest and fiscal charges	2,768,004	-	-	-	-
Total governmental activities	<u>71,481,700</u>	<u>12,896,049</u>	<u>23,016,167</u>	<u>166,994</u>	<u>36,079,210</u>
Business-type activities:					
TDA	2,689,687	891,013	990,340	-	1,881,353
Community development commission	<u>2,059,738</u>	<u>1,955,520</u>	<u>-</u>	<u>-</u>	<u>1,955,520</u>
Total business-type activities	<u>4,749,425</u>	<u>2,846,533</u>	<u>990,340</u>	<u>-</u>	<u>3,836,873</u>
Total primary government	<u>\$76,231,125</u>	<u>15,742,582</u>	<u>24,006,507</u>	<u>166,994</u>	<u>39,916,083</u>

General Revenue:

Taxes:

- Property taxes
- Sales taxes
- Franchise taxes
- Motor vehicle in-lieu, unrestricted
- Transient occupancy taxes

Total taxes

Investment earnings

Rent

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying notes to the basic financial statements.



Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
5,991,115	-	5,991,115
(19,258,465)	-	(19,258,465)
78,083	-	78,083
(8,211,776)	-	(8,211,776)
(5,689,519)	-	(5,689,519)
(5,543,924)	-	(5,543,924)
(2,768,004)	-	(2,768,004)
<u>(35,402,490)</u>	<u>-</u>	<u>(35,402,490)</u>
-	(808,334)	(808,334)
<u>-</u>	<u>(104,218)</u>	<u>(104,218)</u>
<u>-</u>	<u>(912,552)</u>	<u>(912,552)</u>
<u>(35,402,490)</u>	<u>(912,552)</u>	<u>(36,315,042)</u>
15,232,910	-	15,232,910
22,102,515	-	22,102,515
1,440,770	-	1,440,770
4,837,677	-	4,837,677
908,187	-	908,187
44,522,059	-	44,522,059
3,405,789	82,069	3,487,858
85,527	-	85,527
(27,714)	27,714	-
<u>47,985,661</u>	<u>109,783</u>	<u>48,095,444</u>
12,583,171	(802,769)	11,780,402
<u>129,199,885</u>	<u>12,988,865</u>	<u>142,188,750</u>
<u>\$ 141,783,056</u>	<u>12,186,096</u>	<u>153,969,152</u>

See accompanying notes to the basic financial statements.

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## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

### **General Fund**

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

### **Section 8 Housing Assistance Special Revenue Fund**

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

### **Other Special Revenue Fund**

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

### **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.

### **Community Development Commission Debt Service Fund**

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

### **Redevelopment Capital Project Fund**

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

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

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

### **Other Governmental Funds**

These funds constitute all other governmental funds that do not meet the criteria to be a major fund, which is 10% or more of assets, liabilities, revenues or expenditures for the governmental funds and 5% or more of total assets, liabilities, revenues or expenditures for the total governmental and enterprise funds combined. These funds include other Special Revenue Funds, other Debt Service Funds, and all of the Capital Projects Funds of the City.

CITY OF NATIONAL CITY  
Balance Sheet  
Governmental Funds  
June 30, 2007

	General Fund	Special Revenue Funds	
		Section 8 Housing Assistance	Other Special Revenue
<b>ASSETS</b>			
Cash and investments (note 2)	\$ 7,508,323	-	8,044,349
Restricted cash and investments with fiscal agents (note 2)	-	-	77,982
Accounts receivable	950,175	-	1,615,758
Property tax receivable	86,973	-	-
Interest receivable	471,592	-	10,069
Due from other funds (note 3)	7,146,714	-	297,741
Due from other governmental entities	2,927,790	-	1,116,458
Prepaid items and deposits	700	3,386	10,878
Land held for resale	-	-	-
Contracts, notes and loans receivable	-	-	-
Advances to other funds (note 3)	-	-	-
<b>Total assets</b>	<b>\$ 19,092,267</b>	<b>3,386</b>	<b>11,173,235</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 765,189	179,977	297,970
Salaries payable	865,036	-	88,126
Due to other funds (note 3)	268,441	16,042	5,110,636
Deposits payable	107,322	-	356,246
Deferred revenue	-	-	507,687
Advances from other funds (note 3)	-	-	-
<b>Total liabilities</b>	<b>2,005,988</b>	<b>196,019</b>	<b>6,360,665</b>
<b>Fund balances (deficit):</b>			
<b>Reserved:</b>			
Encumbrances	99,381	-	-
Prepaid items and deposits	700	3,386	10,878
Land held for resale	-	-	-
Long-term loans receivable	-	-	-
Advances to other funds	-	-	-
Debt service	1,401,132	-	-
<b>Total reserved</b>	<b>1,501,213</b>	<b>3,386</b>	<b>10,878</b>
<b>Unreserved, designated:</b>			
Continuing appropriations	167,594	-	-
Employee accrued benefits	1,207,515	-	-
Other	59,899	-	-
Rate stabilization	-	-	-
Continuing CIPs	187,512	-	-
Contingencies	7,300,000	-	-
<b>Total unreserved, designated</b>	<b>8,922,520</b>	<b>-</b>	<b>-</b>
<b>Unreserved, undesignated</b>			
General fund	6,662,546	-	-
Special revenue funds	-	(196,019)	4,801,692
Capital projects funds	-	-	-
<b>Total unreserved, undesignated</b>	<b>6,662,546</b>	<b>(196,019)</b>	<b>4,801,692</b>
<b>Total fund balances (deficit)</b>	<b>17,086,279</b>	<b>(192,633)</b>	<b>4,812,570</b>
<b>Total liabilities and fund balances</b>	<b>\$ 19,092,267</b>	<b>3,386</b>	<b>11,173,235</b>

See accompanying notes to the basic financial statements.

Special Revenue Fund	Debt Service	Capital Project Funds			Other Governmental Funds	Total Governmental Funds
		Community Development Commission	Redevelopment Fund	Library Construction Project		
13,709,260	2,535,167	4,990,351	152,403	19,828,082	56,767,935	
-	2,792,885	2,063,567	-	-	4,934,434	
101,141	-	85,716	-	131,177	2,883,967	
-	295,830	-	-	73,958	456,761	
-	2,970	185,548	1,580	52,090	723,849	
-	-	1,514,912	-	133,247	9,092,614	
887	-	-	1,832,438	692,651	6,570,224	
-	-	15,449	-	-	30,413	
-	-	10,839,334	-	2,300,802	13,140,136	
-	-	333,594	-	3,445,109	3,778,703	
-	-	235,000	-	-	235,000	
<u>13,811,288</u>	<u>5,626,852</u>	<u>20,263,471</u>	<u>1,986,421</u>	<u>26,657,116</u>	<u>98,614,036</u>	
110,878	-	3,304,922	44,317	1,647,245	6,350,498	
10,936	-	52,023	-	33,360	1,049,481	
-	-	-	1,828,692	1,732,895	8,956,706	
-	-	-	-	-	463,568	
-	-	922,500	1,832,438	100,337	3,362,962	
-	-	-	-	235,000	235,000	
<u>121,814</u>	<u>-</u>	<u>4,279,445</u>	<u>3,705,447</u>	<u>3,748,837</u>	<u>20,418,215</u>	
641,730	-	-	11,491	1,714,642	2,467,244	
-	-	15,449	-	-	30,413	
-	-	10,839,334	-	2,300,802	13,140,136	
-	-	333,594	-	3,445,109	3,778,703	
-	-	235,000	-	-	235,000	
-	5,626,852	-	-	580,236	7,608,220	
<u>641,730</u>	<u>5,626,852</u>	<u>11,423,377</u>	<u>11,491</u>	<u>8,040,789</u>	<u>27,259,716</u>	
2,775,833	-	-	-	4,037,631	6,981,058	
-	-	-	-	-	1,207,515	
2,727,746	-	-	-	-	2,787,645	
3,184,801	-	-	-	-	3,184,801	
2,489,095	-	-	-	-	2,676,607	
338,946	-	-	-	-	7,638,946	
<u>11,516,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,037,631</u>	<u>24,476,572</u>	
-	-	-	-	-	6,662,546	
1,531,323	-	-	-	9,458,457	15,595,453	
-	-	4,560,649	(1,730,517)	1,371,402	4,201,534	
<u>1,531,323</u>	<u>-</u>	<u>4,560,649</u>	<u>(1,730,517)</u>	<u>10,829,859</u>	<u>26,459,533</u>	
13,689,474	5,626,852	15,984,026	(1,719,026)	22,908,279	78,195,821	
<u>13,811,288</u>	<u>5,626,852</u>	<u>20,263,471</u>	<u>1,986,421</u>	<u>26,657,116</u>	<u>98,614,036</u>	

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

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

June 30, 2007

Total Fund Balances - Total Governmental Funds	\$ 78,195,821
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Excluding the internal service funds capital assets which are reported below, capital assets were adjusted as follows:	
- Capital assets	178,525,807
- Accumulated depreciation	(62,235,614)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.	(444,916)
Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in funds.	2,440,462
Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Assets.	9,532,196
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. This amount excludes long-term liabilities reported in Internal Service funds.	<u>(64,230,700)</u>
Net Assets of Governmental Activities	<u>\$ 141,783,056</u>

See accompanying notes to the basic financial statements.

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CITY OF NATIONAL CITY  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2007

		Special Revenue Funds	
	General Fund	Section 8 Housing Assistance	Other Special Revenue
Revenues:			
Taxes	\$ 31,375,184	-	-
Licenses and permits	859,430	-	13,568
Fines and forfeitures	783,056	-	102,586
Interest and rents	2,056,097	-	18,313
Intergovernmental	1,259,455	8,204,943	9,137,458
Charges for services	1,318,470	-	760,929
Other revenues	430,423	30,035	556,303
Total revenues	38,082,115	8,234,978	10,589,157
Expenditures:			
Current:			
General government	3,023,335	-	1,698,721
Public safety	23,740,549	-	1,352,960
Transportation	2,592,419	-	-
Community development	754,339	8,169,058	1,486,602
Health	-	-	121,004
Culture and leisure	1,340,716	-	2,409,237
Capital outlay	26,793	5,277	957,653
Debt service:			
Principal	201,600	-	250,263
Interest and fiscal charges	61,705	-	269,547
Total expenditures	31,741,456	8,174,335	8,545,987
Excess (deficiency) of revenues over (under) expenditures	6,340,659	60,643	2,043,170
Other financing sources (uses):			
Transfers in (note 3)	800,615	-	421,070
Transfers out (note 3)	(2,847,327)	-	(8,415)
Total other financing sources (uses)	(2,046,712)	-	412,655
Net change in fund balances	4,293,947	60,643	2,455,825
Fund balances (deficit), beginning of year, as restated (note 10)	12,792,332	(253,276)	2,356,745
Fund balances (deficit), end of year	\$ 17,086,279	(192,633)	4,812,570

See accompanying notes to the basic financial statements.



Special Revenue Fund	Debt Service Community Development Commission	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		Redevelopment Fund	Library Construction Project		
-	10,834,596	-	-	4,267,911	46,477,691
-	-	-	-	-	872,998
-	-	-	-	53,441	939,083
-	123,421	727,813	8,809	471,336	3,405,789
-	-	60,849	-	5,200,860	23,863,565
7,231,308	-	-	-	17,633	9,328,340
25,211	-	370,186	-	946,610	2,358,768
<u>7,256,519</u>	<u>10,958,017</u>	<u>1,158,848</u>	<u>8,809</u>	<u>10,957,791</u>	<u>87,246,234</u>
-	-	-	-	1,129	4,723,185
-	-	-	-	37,359	25,130,868
-	-	-	-	644,374	3,236,793
-	83,850	7,318,021	-	3,180,706	20,992,576
6,152,174	-	-	-	-	6,273,178
-	-	-	-	2,637,244	6,387,197
-	-	2,117	380,596	702,382	2,074,818
-	2,000,000	-	-	420,000	2,871,863
-	2,033,220	65,050	-	469,440	2,898,962
<u>6,152,174</u>	<u>4,117,070</u>	<u>7,385,188</u>	<u>380,596</u>	<u>8,092,634</u>	<u>74,589,440</u>
<u>1,104,345</u>	<u>6,840,947</u>	<u>(6,226,340)</u>	<u>(371,787)</u>	<u>2,865,157</u>	<u>12,656,794</u>
-	686,783	4,640,000	-	1,634,057	8,182,525
-	(4,640,000)	-	-	(1,486,783)	(8,982,525)
-	(3,953,217)	4,640,000	-	147,274	(800,000)
1,104,345	2,887,730	(1,586,340)	(371,787)	3,012,431	11,856,794
12,585,129	2,739,122	17,570,366	(1,347,239)	19,895,848	66,339,027
<u>13,689,474</u>	<u>5,626,852</u>	<u>15,984,026</u>	<u>(1,719,026)</u>	<u>22,908,279</u>	<u>78,195,821</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

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

For the year ended June 30, 2007

Net Changes in Fund Balances - Total Governmental Funds	\$ 11,856,794
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets were allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period, net of disposals.	4,481,918
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense, net of disposals, was not reported as expenditures in Governmental Funds.	(4,371,465)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	2,871,863
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from prior year.	130,958
To record as an expense the net change in compensated absences in the Statement of Activities.	398,946
Revenues in the Government-Wide Statement of Activities that did not provide current financial resources were not reported as revenues in the governmental funds.	(2,949,500)
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue (expense) of the internal service funds are reported with governmental activities.	<u>163,657</u>
Change in Net Assets of Governmental Activities	<u>\$ 12,583,171</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY  
Statement of Net Assets  
Proprietary Funds  
June 30, 2007

	Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	TDA	Kimball Towers	Morgan Towers		
<u>ASSETS</u>					
Current assets:					
Cash and investments (note 2)	\$ 78,096	147,907	7,827	233,830	12,309,124
Restricted cash and investments with fiscal agents (note 2)	-	1,051,300	667,818	1,719,118	-
Accounts receivable	9,180	381	-	9,561	77,231
Due from other funds	-	-	-	-	19,292
Inventories	101,359	-	-	101,359	26,625
Prepaid items and deposits	-	77,842	77,236	155,078	5,219
Total current assets	<u>188,635</u>	<u>1,277,430</u>	<u>752,881</u>	<u>2,218,946</u>	<u>12,437,491</u>
Noncurrent assets:					
Capital assets (note 5):					
Nondepreciable assets	900,000	315,814	212,568	1,428,382	-
Depreciable assets, net of accumulated depreciation	<u>3,718,782</u>	<u>5,037,947</u>	<u>3,244,410</u>	<u>12,001,139</u>	<u>1,663,739</u>
Total capital assets, net	<u>4,618,782</u>	<u>5,353,761</u>	<u>3,456,978</u>	<u>13,429,521</u>	<u>1,663,739</u>
Total noncurrent assets	<u>4,618,782</u>	<u>5,353,761</u>	<u>3,456,978</u>	<u>13,429,521</u>	<u>1,663,739</u>
Total assets	<u>4,807,417</u>	<u>6,631,191</u>	<u>4,209,859</u>	<u>15,648,467</u>	<u>14,101,230</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	129,129	55,726	88,175	273,030	196,645
Salaries payable	-	-	-	-	32,624
Due to other funds	80,717	-	-	80,717	74,483
Compensated absences - due within one year	-	-	-	-	120,282
Note payable - due within one year	-	-	168,586	168,586	-
Self-insurance claims payable - due within one year	-	-	-	-	400,000
Total current liabilities	<u>209,846</u>	<u>55,726</u>	<u>256,761</u>	<u>522,333</u>	<u>824,034</u>
Noncurrent liabilities (note 7):					
Tenant security deposit liability	-	45,092	41,483	86,575	-
Note payable - due in more than one year	-	-	2,853,463	2,853,463	-
Self-insurance claims payable - due in more than one year	-	-	-	-	3,745,000
Total noncurrent liabilities	<u>-</u>	<u>45,092</u>	<u>2,894,946</u>	<u>2,940,038</u>	<u>3,745,000</u>
Total liabilities	<u>209,846</u>	<u>100,818</u>	<u>3,151,707</u>	<u>3,462,371</u>	<u>4,569,034</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	4,618,782	5,353,761	434,929	10,407,472	1,663,739
Restricted for:					
Housing	-	1,176,612	623,223	1,799,835	-
Transportation	(21,211)	-	-	(21,211)	-
Unrestricted	-	-	-	-	7,868,457
Total net assets	<u>\$ 4,597,571</u>	<u>6,530,373</u>	<u>1,058,152</u>	<u>12,186,096</u>	<u>9,532,196</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the year ended June 30, 2007

	Enterprise Funds			Governmental Activities - Internal Service Funds	
	TDA	Kimball Towers	Morgan Towers		Total
Operating revenues:					
Fare box revenue	\$ 891,013	-	-	891,013	-
Rental income	-	883,950	1,056,265	1,940,215	-
Service charges	-	-	-	-	9,118,492
Other revenues	-	7,448	7,857	15,305	25,635
Total operating revenues	<u>891,013</u>	<u>891,398</u>	<u>1,064,122</u>	<u>2,846,533</u>	<u>9,144,127</u>
Operating expenses:					
Personnel services	1,135,968	-	-	1,135,968	1,928,952
Maintenance and operations	876,327	792,370	654,149	2,322,846	7,485,239
Insurance	209,408	-	-	209,408	-
Depreciation	467,984	187,350	223,818	879,152	338,565
Total operating expenses	<u>2,689,687</u>	<u>979,720</u>	<u>877,967</u>	<u>4,547,374</u>	<u>9,752,756</u>
Operating income (loss)	<u>(1,798,674)</u>	<u>(88,322)</u>	<u>186,155</u>	<u>(1,700,841)</u>	<u>(608,629)</u>
Nonoperating revenues (expenses):					
TDA grants	990,340	-	-	990,340	-
Interest income	9,222	47,701	25,146	82,069	-
Interest expense	-	-	(202,051)	(202,051)	-
Total nonoperating revenues (expenses)	<u>999,562</u>	<u>47,701</u>	<u>(176,905)</u>	<u>870,358</u>	<u>-</u>
Income (loss) before transfers	(799,112)	(40,621)	9,250	(830,483)	(608,629)
Transfers in (note 3)	27,714	-	-	27,714	800,000
Transfers out (note 3)	-	-	-	-	(27,714)
Change in net assets	(771,398)	(40,621)	9,250	(802,769)	163,657
Net assets at beginning of year	<u>5,368,969</u>	<u>6,570,994</u>	<u>1,048,902</u>	<u>12,988,865</u>	<u>9,368,539</u>
Net assets, end of year	<u>\$ 4,597,571</u>	<u>6,530,373</u>	<u>1,058,152</u>	<u>12,186,096</u>	<u>9,532,196</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY  
Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2007

	Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	TDA	Kimball Towers	Morgan Towers		
Cash flows from operating activities:					
Cash received from customers/other funds	\$ 891,013	896,597	1,056,493	2,844,103	9,342,892
Cash payments to suppliers	(900,763)	(791,449)	(442,992)	(2,135,204)	(5,479,984)
Cash payments for general and administrative	(1,209,222)	-	(168,380)	(1,377,602)	(1,937,506)
Net cash provided (used by) operating activities	<u>(1,218,972)</u>	<u>105,148</u>	<u>445,121</u>	<u>(668,703)</u>	<u>1,925,402</u>
Cash flows from noncapital financing activities:					
TDA grants	990,340	-	-	990,340	-
Cash received from other funds	108,431	-	-	108,431	899,087
Cash paid to other funds	-	-	-	-	(52,360)
Net cash provided (used by) noncapital financing activities	<u>1,098,771</u>	<u>-</u>	<u>-</u>	<u>1,098,771</u>	<u>846,727</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(11,142)	(60,315)	(202,340)	(273,797)	(226,871)
Principal payments of note payable	-	-	(158,005)	(158,005)	-
Interest paid	-	-	(202,051)	(202,051)	-
Net cash provided (used by) capital and related financing activities	<u>(11,142)</u>	<u>(60,315)</u>	<u>(562,396)</u>	<u>(633,853)</u>	<u>(226,871)</u>
Cash flows from investing activities:					
Interest income	9,222	47,701	25,146	82,069	-
Net cash provided (used by) investing activities	<u>9,222</u>	<u>47,701</u>	<u>25,146</u>	<u>82,069</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(122,121)	92,534	(92,129)	(121,716)	2,545,258
Cash and equivalents, beginning of year	200,217	1,106,673	767,774	2,074,664	9,763,866
Cash and equivalents, end of year	<u>\$ 78,096</u>	<u>1,199,207</u>	<u>675,645</u>	<u>1,952,948</u>	<u>12,309,124</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (1,798,674)	(88,322)	186,155	(1,700,841)	(608,629)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	467,984	187,350	223,818	879,152	338,565
Changes in current assets and liabilities:					
Accounts receivable	(6,851)	4,559	-	(2,292)	198,765
Due from other governmental entities	95,835	-	-	95,835	-
Inventories	28,084	-	-	28,084	(1,713)
Prepaid items and deposits	45,132	640	513	46,285	(5,219)
Accounts payable and accrued liabilities	22,772	921	34,635	58,328	(27,686)
Salaries payable	(24,578)	-	-	(24,578)	(235)
Compensated absences	(48,676)	-	-	(48,676)	(8,319)
Self-insurance claims payable	-	-	-	-	2,039,873
Total adjustments	<u>579,702</u>	<u>193,470</u>	<u>258,966</u>	<u>1,032,138</u>	<u>2,534,031</u>
Net cash provided (used) by operating activities	<u>\$ (1,218,972)</u>	<u>105,148</u>	<u>445,121</u>	<u>(668,703)</u>	<u>1,925,402</u>

Noncash investing, capital and financing activities

There were no noncash investing, capital or financing activities for the year ended June 30, 2007.

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2007

	<u>Library Private- Purpose Trust</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and investments (note 2)	\$ 45,226	838,490	883,716
Interest receivable	<u>469</u>	<u>-</u>	<u>469</u>
Total assets	<u>45,695</u>	<u>838,490</u>	<u>884,185</u>
<u>LIABILITIES</u>			
Accounts payable	<u>-</u>	<u>838,490</u>	<u>838,490</u>
Total liabilities	<u>-</u>	<u>838,490</u>	<u>838,490</u>
<u>NET ASSETS</u>			
Held in trust for private purposes	<u>\$ 45,695</u>	<u>-</u>	<u>45,695</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2007

	<u>Library Private- Purpose Trust</u>
Additions:	
Investment income	\$ 2,454
Total additions	<u>2,454</u>
Deductions:	
Materials and supplies	<u>7,204</u>
Total deductions	<u>7,204</u>
Net increase (decrease)	(4,750)
Net assets, beginning of year	<u>50,445</u>
Net assets, end of year	<u><u>\$ 45,695</u></u>

See accompanying notes to the basic financial statements.

# CITY OF NATIONAL CITY

## Notes to the Basic Financial Statements

For the year ended June 30, 2007

### (1) Summary of Significant Accounting Policies

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

#### *A. Reporting Entity*

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

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

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

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



CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

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

*B. Basis of Accounting and Measurement Focus*

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

Government-Wide Financial Statements

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

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

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

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

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

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

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

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

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

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

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

##### Fund Financial Statements

##### Governmental Funds Financial Statements

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

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

The City reported the following types of major governmental funds:

**General Fund**

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

**Section 8 Housing Assistance Special Revenue Fund**

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

**Other Special Revenue Fund**

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

**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.

**Community Development Commission Debt Service Fund**

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

**Redevelopment Capital Project Fund**

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

**Library Construction Project Capital Project Fund**

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

*Proprietary Fund Financial Statements*

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

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

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

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

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

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

The City reported the following types of major proprietary funds:

#### **TDA Fund**

This fund is used to account for allocations received by the City pursuant to the Transportation Development Act used for the operations of the National City Transit program.

#### **Kimball Tower**

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 Tower**

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

The City also reports the following fund types:

Internal Service Funds

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

Fiduciary Fund Financial Statements

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

C. Use of Restricted/Unrestricted Net Assets

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

D. Cash, Cash Equivalents and Investments

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

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

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

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

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

#### *E. Restricted Cash and Investments*

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

#### *F. Interfund Transactions*

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

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

#### *G. Inventories and Prepaid Items*

Inventories are stated at cost using the average cost method. Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items. The City uses the consumption method when reporting prepaid items. Prepaid items are recorded as an asset and are offset by a reserve in the fund financial statements.

#### *H. Land Held for Resale*

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

*I. Capital Assets*

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

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

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

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

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

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

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



# CITY OF NATIONAL CITY

## Notes to the Basic Financial Statements

(Continued)

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

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

#### *J. Interest Payable*

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

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

#### *K. Compensated Absences*

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

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

*M. Fund Balances - Reservations and Designations*

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*N. Net Assets*

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

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

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

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

*O. Property Taxes*

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

*P. Community Development Commission Rental Revenue*

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

*Q. Use of Estimates*

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

(2) Cash and Investments

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 69,310,889
Restricted cash and investments with fiscal agents	6,653,552
Statement of Fiduciary Net Assets:	
Cash and investments	<u>883,716</u>
Total cash and investments	<u>\$ 76,848,157</u>

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 4,799
Deposits with financial institutions	10,630,081
Investments	<u>66,213,277</u>
Total cash and investments	<u>\$ 76,848,157</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
U.S. Agency Securities	\$ 7,486,450	500,000	4,597,635	2,388,815
Negotiable Certificates of Deposit	1,558,000	586,000	877,000	95,000
Local Agency Investment Fund	52,310,082	52,310,082	-	-
Held by Fiscal Agent:				
Commercial Paper	2,345,000	2,345,000	-	-
Money Market Funds	<u>2,513,745</u>	<u>2,513,745</u>	-	-
<b>Total</b>	<b><u>\$ 66,213,277</u></b>	<b><u>58,254,827</u></b>	<b><u>5,474,635</u></b>	<b><u>2,483,815</u></b>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>		<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>A</u>	<u>AAA</u>	<u>Not Rated</u>
U.S. Agency Securities	\$ 7,486,450	AAA	-	7,486,450	-
Negotiable Certificates of Deposit	1,558,000	N/A	-	-	1,558,000
Local Agency Investment Fund	52,310,082	N/A	-	-	52,310,082
Held by Fiscal Agent:					
Commercial Paper	2,345,000	A	-	-	2,345,000
Money Market Funds	<u>2,513,745</u>	N/A	<u>2,513,745</u>	-	-
<b>Total</b>	<b><u>\$66,213,277</u></b>		<b><u>2,513,745</u></b>	<b><u>7,486,450</u></b>	<b><u>56,213,082</u></b>

Concentration of Credit Risk

The investment policy of the City contains no 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 (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	U.S. Agency Securities	\$ 6,000,379

Investments in any one issuer that represents 5% or more of total investments by reporting unit (primary government, governmental activities, major fund, nonmajor funds in the aggregate, etc.) are as follows.

\$2,345,000 of the cash and investments (including amounts held by fiscal agent) reported in the Community Development Commission Debt Service Fund (a major fund of the City) are held in the form of unrated commercial paper issued by General Electric that matures on July 31, 2007.

Custodial Credit Risk

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

As of June 30, 2007, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Agency Securities	\$7,486,450
Negotiable Certificates of Deposit	1,558,000

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investment in State Investment Pool

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

Restricted Cash and Investments of Community Development Commission Enterprise Fund

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

Morgan Towers:	
Replacement reserve	\$ 468,165
Residual receipts reserve	183,050
MIP and insurance impounds reserve	<u>16,603</u>
Total Morgan Towers	<u>\$ 667,818</u>
Kimball Towers:	
Residual receipts reserve	\$ 283,102
Other	<u>768,198</u>
Total Kimball Towers	<u>\$1,051,300</u>
Total restricted cash and investments	<u>\$1,719,118</u>

**Morgan Towers**

- Reserve for replacements of \$468,165 represents a monthly deposit of \$3,127 plus income earned thereon. This reserve will be used for the future replacement of property with HUD's approval.
- Residual receipts reserve of \$183,050 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 \$12,722 and \$3,881, respectively, totaling \$16,603, represent amounts held for the future payment of property and mortgage insurance.

**Kimball Towers**

- Residual receipts reserve of \$283,102 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 \$768,198 is included in the accompanying basic financial statements.



CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Transactions

**Due To/From Other Funds**

Current interfund receivable and payable balances at June 30, 2007 are as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	\$ 5,083,545
	Library Construction Capital Projects Fund	1,828,692
	Other Governmental Funds	108,577
	TDA Enterprise Fund	80,717
	Internal Service Funds	<u>45,183</u>
Subtotal – General Fund		7,146,714
Other Special Revenue Fund	General Fund	142,993
	Other Governmental Funds	125,448
	Internal Service Funds	<u>29,300</u>
Subtotal – Other Special Revenue Fund		297,741
Other Governmental Funds	General Fund	125,448
	Other Special Revenue Fund	<u>7,799</u>
Subtotal – Other Governmental Funds		133,247
Redevelopment Capital Projects Fund	Section 8 Housing Assistance Special Revenue Fund	16,042
	Other Governmental Funds	<u>1,498,870</u>
Subtotal – Redevelopment Capital Projects Fund		<u>1,514,912</u>
Internal Service Funds	Other Special Revenue Fund	<u>19,292</u>
		<u>\$ 9,111,906</u>

Interfund balances are primarily related to short-term borrowings to cover deficit cash balances at June 30, 2007.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Transactions, (Continued)

**Advances**

Advances to and from other funds for the year ended June 30, 2007 was as follows:

<u>Advances From</u>	<u>Advances To</u>	<u>Amount</u>
Redevelopment Capital Projects Fund	Other Governmental Funds	\$ 235,000

In April 2006 the Redevelopment Capital Projects Fund advanced \$235,000 to the Parking Authority Special Revenue Fund. The amount outstanding at June 30, 2007 is \$235,000.

**Interfund Transfers**

For the year ended June 30, 2007, interfund transfers were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	\$ 615
General Fund	Other Governmental Funds	800,000 (a)
Other Special Revenue Fund	General Fund	421,070
Other Governmental Funds	General Fund	1,626,257 (b)
Other Governmental Funds	Other Special Revenue Fund	7,800
Community Development Commission Debt Service Fund	Other Governmental Funds	686,783 (c)
Redevelopment Capital Projects Fund	Community Development Commission Debt Service Fund	4,640,000 (d)
TDA Enterprise Fund	Internal Service Funds	27,714
Internal Service Funds	General Fund	<u>800,000</u>
		<u>\$ 9,010,239</u>

Significant interfund transfers were to: (a) reimburse the General Fund for related highways and streets expenditures; (b) provide funding for library operating expenditures; (c) provide funding to cover debt service payments made during the fiscal year that related to low and moderate development; (d) provide funding for future capital project expenditures.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(4) Contracts, Notes and Loans Receivable

As of June 30, 2007, the Contracts, Notes and Loans Receivable consisted of the following:

Community Development Commission Governmental Fund:	
Residential property improvement loans	\$2,567,897
First-time homebuyers loans	<u>1,210,806</u>
Total	<u>\$3,778,703</u>

(5) Capital Assets

The following is a summary of changes in the capital assets for governmental activities at June 30, 2007:

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Governmental-type activities:				
Depreciable:				
Buildings and improvements	\$ 27,419,981	17,071,617	-	44,491,598
Machinery and equipment	10,241,329	672,498	-	10,913,827
Infrastructure	<u>102,401,216</u>	<u>3,746,253</u>	<u>(725,874)</u>	<u>105,421,595</u>
Total cost of depreciable capital assets	<u>140,062,526</u>	<u>21,490,368</u>	<u>(725,874)</u>	<u>160,827,020</u>
Less accumulated depreciation:				
Buildings and improvements	(11,843,427)	(1,197,819)	-	(13,041,246)
Machinery and equipment	(5,694,367)	(1,065,891)	-	(6,760,258)
Infrastructure	<u>(44,710,277)</u>	<u>(2,446,320)</u>	<u>714,327</u>	<u>(46,442,270)</u>
Total accumulated depreciation	<u>(62,248,071)</u>	<u>(4,710,030)</u>	<u>714,327</u>	<u>(66,243,774)</u>
Net depreciable capital assets	77,814,455	16,780,338	(11,547)	94,583,246
Non-depreciable:				
Land	19,125,598	-	-	19,125,598
Rights of way	4,245,088	-	-	4,245,088
Construction in progress	<u>16,770,032</u>	<u>301,585</u>	<u>(17,071,617)</u>	<u>-</u>
Total non-depreciable capital assets	<u>40,140,718</u>	<u>301,585</u>	<u>(17,071,617)</u>	<u>23,370,686</u>
Capital assets, net	<u>\$ 117,955,173</u>	<u>17,081,923</u>	<u>(17,083,164)</u>	<u>117,953,932</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

Depreciation expense for governmental activities for the year ended June 30, 2007 of \$4,710,030 was allocated as follows:

General Government	\$ 741,827
Community Development	1,216,946
Public Safety	789,757
Transportation	<u>1,961,500</u>
	<u>\$4,710,030</u>

The following is a summary of changes in the capital assets for business-type activities at June 30, 2007:

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Business-type activities:				
Depreciable:				
Buildings and improvements	\$ 17,499,293	130,221	-	17,629,514
Machinery and equipment	<u>5,310,068</u>	<u>143,576</u>	<u>-</u>	<u>5,453,644</u>
Total depreciable capital assets	22,809,361	273,797	-	23,083,158
Less accumulated depreciation	<u>(10,202,867)</u>	<u>(879,152)</u>	<u>-</u>	<u>(11,082,019)</u>
Total depreciable assets, net	<u>12,606,494</u>	<u>(605,355)</u>	<u>-</u>	<u>12,001,139</u>
Non-depreciable assets:				
Land	<u>1,428,382</u>	<u>-</u>	<u>-</u>	<u>1,428,382</u>
Total non-depreciable capital assets	<u>1,428,382</u>	<u>-</u>	<u>-</u>	<u>1,428,382</u>
Capital assets, net	<u>\$14,034,876</u>	<u>(605,355)</u>	<u>-</u>	<u>13,429,521</u>

Depreciation expense for business-type activities for the year ended June 30, 2007 was allocated as follows:

TDA	\$467,984
Kimball Towers	187,350
Morgan Towers	<u>223,818</u>
Total depreciation expense	<u>\$879,152</u>

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (6) Risk Management

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

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(6) Risk Management, (Continued)

At June 30, 2007, the City accrued \$4,145,000 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, 2007 is dependent on future developments, based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. For the past three years, no settlements or claims payments have exceeded the amount of the applicable coverage. For the past two fiscal years, the changes in the City's liability for claims payable are summarized as follows:

	<u>Fiscal Year 2006-07</u>	<u>Fiscal Year 2005-06</u>
Unpaid claims, July 1	\$ 2,105,127	4,790,000
Incurred claims and adjustments	3,381,579	(1,469,657)
Claims paid	<u>(1,341,706)</u>	<u>(1,215,216)</u>
Total	<u>\$ 4,145,000</u>	<u>2,105,127</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt

Following is a summary of long-term debt transactions for the fiscal year ended June 30, 2007:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>	<u>Classification</u>	
					<u>Amount Due Within One Year</u>	<u>Amount Due Beyond One Year</u>
Governmental Activities:						
National City Joint Powers Financing Authority:						
Lease Revenue Refunding Bonds	\$ 4,510,000	-	(290,000)	4,220,000	300,000	3,920,000
Community Development Commission:						
1999 Tax Allocation Bonds	4,540,000	-	(105,000)	4,435,000	110,000	4,325,000
2004 Tax Allocation Bonds	5,640,000	-	(245,000)	5,395,000	250,000	5,145,000
2005 Series A and B Tax Allocation Bonds	35,705,000	-	(1,650,000)	34,055,000	1,705,000	32,350,000
General Obligation Bonds	5,850,000	-	(130,000)	5,720,000	135,000	5,585,000
HUD 108 Bond 2003 A	<u>6,560,000</u>	<u>-</u>	<u>(180,000)</u>	<u>6,380,000</u>	<u>195,000</u>	<u>6,185,000</u>
Total Bonds	62,805,000	-	(2,600,000)	60,205,000	2,695,000	57,510,000
Claims Payable	2,105,127	3,381,579	(1,341,706)	4,145,000	1,255,000	2,890,000
Compensated Absences	2,897,920	851,836	(1,259,101)	2,490,655	1,428,542	1,062,113
Capitalized Lease Obligations	<u>1,927,190</u>	<u>-</u>	<u>(271,863)</u>	<u>1,655,327</u>	<u>282,378</u>	<u>1,372,949</u>
Total Governmental Activities	69,735,237	4,233,415	(5,472,670)	68,495,982	5,660,920	62,835,062
Business-type Activities:						
Note Payable	<u>3,180,054</u>	<u>-</u>	<u>(158,005)</u>	<u>3,022,049</u>	<u>168,586</u>	<u>2,853,463</u>
Total Primary Government	<u>\$72,915,291</u>	<u>4,233,415</u>	<u>(5,630,675)</u>	<u>71,518,031</u>	<u>5,829,506</u>	<u>65,688,525</u>

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

The NCJPFA issued \$6,255,000 of refunding bonds on October 1, 1998 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, 1999. 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.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

The bonds have interest rates that range from 3.20% to 3.95 % for those that mature from 1999 through 2008 and 4.70% for those that mature from 2009 through 2017. The bonds maturing on or before October 1, 2008 are not subject to optional redemption prior to maturity. The bonds maturing on or after October 1, 2009 are subject to optional redemption prior to maturity on October 1, 2008, and any payment date thereafter at the option of NCJFPA, as a whole or in part pro rata among maturities and by lot within a maturity, expressed as percentages of the principal amount to be redeemed, plus accrued interest to the redemption date as follows:

October 1, 2008 and April 1, 2009	102%
October 1, 2009 and April 1, 2010	101%
October 1, 2010 and thereafter	100%

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 300,000	187,728	487,728
2009	315,000	175,657	490,657
2010	325,000	161,798	486,798
2011	345,000	146,053	491,053
2012	360,000	129,486	489,486
2013	375,000	112,213	487,213
2014	400,000	94,000	494,000
2015	420,000	74,730	494,730
2016	435,000	54,638	489,638
2017	460,000	33,606	493,606
2018	<u>485,000</u>	<u>11,398</u>	<u>496,398</u>
Total	<u>\$4,220,000</u>	<u>1,181,307</u>	<u>5,401,307</u>



CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**Community Development Commission 1999 Tax Allocation Bonds**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 110,000	219,586	329,586
2009	115,000	214,802	329,802
2010	120,000	209,690	329,690
2011	125,000	204,237	329,237
2012	130,000	198,175	328,175
2013	135,000	191,550	326,550
2014	145,000	184,550	329,550
2015	150,000	177,176	327,176
2016	155,000	169,550	324,550
2017	165,000	161,549	326,549
2018	175,000	153,050	328,050
2019	180,000	144,175	324,175
2020	190,000	134,925	324,925
2021	200,000	125,050	325,050
2022	210,000	114,543	324,543
2023	220,000	103,525	323,525
2024	235,000	91,866	326,866
2025	245,000	79,566	324,566
2026	260,000	66,625	326,625
2027	270,000	53,044	323,044
2028	285,000	38,822	323,822
2029	300,000	23,831	323,831
2030	<u>315,000</u>	<u>8,072</u>	<u>323,072</u>
Total	<u>\$4,435,000</u>	<u>3,067,959</u>	<u>7,502,959</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**Community Development Commission 2004 Tax Allocation Bonds**

In June 2004, the Commission issued \$5,860,000 Tax Allocation Bonds to finance a portion of the cost to construct a fire station, library, and community art center. The bonds consist of \$3,045,000 in serial bonds, which mature from 2005-2015 in amounts ranging from \$220,000 to \$330,000, and \$1,085,000 in term bonds, which matures in fiscal year 2029. Interest is paid semi-annually on February 1 and August 1, at interest rates ranging from 1.50% to 5.50%.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 250,000	238,300	488,300
2009	260,000	231,348	491,348
2010	265,000	223,534	488,534
2011	275,000	214,685	489,685
2012	285,000	204,880	489,880
2013	295,000	194,145	489,145
2014	305,000	182,440	487,440
2015	315,000	169,883	484,883
2016	330,000	156,413	486,413
2017	-	149,400	149,400
2018	-	149,400	149,400
2019	-	149,400	149,400
2020	-	149,400	149,400
2021	-	149,400	149,400
2022	-	149,400	149,400
2023	-	149,400	149,400
2024	-	149,400	149,400
2025	-	149,400	149,400
2026	-	149,400	149,400
2027	345,000	140,775	485,775
2028	360,000	123,150	483,150
2029	380,000	104,650	484,650
2030	400,000	84,150	484,150
2031	420,000	61,600	481,600
2032	445,000	37,813	482,813
2033	<u>465,000</u>	<u>12,788</u>	<u>477,788</u>
Total	<u>\$5,395,000</u>	<u>3,874,554</u>	<u>9,269,554</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**Community Development Commission 2005 Tax Allocation Bonds**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,705,000	1,536,236	3,241,236
2009	1,765,000	1,472,298	3,237,298
2010	1,840,000	1,401,698	3,241,698
2011	2,125,000	1,324,418	3,449,418
2012	3,060,000	1,233,043	4,293,043
2013	3,200,000	1,095,343	4,295,343
2014	3,345,000	948,143	4,293,143
2015	3,505,000	790,928	4,295,928
2016	3,670,000	622,688	4,292,688
2017	760,000	444,693	1,204,693
2018	790,000	415,813	1,205,813
2019	825,000	385,003	1,210,003
2020	855,000	352,003	1,207,003
2021	890,000	317,803	1,207,803
2022	570,000	277,753	847,753
2023	595,000	253,528	848,528
2024	780,000	227,943	1,007,943
2025	815,000	194,013	1,009,013
2026	855,000	153,263	1,008,263
2027	555,000	110,513	665,513
2028	435,000	81,375	516,375
2029	250,000	58,538	308,538
2030	200,000	45,413	245,413
2031	210,000	34,913	244,913
2032	220,000	23,888	243,888
2033	<u>235,000</u>	<u>12,338</u>	<u>247,338</u>
Total	<u>\$ 34,055,000</u>	<u>13,813,588</u>	<u>47,868,588</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**2003 General Obligation Bonds**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 135,000	262,190	397,190
2009	145,000	253,647	398,647
2010	155,000	244,497	399,497
2011	165,000	234,740	399,740
2012	175,000	224,658	399,658
2013	185,000	214,089	399,089
2014	200,000	204,870	404,870
2015	210,000	196,775	406,775
2016	220,000	188,280	408,280
2017	230,000	179,580	409,580
2018	240,000	169,830	409,830
2019	255,000	159,525	414,525
2020	265,000	148,673	413,673
2021	280,000	136,851	416,851
2022	295,000	124,235	419,235
2023	310,000	109,970	419,970
2024	330,000	95,571	425,571
2025	345,000	81,011	426,011
2026	365,000	64,635	429,635
2027	385,000	47,290	432,290
2028	405,000	28,475	433,475
2029	<u>425,000</u>	<u>9,282</u>	<u>434,282</u>
Total	<u>\$5,720,000</u>	<u>3,378,674</u>	<u>9,098,674</u>

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

(7) Long-Term Debt, (Continued)

**2003 A HUD 108 Bond**

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 195,000	321,214	516,214
2009	210,000	314,633	524,633
2010	225,000	306,650	531,650
2011	245,000	297,269	542,269
2012	260,000	286,413	546,413
2013	280,000	274,117	554,117
2014	305,000	260,227	565,227
2015	325,000	244,850	569,850
2016	350,000	227,967	577,967
2017	380,000	209,233	589,233
2018	410,000	188,528	598,528
2019	440,000	165,847	605,847
2020	475,000	141,044	616,044
2021	510,000	113,975	623,975
2022	545,000	84,640	629,640
2023	590,000	52,770	642,770
2024	<u>635,000</u>	<u>18,066</u>	<u>653,066</u>
Total	<u>\$6,380,000</u>	<u>3,507,443</u>	<u>9,887,443</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

**Community Development Commission Note Payable**

The mortgage payable is secured by a deed of trust, bears interest at 6.5% and is payable to GMAC in the amount of \$3,022,049 (including current portion of \$168,586). The mortgage is being repaid in monthly installments of \$30,005, including interest, through August 2019. The note is insured by HUD and is secured by substantially all property and equipment of the Community Development Commission Enterprise Fund.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 168,586	191,474	360,060
2009	179,878	180,182	360,060
2010	191,923	168,137	360,060
2011	204,777	155,283	360,060
2012	218,492	141,568	360,060
2013	233,124	126,936	360,060
2014	248,736	111,324	360,060
2015	265,395	94,665	360,060
2016	283,170	76,890	360,060
2017	302,136	57,924	360,060
2018	322,368	37,692	360,060
2019	343,957	16,103	360,060
2020	<u>59,507</u>	<u>503</u>	<u>60,010</u>
Total	<u>\$3,022,049</u>	<u>1,358,681</u>	<u>4,380,730</u>

**Defeasance of Debt**

As of June 30, 2007, the outstanding balances of defeased issues are as follows:

Community Development Commission 2001 Tax Allocation Bonds	\$35,970,000
Community Development Commission 1998 Tax Allocation Bonds	16,735,000

## CITY OF NATIONAL CITY

### Notes to the Basic Financial Statements

(Continued)

#### (8) Defined Benefit Pension Plan (PERS)

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

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

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2006 to June 30, 2007 has been determined by an actuarial valuation of the plan as of June 30, 2004. The contribution rates are as follows: 26.943% for safety employees, 17.005% for miscellaneous City employees, and 18.297% for miscellaneous CDC employees. The CDC's covered payroll for PERS was \$1,152,470 for the year ended June 30, 2007, while the CDC's total payroll for all employees was \$1,177,407 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2007, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2006 to June 30, 2007.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

	<u>City Miscellaneous Employees Group</u>	<u>Safety Employees Group</u>
Valuation Date	June 30, 2004	June 30, 2004
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	29 Years as of the Valuation Date	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

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

For the miscellaneous and safety plan, the unfunded actuarial liability is amortized over a period ending June 30, 2035.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

*Required Supplementary Information – City Miscellaneous Employees Group*

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/04	\$ 50,988,034	42,822,172	8,165,862	84.0%	9,009,203	90.6%
6/30/05	55,108,736	46,008,085	9,100,651	83.5%	9,887,252	92.0%
6/30/06	58,703,692	50,585,526	8,118,166	86.2%	8,975,788	90.4%



CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

*Required Supplementary Information – Safety Employees Group*

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
6/30/04	\$ 82,860,112	67,935,328	14,924,784	82.0%	8,630,412	172.9%
6/30/05	88,177,059	73,335,230	14,841,829	83.2%	9,156,066	162.1%
6/30/06	94,936,155	79,004,920	15,931,235	83.2%	8,795,057	181.1%

*Three-Year Trend Information*

<u>Fiscal Year</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 3,401,669	100%	-0-
6/30/06	5,045,783	100%	-0-
6/30/07	5,528,565	100%	-0-

(9) Commitments and Contingencies

*A. Lawsuits in the Normal Course of Business*

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

*B. Federal and State Grant Programs*

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(10) Restatement of Beginning Net Assets

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning fund balances of the Section 8 Housing Assistance Fund and the Redevelopment Capital Projects Fund to reverse an erroneous transfer made in previous years. The following summarizes the effect of the prior period adjustments to the beginning fund balances as of July 1, 2006:

	<u>Section 8 Housing Assistance</u>	<u>Redevelopment Capital Projects Fund</u>
Fund balance (deficit) – beginning of year, as previously reported	\$(1,418,747)	18,735,837
To adjust reimbursements made in previous years	<u>1,165,471</u>	<u>(1,165,471)</u>
Fund balance (deficit) – beginning of year, as restated	<u>\$ (253,276)</u>	<u>17,570,366</u>

(11) Accumulated Fund Deficits

The following funds had fund deficits at June 30, 2007:

Section 8 Housing Assistance Special Revenue Fund	\$(192,633)
Library Construction Capital Project Fund	(1,719,026)
Nutrition Program Special Revenue Fund	(1,393,977)

Management intends on restoring accumulated fund deficits when future grant revenue becomes available.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(12) Expenditures in Excess of Appropriations

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2007:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community Dev. Block Grant Special Revenue Fund	\$1,677,171	1,916,120	(238,949)
Home Loan Program Special Revenue Fund	-	855	(855)
Library Bond Debt Service Fund	398,537	401,337	(2,800)
Traffic Congestion Relief Capital Projects Fund	271,000	284,323	(13,323)
Community Development Commission Debt Service Fund	-	4,117,070	(4,117,070)

CITY OF NATIONAL CITY

Notes to Required Supplementary Information

For the year ended June 30, 2007

(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, 2007, 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.

(2) Required Disclosures

The following fund had a fund deficit at June 30, 2007:

Section 8 Housing Assistance Special Revenue Fund	\$(192,633)
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CITY OF NATIONAL CITY  
General Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
<b>Revenues:</b>				
Taxes	\$ 29,928,908	29,928,908	31,375,184	1,446,276
Licenses and permits	929,342	929,342	859,430	(69,912)
Fines and forfeitures	977,327	977,327	783,056	(194,271)
Interest and rents	887,500	887,500	2,056,097	1,168,597
Intergovernmental	1,048,196	1,048,196	1,259,455	211,259
Charges for services	961,992	961,992	1,318,470	356,478
Other revenues	55,960	55,960	430,423	374,463
<b>Total revenues</b>	<u>34,789,225</u>	<u>34,789,225</u>	<u>38,082,115</u>	<u>3,292,890</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	4,197,189	4,197,189	3,023,335	1,173,854
Public safety	25,300,267	25,300,267	23,740,549	1,559,718
Transportation	2,927,408	2,927,408	2,592,419	334,989
Community development	654,421	654,421	754,339	(99,918)
Culture and leisure	1,586,575	1,586,575	1,340,716	245,859
Capital outlay	262,744	262,744	26,793	235,951
<b>Debt service:</b>				
Principal	194,348	194,348	201,600	(7,252)
Interest and fiscal charges	61,713	61,713	61,705	8
<b>Total expenditures</b>	<u>35,184,665</u>	<u>35,184,665</u>	<u>31,741,456</u>	<u>3,443,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(395,440)</u>	<u>(395,440)</u>	<u>6,340,659</u>	<u>6,736,099</u>
<b>Other financing sources (uses):</b>				
Transfers in	800,000	800,000	800,615	615
Transfers out	(1,300,000)	(1,300,000)	(2,847,327)	(1,547,327)
<b>Total other financing sources (uses)</b>	<u>(500,000)</u>	<u>(500,000)</u>	<u>(2,046,712)</u>	<u>(1,546,712)</u>
<b>Net change in fund balances</b>	<u>(895,440)</u>	<u>(895,440)</u>	<u>4,293,947</u>	<u>5,189,387</u>
Fund balance, beginning of year	<u>12,792,332</u>	<u>12,792,332</u>	<u>12,792,332</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,896,892</u>	<u>11,896,892</u>	<u>17,086,279</u>	<u>5,189,387</u>

CITY OF NATIONAL CITY  
Section 8 Housing Assistance Special Revenue Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 7,967,957	7,967,957	8,204,943	236,986
Other revenues	<u>-</u>	<u>-</u>	<u>30,035</u>	<u>30,035</u>
Total revenues	<u>7,967,957</u>	<u>7,967,957</u>	<u>8,234,978</u>	<u>267,021</u>
Expenditures:				
Current:				
Community development	8,716,135	8,716,135	8,169,058	547,077
Capital outlay	<u>4,500</u>	<u>4,500</u>	<u>5,277</u>	<u>(777)</u>
Total expenditures	<u>8,720,635</u>	<u>8,720,635</u>	<u>8,174,335</u>	<u>546,300</u>
Net change in fund balances	(752,678)	(752,678)	60,643	813,321
Fund balance (deficit), beginning of year, as restated	<u>(253,276)</u>	<u>(253,276)</u>	<u>(253,276)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (1,005,954)</u>	<u>(1,005,954)</u>	<u>(192,633)</u>	<u>813,321</u>

CITY OF NATIONAL CITY  
Other Special Revenue Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Licenses and permits	\$ 5,000	5,000	13,568	8,568
Fines and forfeitures	85,000	85,000	102,586	17,586
Interest and rents	-	-	18,313	18,313
Intergovernmental	4,483,309	4,483,309	9,137,458	4,654,149
Charges for services	861,133	861,133	760,929	(100,204)
Other revenues	-	-	556,303	556,303
<b>Total revenues</b>	<u>5,434,442</u>	<u>5,434,442</u>	<u>10,589,157</u>	<u>5,154,715</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	1,698,721	(1,698,721)
Public safety	2,011,979	2,011,979	1,352,960	659,019
Community development	3,394,485	3,394,485	1,486,602	1,907,883
Health	224,397	224,397	121,004	103,393
Culture and leisure	3,598,967	3,598,967	2,409,237	1,189,730
Capital outlay	4,168,025	4,168,025	957,653	3,210,372
<b>Debt service:</b>				
Principal	250,263	250,263	250,263	-
Interest and fiscal charges	269,547	269,547	269,547	-
<b>Total expenditures</b>	<u>13,917,663</u>	<u>13,917,663</u>	<u>8,545,987</u>	<u>5,371,676</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,483,221)</u>	<u>(8,483,221)</u>	<u>2,043,170</u>	<u>10,526,391</u>
<b>Other financing sources (uses):</b>				
Transfers in	100,000	100,000	421,070	321,070
Transfers out	-	-	(8,415)	(8,415)
<b>Total other financing sources (uses)</b>	<u>100,000</u>	<u>100,000</u>	<u>412,655</u>	<u>312,655</u>
<b>Net change in fund balances</b>	<u>(8,383,221)</u>	<u>(8,383,221)</u>	<u>2,455,825</u>	<u>10,839,046</u>
Fund balance, beginning of year	<u>2,356,745</u>	<u>2,356,745</u>	<u>2,356,745</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (6,026,476)</u>	<u>(6,026,476)</u>	<u>4,812,570</u>	<u>10,839,046</u>

CITY OF NATIONAL CITY  
Sewer Service Special Revenue Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Charges for services	\$ 7,106,000	7,106,000	7,231,308	125,308
Other revenues	<u>25,500</u>	<u>25,500</u>	<u>25,211</u>	<u>(289)</u>
Total revenues	<u>7,131,500</u>	<u>7,131,500</u>	<u>7,256,519</u>	<u>125,019</u>
Expenditures:				
Current:				
Health	<u>10,791,637</u>	<u>10,791,637</u>	<u>6,152,174</u>	<u>4,639,463</u>
Total expenditures	<u>10,791,637</u>	<u>10,791,637</u>	<u>6,152,174</u>	<u>4,639,463</u>
Net change in fund balances	(3,660,137)	(3,660,137)	1,104,345	4,764,482
Fund balance, beginning of year	<u>12,585,129</u>	<u>12,585,129</u>	<u>12,585,129</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,924,992</u>	<u>8,924,992</u>	<u>13,689,474</u>	<u>4,764,482</u>



## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS:

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

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

#### **Library Fund**

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

#### **Parks Maintenance Fund**

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

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

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

#### **Gas Tax Fund**

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

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

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

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

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

#### **Home Loan Program Fund**

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

#### **Nutrition Program Fund**

This fund is used for operations of the Nutrition grant.

## NON-MAJOR GOVERNMENTAL FUNDS, (CONTINUED)

### **Low and Moderate Income Housing Fund**

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

### **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.

### **Parking Authority Fund**

This fund is used to account for the financing and construction of the Plaza Bonita Parking Facility.

### **DEBT SERVICE FUND:**

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

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

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

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

### **CAPITAL PROTECTS FUNDS:**

#### **Proposition "A" Capital Projects Fund**

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

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

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

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

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

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

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

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

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

CITY OF NATIONAL CITY  
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2007

	Special Revenue Funds					
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Park and Recreation Capital Outlay
<u>ASSETS</u>						
Cash and investments	\$ 1,032,627	58,887	66,638	624,416	742,668	682,784
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	1,202
Property tax receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	7,697	-
Due from other funds	-	7,799	125,448	-	-	-
Due from other governmental entities	-	5,526	6,440	5,907	109,678	-
Land held for resale	-	-	-	-	-	-
Contracts, notes and loans receivable	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,032,627</b>	<b>72,212</b>	<b>198,526</b>	<b>630,323</b>	<b>860,043</b>	<b>683,986</b>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ -	91	8,609	791	35,604	36,865
Salaries payable	-	17,631	10,382	-	1,582	-
Due to other funds	-	54,490	179,535	-	-	-
Deferred revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>72,212</b>	<b>198,526</b>	<b>791</b>	<b>37,186</b>	<b>36,865</b>
Fund balances:						
Reserved:						
Encumbrances	-	-	3,597	-	356,085	-
Land held for resale	-	-	-	-	-	-
Contracts, loans, notes receivable	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
<b>Total reserved</b>	<b>-</b>	<b>-</b>	<b>3,597</b>	<b>-</b>	<b>356,085</b>	<b>-</b>
Unreserved, designated:						
Continuing appropriations	1,014,945	-	-	235,419	345,829	-
<b>Total reserved, designated</b>	<b>1,014,945</b>	<b>-</b>	<b>-</b>	<b>235,419</b>	<b>345,829</b>	<b>-</b>
Unreserved, undesignated:						
Special revenue funds	17,682	-	(3,597)	394,113	120,943	647,121
Capital projects funds	-	-	-	-	-	-
<b>Total fund balances</b>	<b>1,032,627</b>	<b>-</b>	<b>-</b>	<b>629,532</b>	<b>822,857</b>	<b>647,121</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,032,627</b>	<b>72,212</b>	<b>198,526</b>	<b>630,323</b>	<b>860,043</b>	<b>683,986</b>

Special Revenue Funds							Debt Service
Community Development Block Grant	Home Loan Program	HOME Program	Nutrition Program	Low and Moderate Income Housing Program	Asset Forfeiture	Parking Authority	Joint Powers Financing Authority
1,394,745	2,944,322	1,515,878	-	4,810,592	448,378	-	278
-	-	-	-	-	-	-	-
-	-	-	129,975	-	-	-	-
-	-	-	-	73,958	-	-	-
-	-	-	-	743	4,647	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,705,802	-	360,000	-	235,000	-
-	426,970	773,147	-	2,244,992	-	-	-
<u>1,394,745</u>	<u>3,371,292</u>	<u>3,994,827</u>	<u>129,975</u>	<u>7,490,285</u>	<u>453,025</u>	<u>235,000</u>	<u>278</u>
1,002,673	-	-	25,082	228,991	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,498,870	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	235,000	-
<u>1,002,673</u>	<u>-</u>	<u>-</u>	<u>1,523,952</u>	<u>228,991</u>	<u>-</u>	<u>235,000</u>	<u>-</u>
-	-	-	-	-	49,337	-	-
-	-	1,705,802	-	360,000	-	235,000	-
-	426,970	773,147	-	2,244,992	-	-	-
-	-	-	-	-	-	-	278
<u>-</u>	<u>426,970</u>	<u>2,478,949</u>	<u>-</u>	<u>2,604,992</u>	<u>49,337</u>	<u>235,000</u>	<u>278</u>
-	-	-	-	-	1,090	-	-
-	-	-	-	-	1,090	-	-
392,072	2,944,322	1,515,878	(1,393,977)	4,656,302	402,598	(235,000)	-
-	-	-	-	-	-	-	-
<u>392,072</u>	<u>3,371,292</u>	<u>3,994,827</u>	<u>(1,393,977)</u>	<u>7,261,294</u>	<u>453,025</u>	<u>-</u>	<u>278</u>
<u>1,394,745</u>	<u>3,371,292</u>	<u>3,994,827</u>	<u>129,975</u>	<u>7,490,285</u>	<u>453,025</u>	<u>235,000</u>	<u>278</u>

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CITY OF NATIONAL CITY  
Nonmajor Governmental Funds

Combining Balance Sheet, Continued

June 30, 2007

	Debt	Capital Projects Funds					Total Other Governmental Funds
	Service	Library Bonds	Proposition A	STP Local/ TransNet Highway	State- Local Partnership	Traffic Congestion Relief	
<u>ASSETS</u>							
Cash and investments	\$ 578,102	3,148,357	502,926	112,055	726,749	437,680	19,828,082
Restricted cash and investments with fiscal agent	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	131,177
Property tax receivable	-	-	-	-	-	-	73,958
Interest receivable	-	32,630	5,212	1,161	-	-	52,090
Due from other funds	-	-	-	-	-	-	133,247
Due from other governmental entities	1,856	-	563,244	-	-	-	692,651
Land held for resale	-	-	-	-	-	-	2,300,802
Contracts, notes and loans receivable	-	-	-	-	-	-	3,445,109
<b>Total assets</b>	<b>\$ 579,958</b>	<b>3,180,987</b>	<b>1,071,382</b>	<b>113,216</b>	<b>726,749</b>	<b>437,680</b>	<b>26,657,116</b>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	7,872	16,344	-	284,323	-	1,647,245
Salaries payable	-	3,765	-	-	-	-	33,360
Due to other funds	-	-	-	-	-	-	1,732,895
Deferred revenue	-	-	4,844	95,493	-	-	100,337
Advances from other funds	-	-	-	-	-	-	235,000
<b>Total liabilities</b>	<b>-</b>	<b>11,637</b>	<b>21,188</b>	<b>95,493</b>	<b>284,323</b>	<b>-</b>	<b>3,748,837</b>
Fund balances:							
Reserved:							
Encumbrances	-	405,515	668,088	-	232,020	-	1,714,642
Land held for resale	-	-	-	-	-	-	2,300,802
Contracts, loans, notes receivable	-	-	-	-	-	-	3,445,109
Debt service	579,958	-	-	-	-	-	580,236
<b>Total reserved</b>	<b>579,958</b>	<b>405,515</b>	<b>668,088</b>	<b>-</b>	<b>232,020</b>	<b>-</b>	<b>8,040,789</b>
Unreserved, designated:							
Continuing appropriations	-	1,999,782	8,663	-	-	431,903	4,037,631
<b>Total reserved, designated</b>	<b>-</b>	<b>1,999,782</b>	<b>8,663</b>	<b>-</b>	<b>-</b>	<b>431,903</b>	<b>4,037,631</b>
Unreserved, undesignated:							
Special revenue funds	-	-	-	-	-	-	9,458,457
Capital projects funds	-	764,053	373,443	17,723	210,406	5,777	1,371,402
<b>Total fund balances</b>	<b>579,958</b>	<b>3,169,350</b>	<b>1,050,194</b>	<b>17,723</b>	<b>442,426</b>	<b>437,680</b>	<b>22,908,279</b>
<b>Total liabilities and fund balances</b>	<b>\$ 579,958</b>	<b>3,180,987</b>	<b>1,071,382</b>	<b>113,216</b>	<b>726,749</b>	<b>437,680</b>	<b>26,657,116</b>

CITY OF NATIONAL CITY  
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2007

	Special Revenue Funds					
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Park and Recreation Capital Outlay
Revenues:						
Taxes	\$ -	651,090	758,686	149,361	-	125
Fines and forfeitures	-	-	-	-	-	-
Interest and rents	-	-	-	-	51,265	185,578
Intergovernmental	-	6,480	7,551	-	1,223,213	-
Charges for services	-	-	-	17,633	-	-
Other revenues	-	-	1,321	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>657,570</b>	<b>767,558</b>	<b>166,994</b>	<b>1,274,478</b>	<b>185,703</b>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Transportation	-	-	-	-	360,051	-
Community development	-	-	-	-	-	-
Culture and leisure	-	1,606,776	952,409	-	-	78,059
Capital outlay	-	-	-	98,775	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>1,606,776</b>	<b>952,409</b>	<b>98,775</b>	<b>360,051</b>	<b>78,059</b>
Excess (deficiency) of revenues over (under) expenditures	-	(949,206)	(184,851)	68,219	914,427	107,644
Other financing sources (uses):						
Transfers in	500,000	949,206	184,851	-	-	-
Transfers out	-	-	-	-	(800,000)	-
<b>Total other financing sources (uses)</b>	<b>500,000</b>	<b>949,206</b>	<b>184,851</b>	<b>-</b>	<b>(800,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>68,219</b>	<b>114,427</b>	<b>107,644</b>
Fund balances (deficit), beginning of year	532,627	-	-	561,313	708,430	539,477
<b>Fund balances (deficit), end of year</b>	<b>\$ 1,032,627</b>	<b>-</b>	<b>-</b>	<b>629,532</b>	<b>822,857</b>	<b>647,121</b>

Special Revenue Funds							Debt Service
Community Development Block Grant	Home Loan Program	HOME Program	Nutrition Program	Low and Moderate Income Housing Program	Asset Forfeiture	Parking Authority	Joint Powers Financing Authority
-	-	-	-	2,708,649	-	-	-
-	-	-	-	-	53,441	-	-
-	-	-	-	17,782	21,546	-	1,457
1,698,406	-	108,555	367,245	-	-	-	487,802
-	-	-	-	-	-	-	-
456	16,612	4,719	216,414	218,397	-	-	-
<u>1,698,862</u>	<u>16,612</u>	<u>113,274</u>	<u>583,659</u>	<u>2,944,828</u>	<u>74,987</u>	<u>-</u>	<u>489,259</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	14,837	-	-
-	-	-	-	-	-	-	-
1,916,120	855	67,562	803,584	392,585	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,482	-	-
-	-	-	-	-	-	-	290,000
-	-	-	-	-	-	-	199,232
<u>1,916,120</u>	<u>855</u>	<u>67,562</u>	<u>803,584</u>	<u>392,585</u>	<u>20,319</u>	<u>-</u>	<u>489,232</u>
<u>(217,258)</u>	<u>15,757</u>	<u>45,712</u>	<u>(219,925)</u>	<u>2,552,243</u>	<u>54,668</u>	<u>-</u>	<u>27</u>
-	-	-	-	-	-	-	-
-	-	-	-	(686,783)	-	-	-
-	-	-	-	(686,783)	-	-	-
<u>(217,258)</u>	<u>15,757</u>	<u>45,712</u>	<u>(219,925)</u>	<u>1,865,460</u>	<u>54,668</u>	<u>-</u>	<u>27</u>
<u>609,330</u>	<u>3,355,535</u>	<u>3,949,115</u>	<u>(1,174,052)</u>	<u>5,395,834</u>	<u>398,357</u>	<u>-</u>	<u>251</u>
<u>392,072</u>	<u>3,371,292</u>	<u>3,994,827</u>	<u>(1,393,977)</u>	<u>7,261,294</u>	<u>453,025</u>	<u>-</u>	<u>278</u>

(Continued)



CITY OF NATIONAL CITY  
Nonmajor Governmental Funds

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

Year ended June 30, 2007

	Debt Service		Capital Projects Funds				Total Other Governmental Funds
	Library Bonds	Proposition A	STP Local/TransNet Highway	State-Local Partnership	Traffic Congestion Relief	Fire Construction Project	
Revenues:							
Taxes	\$ -	-	-	-	-	-	4,267,911
Fines and forfeitures	-	-	-	-	-	-	53,441
Interest and rents	-	152,543	24,911	5,423	-	10,831	471,336
Intergovernmental	-	505,669	783,639	12,300	-	-	5,200,860
Charges for services	-	-	-	-	-	-	17,633
Other revenues	488,691	-	-	-	-	-	946,610
<b>Total revenues</b>	<b>488,691</b>	<b>658,212</b>	<b>808,550</b>	<b>17,723</b>	<b>-</b>	<b>10,831</b>	<b>10,957,791</b>
Expenditures:							
Current:							
General government	1,129	-	-	-	-	-	1,129
Public safety	-	-	-	-	-	22,522	37,359
Transportation	-	-	-	-	284,323	-	644,374
Community development	-	-	-	-	-	-	3,180,706
Culture and leisure	-	-	-	-	-	-	2,637,244
Capital outlay	-	305,208	292,917	-	-	-	702,382
Debt service:							
Principal	130,000	-	-	-	-	-	420,000
Interest and fiscal charges	270,208	-	-	-	-	-	469,440
<b>Total expenditures</b>	<b>401,337</b>	<b>305,208</b>	<b>292,917</b>	<b>-</b>	<b>284,323</b>	<b>22,522</b>	<b>8,092,634</b>
Excess (deficiency) of revenues over (under) expenditures	87,354	353,004	515,633	17,723	(284,323)	(11,691)	2,865,157
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,634,057
Transfers out	-	-	-	-	-	-	(1,486,783)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,274</b>
<b>Net change in fund balances</b>	<b>87,354</b>	<b>353,004</b>	<b>515,633</b>	<b>17,723</b>	<b>(284,323)</b>	<b>(11,691)</b>	<b>3,012,431</b>
Fund balances (deficit), beginning of year	492,604	2,816,346	534,561	-	726,749	449,371	19,895,848
<b>Fund balances (deficit), end of year</b>	<b>\$ 579,958</b>	<b>3,169,350</b>	<b>1,050,194</b>	<b>17,723</b>	<b>442,426</b>	<b>437,680</b>	<b>22,908,279</b>

CITY OF NATIONAL CITY  
General Capital Outlay Special Revenue Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Capital outlay	\$ 1,014,945	1,014,945	-	1,014,945
Total expenditures	<u>1,014,945</u>	<u>1,014,945</u>	<u>-</u>	<u>1,014,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,014,945)</u>	<u>(1,014,945)</u>	<u>-</u>	<u>1,014,945</u>
Other financing sources (uses):				
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balances	(514,945)	(514,945)	500,000	1,014,945
Fund balance, beginning of year	<u>532,627</u>	<u>532,627</u>	<u>532,627</u>	<u>-</u>
Fund balance, end of year	<u>\$ 17,682</u>	<u>17,682</u>	<u>1,032,627</u>	<u>1,014,945</u>

CITY OF NATIONAL CITY  
Library Special Revenue Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes	\$ 510,000	510,000	651,090	141,090
Intergovernmental	<u>6,700</u>	<u>6,700</u>	<u>6,480</u>	<u>(220)</u>
Total revenues	<u>516,700</u>	<u>516,700</u>	<u>657,570</u>	<u>140,870</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,654,415</u>	<u>1,654,415</u>	<u>1,606,776</u>	<u>47,639</u>
Total expenditures	<u>1,654,415</u>	<u>1,654,415</u>	<u>1,606,776</u>	<u>47,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,137,715)</u>	<u>(1,137,715)</u>	<u>(949,206)</u>	<u>188,509</u>
Other financing sources (uses):				
Transfers in	<u>1,200,000</u>	<u>1,200,000</u>	<u>949,206</u>	<u>(250,794)</u>
Total other financing sources (uses)	<u>1,200,000</u>	<u>1,200,000</u>	<u>949,206</u>	<u>(250,794)</u>
Net change in fund balances	62,285	62,285	-	(62,285)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 62,285</u>	<u>62,285</u>	<u>-</u>	<u>(62,285)</u>

CITY OF NATIONAL CITY  
Parks Maintenance Special Revenue Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes	\$ 590,000	590,000	758,686	168,686
Intergovernmental	7,700	7,700	7,551	(149)
Other revenues	<u>-</u>	<u>-</u>	<u>1,321</u>	<u>1,321</u>
Total revenues	<u>597,700</u>	<u>597,700</u>	<u>767,558</u>	<u>169,858</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,116,630</u>	<u>1,116,630</u>	<u>952,409</u>	<u>164,221</u>
Total expenditures	<u>1,116,630</u>	<u>1,116,630</u>	<u>952,409</u>	<u>164,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(518,930)</u>	<u>(518,930)</u>	<u>(184,851)</u>	<u>334,079</u>
Other financing sources (uses):				
Transfers in	<u>538,690</u>	<u>538,690</u>	<u>184,851</u>	<u>(353,839)</u>
Total other financing sources (uses)	<u>538,690</u>	<u>538,690</u>	<u>184,851</u>	<u>(353,839)</u>
Net change in fund balances	19,760	19,760	-	(19,760)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 19,760</u>	<u>19,760</u>	<u>-</u>	<u>(19,760)</u>

CITY OF NATIONAL CITY  
Library Capital Outlay Special Revenue Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 175,000	175,000	149,361	(25,639)
Charges for services	<u>9,200</u>	<u>9,200</u>	<u>17,633</u>	<u>8,433</u>
Total revenues	<u>184,200</u>	<u>184,200</u>	<u>166,994</u>	<u>(17,206)</u>
Expenditures:				
Capital outlay	<u>507,288</u>	<u>507,288</u>	<u>98,775</u>	<u>408,513</u>
Total expenditures	<u>507,288</u>	<u>507,288</u>	<u>98,775</u>	<u>408,513</u>
Net change in fund balances	(323,088)	(323,088)	68,219	391,307
Fund balance, beginning of year	<u>561,313</u>	<u>561,313</u>	<u>561,313</u>	<u>-</u>
Fund balance, end of year	<u>\$ 238,225</u>	<u>238,225</u>	<u>629,532</u>	<u>391,307</u>

CITY OF NATIONAL CITY  
Gas Tax Special Revenue Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ 25,000	25,000	51,265	26,265
Intergovernmental	<u>1,243,873</u>	<u>1,243,873</u>	<u>1,223,213</u>	<u>(20,660)</u>
Total revenues	<u>1,268,873</u>	<u>1,268,873</u>	<u>1,274,478</u>	<u>5,605</u>
Expenditures:				
Current:				
Transportation	<u>1,568,274</u>	<u>1,568,274</u>	<u>360,051</u>	<u>1,208,223</u>
Total expenditures	<u>1,568,274</u>	<u>1,568,274</u>	<u>360,051</u>	<u>1,208,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(299,401)</u>	<u>(299,401)</u>	<u>914,427</u>	<u>1,213,828</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>(800,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(800,000)</u>	<u>(800,000)</u>
Net change in fund balances	(299,401)	(299,401)	114,427	413,828
Fund balance, beginning of year	<u>708,430</u>	<u>708,430</u>	<u>708,430</u>	<u>-</u>
Fund balance, end of year	<u>\$ 409,029</u>	<u>409,029</u>	<u>822,857</u>	<u>413,828</u>

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

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	-	125	125
Interest and rents	<u>120,000</u>	<u>120,000</u>	<u>185,578</u>	<u>65,578</u>
Total revenues	<u>120,000</u>	<u>120,000</u>	<u>185,703</u>	<u>65,703</u>
Expenditures:				
Current:				
Culture and leisure	<u>178,196</u>	<u>178,196</u>	<u>78,059</u>	<u>100,137</u>
Total expenditures	<u>178,196</u>	<u>178,196</u>	<u>78,059</u>	<u>100,137</u>
Net change in fund balances	(58,196)	(58,196)	107,644	165,840
Fund balance, beginning of year	<u>539,477</u>	<u>539,477</u>	<u>539,477</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 481,281</u></u>	<u><u>481,281</u></u>	<u><u>647,121</u></u>	<u><u>165,840</u></u>

CITY OF NATIONAL CITY  
Community Development Block Grant Special Revenue Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 1,443,619	1,443,619	1,698,406	254,787
Other revenues	<u>500</u>	<u>500</u>	<u>456</u>	<u>(44)</u>
Total revenues	<u>1,444,119</u>	<u>1,444,119</u>	<u>1,698,862</u>	<u>254,743</u>
Expenditures:				
Current:				
Community development	<u>1,677,171</u>	<u>1,677,171</u>	<u>1,916,120</u>	<u>(238,949)</u>
Total expenditures	<u>1,677,171</u>	<u>1,677,171</u>	<u>1,916,120</u>	<u>(238,949)</u>
Net change in fund balances	(233,052)	(233,052)	(217,258)	15,794
Fund balance, beginning of year	<u>609,330</u>	<u>609,330</u>	<u>609,330</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 376,278</u></u>	<u><u>376,278</u></u>	<u><u>392,072</u></u>	<u><u>15,794</u></u>



CITY OF NATIONAL CITY  
Home Loan Program Special Revenue Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenues	\$ -	-	16,612	16,612
Total revenues	-	-	16,612	16,612
Expenditures:				
Current:				
Community development	-	-	855	(855)
Total expenditures	-	-	855	(855)
Net change in fund balances	-	-	15,757	15,757
Fund balance, beginning of year	3,355,535	3,355,535	3,355,535	-
Fund balance, end of year	<u>\$ 3,355,535</u>	<u>3,355,535</u>	<u>3,371,292</u>	<u>15,757</u>

CITY OF NATIONAL CITY  
HOME Program Special Revenue Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 597,736	597,736	108,555	(489,181)
Other revenues	<u>8,000</u>	<u>8,000</u>	<u>4,719</u>	<u>(3,281)</u>
Total revenues	<u>605,736</u>	<u>605,736</u>	<u>113,274</u>	<u>(492,462)</u>
Expenditures:				
Current:				
Community development	869,773	869,773	67,562	802,211
Capital outlay	<u>537,963</u>	<u>537,963</u>	<u>-</u>	<u>537,963</u>
Total expenditures	<u>1,407,736</u>	<u>1,407,736</u>	<u>67,562</u>	<u>1,340,174</u>
Net change in fund balances	(802,000)	(802,000)	45,712	847,712
Fund balance, beginning of year	<u>3,949,115</u>	<u>3,949,115</u>	<u>3,949,115</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,147,115</u>	<u>3,147,115</u>	<u>3,994,827</u>	<u>847,712</u>

CITY OF NATIONAL CITY  
Nutrition Program Special Revenue Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 303,615	303,615	367,245	63,630
Other revenues	<u>221,074</u>	<u>221,074</u>	<u>216,414</u>	<u>(4,660)</u>
Total revenues	<u>524,689</u>	<u>524,689</u>	<u>583,659</u>	<u>58,970</u>
Expenditures:				
Current:				
Community development	1,192,893	1,192,893	803,584	389,309
Capital outlay	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Total expenditures	<u>1,193,593</u>	<u>1,193,593</u>	<u>803,584</u>	<u>390,009</u>
Net change in fund balances	(668,904)	(668,904)	(219,925)	448,979
Fund balance (deficit), beginning of year	<u>(1,174,052)</u>	<u>(1,174,052)</u>	<u>(1,174,052)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (1,842,956)</u>	<u>(1,842,956)</u>	<u>(1,393,977)</u>	<u>448,979</u>

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

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,463,592	2,463,592	2,708,649	245,057
Interest and rents	50,000	50,000	17,782	(32,218)
Other revenues	130,000	130,000	218,397	88,397
Total revenues	2,643,592	2,643,592	2,944,828	301,236
Expenditures:				
Current:				
Community development	1,296,605	1,296,605	392,585	904,020
Total expenditures	1,296,605	1,296,605	392,585	904,020
Excess (deficiency) of revenues over (under) expenditures	1,346,987	1,346,987	2,552,243	1,205,256
Other financing sources (uses):				
Transfers out	(825,723)	(825,723)	(686,783)	138,940
Total other financing sources (uses)	(825,723)	(825,723)	(686,783)	138,940
Net change in fund balances	521,264	521,264	1,865,460	1,344,196
Fund balance, beginning of year	5,395,834	5,395,834	5,395,834	-
Fund balance, end of year	\$ 5,917,098	5,917,098	7,261,294	1,344,196

CITY OF NATIONAL CITY  
Asset Forfeiture Special Revenue Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 186,751	186,751	53,441	(133,310)
Interest and rents	-	-	21,546	21,546
Total revenues	186,751	186,751	74,987	(111,764)
Expenditures:				
Current:				
Public safety	51,105	51,105	14,837	36,268
Capital outlay	56,751	56,751	5,482	51,269
Total expenditures	107,856	107,856	20,319	87,537
Net change in fund balances	78,895	78,895	54,668	(24,227)
Fund balance, beginning of year	398,357	398,357	398,357	-
Fund balance, end of year	\$ 477,252	477,252	453,025	(24,227)

CITY OF NATIONAL CITY  
 Joint Powers Financing Authority Debt Service Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	1,457	1,457
Intergovernmental	<u>494,563</u>	<u>494,563</u>	<u>487,802</u>	<u>(6,761)</u>
Total revenues	<u>494,563</u>	<u>494,563</u>	<u>489,259</u>	<u>(5,304)</u>
Expenditures:				
Debt service				
Principal	280,000	280,000	290,000	(10,000)
Interest and fiscal charges	<u>210,062</u>	<u>210,062</u>	<u>199,232</u>	<u>10,830</u>
Total expenditures	<u>490,062</u>	<u>490,062</u>	<u>489,232</u>	<u>830</u>
Net change in fund balances	4,501	4,501	27	(4,474)
Fund balance, beginning of year	<u>251</u>	<u>251</u>	<u>251</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,752</u>	<u>4,752</u>	<u>278</u>	<u>(4,474)</u>

CITY OF NATIONAL CITY  
Library Bond Debt Service Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenues	\$ 440,000	440,000	488,691	48,691
Total revenues	<u>440,000</u>	<u>440,000</u>	<u>488,691</u>	<u>48,691</u>
Expenditures:				
Current:				
General government	1,129	1,129	1,129	-
Debt service				
Principal	120,000	120,000	130,000	(10,000)
Interest and fiscal charges	<u>277,408</u>	<u>277,408</u>	<u>270,208</u>	<u>7,200</u>
Total expenditures	<u>398,537</u>	<u>398,537</u>	<u>401,337</u>	<u>(2,800)</u>
Net change in fund balances	41,463	41,463	87,354	45,891
Fund balance, beginning of year	<u>492,604</u>	<u>492,604</u>	<u>492,604</u>	<u>-</u>
Fund balance, end of year	<u>\$ 534,067</u>	<u>534,067</u>	<u>579,958</u>	<u>45,891</u>

CITY OF NATIONAL CITY  
Proposition A Capital Projects Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ 80,000	80,000	152,543	72,543
Intergovernmental	<u>411,000</u>	<u>411,000</u>	<u>505,669</u>	<u>94,669</u>
Total revenues	<u>491,000</u>	<u>491,000</u>	<u>658,212</u>	<u>167,212</u>
Expenditures:				
Capital outlay	<u>1,702,295</u>	<u>1,702,295</u>	<u>305,208</u>	<u>1,397,087</u>
Total expenditures	<u>1,702,295</u>	<u>1,702,295</u>	<u>305,208</u>	<u>1,397,087</u>
Net change in fund balances	(1,211,295)	(1,211,295)	353,004	1,564,299
Fund balance, beginning of year	<u>2,816,346</u>	<u>2,816,346</u>	<u>2,816,346</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,605,051</u>	<u>1,605,051</u>	<u>3,169,350</u>	<u>1,564,299</u>



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

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	24,911	24,911
Intergovernmental	-	-	783,639	783,639
Total revenues	-	-	808,550	808,550
Expenditures:				
Capital outlay	1,604,884	1,604,884	292,917	1,311,967
Total expenditures	1,604,884	1,604,884	292,917	1,311,967
Net change in fund balances	(1,604,884)	(1,604,884)	515,633	2,120,517
Fund balance, beginning of year	534,561	534,561	534,561	-
Fund balance (deficit), end of year	<u>\$ (1,070,323)</u>	<u>(1,070,323)</u>	<u>1,050,194</u>	<u>2,120,517</u>

CITY OF NATIONAL CITY  
State - Local Partnership Capital Projects Fund

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

For the year ended June 30, 2007

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ -	-	5,423	5,423
Intergovernmental	-	-	12,300	12,300
Total revenues	-	-	17,723	17,723
Net change in fund balances	-	-	17,723	17,723
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>17,723</u>	<u>17,723</u>

CITY OF NATIONAL CITY  
Traffic Congestion Relief Capital Projects Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 140,252	140,252	-	(140,252)
Total revenues	<u>140,252</u>	<u>140,252</u>	<u>-</u>	<u>(140,252)</u>
Expenditures:				
Current:				
Transportation	<u>271,000</u>	<u>271,000</u>	<u>284,323</u>	<u>(13,323)</u>
Total expenditures	<u>271,000</u>	<u>271,000</u>	<u>284,323</u>	<u>(13,323)</u>
Net change in fund balances	(130,748)	(130,748)	(284,323)	(153,575)
Fund balance, beginning of year	<u>726,749</u>	<u>726,749</u>	<u>726,749</u>	<u>-</u>
Fund balance, end of year	<u>\$ 596,001</u>	<u>596,001</u>	<u>442,426</u>	<u>(153,575)</u>

CITY OF NATIONAL CITY  
Fire Construction Capital Projects Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	10,831	10,831
Total revenues	-	-	10,831	10,831
Expenditures:				
Current:				
Public safety	335,614	335,614	22,522	313,092
Transportation	-	-	-	-
Total expenditures	335,614	335,614	22,522	313,092
Net change in fund balances	(335,614)	(335,614)	(11,691)	323,923
Fund balance, beginning of year	449,371	449,371	449,371	-
Fund balance, end of year	\$ 113,757	113,757	437,680	323,923

CITY OF NATIONAL CITY  
Community Development Commission Debt Service Fund

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

For the year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 9,854,368	9,854,368	10,834,596	980,228
Interest and rents	-	-	123,421	123,421
Total revenues	<u>9,854,368</u>	<u>9,854,368</u>	<u>10,958,017</u>	<u>1,103,649</u>
Expenditures:				
Current:				
Community development	-	-	83,850	(83,850)
Debt service:				
Principal payments	-	-	2,000,000	(2,000,000)
Interest and fiscal charges	-	-	2,033,220	(2,033,220)
Total expenditures	<u>-</u>	<u>-</u>	<u>4,117,070</u>	<u>(4,117,070)</u>
Excess (deficiency) of revenues over expenditures	<u>9,854,368</u>	<u>9,854,368</u>	<u>6,840,947</u>	<u>(3,013,421)</u>
Other financing sources (uses):				
Transfers in	686,783	686,783	686,783	-
Transfers out	<u>(4,640,000)</u>	<u>(4,640,000)</u>	<u>(4,640,000)</u>	-
Total other financing sources (uses)	<u>(3,953,217)</u>	<u>(3,953,217)</u>	<u>(3,953,217)</u>	-
Net change in fund balance	5,901,151	5,901,151	2,887,730	(3,013,421)
Fund balance, beginning of year	<u>2,739,122</u>	<u>2,739,122</u>	<u>2,739,122</u>	-
Fund balance, end of year	<u>\$ 8,640,273</u>	<u>8,640,273</u>	<u>5,626,852</u>	<u>(3,013,421)</u>

CITY OF NATIONAL CITY  
Redevelopment Capital Projects Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Interest and rents	\$ 180,000	180,000	727,813	547,813
Intergovernmental	-	-	60,849	60,849
Other revenues	<u>3,550,000</u>	<u>3,550,000</u>	<u>370,186</u>	<u>(3,179,814)</u>
Total revenues	<u>3,730,000</u>	<u>3,730,000</u>	<u>1,158,848</u>	<u>(2,571,152)</u>
<b>Expenditures:</b>				
Current:				
Community development	17,621,701	17,621,701	7,318,021	10,303,680
Capital outlay	12,191,268	12,191,268	2,117	12,189,151
Debt service:				
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>65,050</u>	<u>(65,050)</u>
Total expenditures	<u>29,812,969</u>	<u>29,812,969</u>	<u>7,385,188</u>	<u>22,427,781</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,082,969)</u>	<u>(26,082,969)</u>	<u>(6,226,340)</u>	<u>19,856,629</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>3,704,173</u>	<u>3,704,173</u>	<u>4,640,000</u>	<u>935,827</u>
Total other financing sources (uses)	<u>3,704,173</u>	<u>3,704,173</u>	<u>4,640,000</u>	<u>935,827</u>
Net change in fund balances	(22,378,796)	(22,378,796)	(1,586,340)	20,792,456
Fund balance, beginning of year, as restated	<u>17,570,366</u>	<u>17,570,366</u>	<u>17,570,366</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (4,808,430)</u>	<u>(4,808,430)</u>	<u>15,984,026</u>	<u>20,792,456</u>

CITY OF NATIONAL CITY  
Library Construction Capital Project Fund

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

For the year ended June 30, 2007

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	8,809	8,809
Total revenues	-	-	8,809	8,809
Expenditures:				
Capital outlay	483,232	483,232	380,596	102,636
Total expenditures	483,232	483,232	380,596	102,636
Net change in fund balances	(483,232)	(483,232)	(371,787)	111,445
Fund balance (deficit), beginning of year	(1,347,239)	(1,347,239)	(1,347,239)	-
Fund balance (deficit), end of year	\$ (1,830,471)	(1,830,471)	(1,719,026)	111,445

## **INTERNAL SERVICE FUNDS**

### **Facilities Maintenance Fund**

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

### **Liability Insurance Fund**

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

### **General Services Fund**

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

### **Information Systems Maintenance Fund**

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

### **Office Equipment Depreciation Fund**

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

### **Telecommunications Revolving Fund**

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

### **General Accounting Services Fund**

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

### **Motor Vehicle Services Fund**

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

### **Equipment Replacement Reserve Fund**

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

### **Unemployment Insurance Reserve Fund**

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



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CITY OF NATIONAL CITY  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2007

	<u>Facilities Maintenance</u>	<u>Liability Insurance</u>	<u>General Services</u>	<u>Information Systems Maintenance</u>	<u>Office Equipment Depreciation</u>
<b><u>ASSETS</u></b>					
Current assets:					
Cash and investments	\$ 478,579	6,067,159	191,817	872,967	2,004,869
Accounts receivable	5,000	-	-	72,231	-
Due from other funds	10,942	-	-	-	-
Inventories	-	-	26,625	-	-
Prepaid items and deposits	-	-	-	5,219	-
Total current assets	<u>494,521</u>	<u>6,067,159</u>	<u>218,442</u>	<u>950,417</u>	<u>2,004,869</u>
Noncurrent assets:					
Capital assets:					
Depreciable assets, net of accumulated depreciation	-	-	-	105,605	101,601
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,605</u>	<u>101,601</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,605</u>	<u>101,601</u>
Total assets	<u>494,521</u>	<u>6,067,159</u>	<u>218,442</u>	<u>1,056,022</u>	<u>2,106,470</u>
<b><u>LIABILITIES</u></b>					
Current liabilities:					
Accounts payable and accrued liabilities	49,735	29,536	11,202	6,588	12,123
Salaries payable	9,772	2,825	3,652	2,117	-
Due to other funds	-	-	1,957	32,478	35,783
Compensated absences	31,801	2,955	24,110	-	-
Self-insurance claims payable - due within one year	-	400,000	-	-	-
Total current liabilities	<u>91,308</u>	<u>435,316</u>	<u>40,921</u>	<u>41,183</u>	<u>47,906</u>
Noncurrent liabilities:					
Self-insurance claims payable - due in more than one year	-	3,745,000	-	-	-
Total liabilities	<u>91,308</u>	<u>4,180,316</u>	<u>40,921</u>	<u>41,183</u>	<u>47,906</u>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	-	-	-	105,605	101,601
Unrestricted	403,213	1,886,843	177,521	909,234	1,956,963
Total net assets (deficit)	<u>\$ 403,213</u>	<u>1,886,843</u>	<u>177,521</u>	<u>1,014,839</u>	<u>2,058,564</u>

<u>Telecommunications Revolving</u>	<u>General Accounting Services</u>	<u>Motor Vehicle Services</u>	<u>Equipment Replacement Reserve</u>	<u>Unemployment Insurance Reserve</u>	<u>Total</u>
855,331	472,621	455,205	720,000	190,576	12,309,124
-	-	-	-	-	77,231
800	-	7,550	-	-	19,292
-	-	-	-	-	26,625
-	-	-	-	-	5,219
<u>856,131</u>	<u>472,621</u>	<u>462,755</u>	<u>720,000</u>	<u>190,576</u>	<u>12,437,491</u>
<u>17,282</u>	<u>-</u>	<u>1,439,251</u>	<u>-</u>	<u>-</u>	<u>1,663,739</u>
<u>17,282</u>	<u>-</u>	<u>1,439,251</u>	<u>-</u>	<u>-</u>	<u>1,663,739</u>
<u>17,282</u>	<u>-</u>	<u>1,439,251</u>	<u>-</u>	<u>-</u>	<u>1,663,739</u>
<u>873,413</u>	<u>472,621</u>	<u>1,902,006</u>	<u>720,000</u>	<u>190,576</u>	<u>14,101,230</u>
4,936	509	82,016	-	-	196,645
1,109	7,691	5,458	-	-	32,624
4,265	-	-	-	-	74,483
-	38,532	22,884	-	-	120,282
-	-	-	-	-	400,000
<u>10,310</u>	<u>46,732</u>	<u>110,358</u>	<u>-</u>	<u>-</u>	<u>824,034</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,745,000</u>
<u>10,310</u>	<u>46,732</u>	<u>110,358</u>	<u>-</u>	<u>-</u>	<u>4,569,034</u>
17,282	-	1,439,251	-	-	1,663,739
<u>845,821</u>	<u>425,889</u>	<u>352,397</u>	<u>720,000</u>	<u>190,576</u>	<u>7,868,457</u>
<u>863,103</u>	<u>425,889</u>	<u>1,791,648</u>	<u>720,000</u>	<u>190,576</u>	<u>9,532,196</u>

CITY OF NATIONAL CITY

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2007

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Operating revenues:					
Services charges	\$ 2,099,040	2,566,398	432,972	714,612	425,615
Other revenues	-	25,635	-	-	-
Total operating revenues	<u>2,099,040</u>	<u>2,592,033</u>	<u>432,972</u>	<u>714,612</u>	<u>425,615</u>
Operating expenses:					
Personnel services	743,206	119,960	155,973	122,697	-
Maintenance and operations	1,360,948	4,146,278	172,136	381,048	246,349
Depreciation	-	-	-	44,196	4,141
Total operating expenses	<u>2,104,154</u>	<u>4,266,238</u>	<u>328,109</u>	<u>547,941</u>	<u>250,490</u>
Operating income (loss)	(5,114)	(1,674,205)	104,863	166,671	175,125
Transfers in	-	200,000	-	-	-
Transfers out	-	-	-	(18,449)	(5,000)
Change in net assets	(5,114)	(1,474,205)	104,863	148,222	170,125
Net assets (deficit), beginning of year	<u>408,327</u>	<u>3,361,048</u>	<u>72,658</u>	<u>866,617</u>	<u>1,888,439</u>
Net assets, end of year	<u>\$ 403,213</u>	<u>1,886,843</u>	<u>177,521</u>	<u>1,014,839</u>	<u>2,058,564</u>

<u>Telecommunications Revolving</u>	<u>General Accounting Services</u>	<u>Motor Vehicle Services</u>	<u>Equipment Replacement Reserve</u>	<u>Unemployment Insurance Reserve</u>	<u>Total</u>
397,811	865,896	1,577,328	-	38,820	9,118,492
-	-	-	-	-	25,635
<u>397,811</u>	<u>865,896</u>	<u>1,577,328</u>	<u>-</u>	<u>38,820</u>	<u>9,144,127</u>
65,233	401,046	320,837	-	-	1,928,952
198,173	199,589	763,041	-	17,677	7,485,239
7,917	-	282,311	-	-	338,565
<u>271,323</u>	<u>600,635</u>	<u>1,366,189</u>	<u>-</u>	<u>17,677</u>	<u>9,752,756</u>
126,488	265,261	211,139	-	21,143	(608,629)
-	100,000	-	400,000	100,000	800,000
<u>(4,265)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,714)</u>
122,223	365,261	211,139	400,000	121,143	163,657
<u>740,880</u>	<u>60,628</u>	<u>1,580,509</u>	<u>320,000</u>	<u>69,433</u>	<u>9,368,539</u>
<u>863,103</u>	<u>425,889</u>	<u>1,791,648</u>	<u>720,000</u>	<u>190,576</u>	<u>9,532,196</u>

CITY OF NATIONAL CITY  
Combining Statement of Cash Flows  
Internal Service Funds  
For the year ended June 30, 2007

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Cash flows from operating activities:					
Cash received from customers/other funds	\$ 2,094,178	2,592,033	432,972	918,239	425,615
Cash payments to suppliers	(1,366,843)	(2,127,551)	(172,714)	(401,138)	(251,728)
Cash payments for general and administrative	(762,331)	(114,180)	(158,755)	(122,837)	-
Net cash provided (used) by operating activities	(34,996)	350,302	101,503	394,264	173,887
Cash flows from capital and related financing activities:					
Acquisition or disposal of capital assets	-	-	-	-	(97,715)
Net cash provided (used) by capital and related financing activities	-	-	-	-	(97,715)
Cash flows from non-capital financing activities:					
Cash received from other funds	-	200,000	1,957	32,478	35,783
Cash paid to other funds	(10,942)	-	-	(18,449)	(5,000)
Net cash provided (used) by non-capital financing activities	(10,942)	200,000	1,957	14,029	30,783
Net increase (decrease) in cash and cash equivalents	(45,938)	550,302	103,460	408,293	106,955
Cash and investments:					
Beginning of year	524,517	5,516,857	88,357	464,674	1,897,914
End of year	\$ 478,579	6,067,159	191,817	872,967	2,004,869
Cash flows from operating activities:					
Operating income (loss)	\$ (5,114)	(1,674,205)	104,863	166,671	175,125
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	44,196	4,141
Changes in current assets and liabilities:					
Accounts receivable	(4,862)	-	-	203,627	-
Inventories	-	-	(1,713)	-	-
Prepaid items and deposits	-	-	-	(5,219)	-
Accounts payable and accrued liabilities	(5,895)	(21,146)	1,135	(14,871)	(5,379)
Salaries payable	(3,261)	2,825	(227)	(140)	-
Compensated absences	(15,864)	2,955	(2,555)	-	-
Self-insurance claims payable	-	2,039,873	-	-	-
Total adjustments	(29,882)	2,024,507	(3,360)	227,593	(1,238)
Net cash provided (used) by operating activities	\$ (34,996)	350,302	101,503	394,264	173,887

Telecommunications Revolving	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Unemployment Insurance Reserve	Total
397,811	865,896	1,577,328	-	38,820	9,342,892
(212,306)	(207,428)	(722,599)	-	(17,677)	(5,479,984)
<u>(65,344)</u>	<u>(387,706)</u>	<u>(326,353)</u>	<u>-</u>	<u>-</u>	<u>(1,937,506)</u>
<u>120,161</u>	<u>270,762</u>	<u>528,376</u>	<u>-</u>	<u>21,143</u>	<u>1,925,402</u>
-	-	(129,156)	-	-	(226,871)
-	-	(129,156)	-	-	(226,871)
-	128,869	-	400,000	100,000	899,087
<u>(10,419)</u>	<u>-</u>	<u>(7,550)</u>	<u>-</u>	<u>-</u>	<u>(52,360)</u>
<u>(10,419)</u>	<u>128,869</u>	<u>(7,550)</u>	<u>400,000</u>	<u>100,000</u>	<u>846,727</u>
109,742	399,631	391,670	400,000	121,143	2,545,258
745,589	72,990	63,535	320,000	69,433	9,763,866
<u>855,331</u>	<u>472,621</u>	<u>455,205</u>	<u>720,000</u>	<u>190,576</u>	<u>12,309,124</u>
<u>126,488</u>	<u>265,261</u>	<u>211,139</u>	<u>-</u>	<u>21,143</u>	<u>(608,629)</u>
7,917	-	282,311	-	-	338,565
-	-	-	-	-	198,765
-	-	-	-	-	(1,713)
-	-	-	-	-	(5,219)
(14,133)	(7,839)	40,442	-	-	(27,686)
(111)	1,482	(803)	-	-	(235)
-	11,858	(4,713)	-	-	(8,319)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,039,873</u>
<u>(6,327)</u>	<u>5,501</u>	<u>317,237</u>	<u>-</u>	<u>-</u>	<u>2,534,031</u>
<u>120,161</u>	<u>270,762</u>	<u>528,376</u>	<u>-</u>	<u>21,143</u>	<u>1,925,402</u>

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## FIDUCIARY FUNDS

### AGENCY FUNDS:

#### **Cobra Insurance Fund**

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

#### **Miscellaneous Deposits Fund**

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

CITY OF NATIONAL CITY  
Statement of Changes in Assets and Liabilities  
Agency Funds  
For the year ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>COBRA INSURANCE FUND</u>				
Assets:				
Cash and investments	\$ 5,225	101,154	102,389	3,990
Total assets	<u>\$ 5,225</u>	<u>101,154</u>	<u>102,389</u>	<u>3,990</u>
Liabilities:				
Accounts payable	\$ 5,225	101,409	102,644	3,990
Total liabilities	<u>\$ 5,225</u>	<u>101,409</u>	<u>102,644</u>	<u>3,990</u>
	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>MISCELLANEOUS DEPOSITS FUND</u>				
Assets:				
Cash and investments	\$ 556,172	388,333	110,005	834,500
Total assets	<u>\$ 556,172</u>	<u>388,333</u>	<u>110,005</u>	<u>834,500</u>
Liabilities:				
Accounts payable	\$ 556,172	534,954	256,626	834,500
Total liabilities	<u>\$ 556,172</u>	<u>534,954</u>	<u>256,626</u>	<u>834,500</u>
	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>TOTAL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 561,397	489,487	212,394	838,490
Total assets	<u>\$ 561,397</u>	<u>489,487</u>	<u>212,394</u>	<u>838,490</u>
Liabilities:				
Accounts payable	\$ 561,397	636,363	359,270	838,490
Total liabilities	<u>\$ 561,397</u>	<u>636,363</u>	<u>359,270</u>	<u>838,490</u>

# THE CITY OF NATIONAL CITY

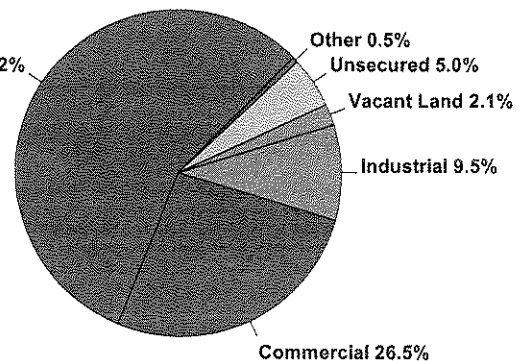
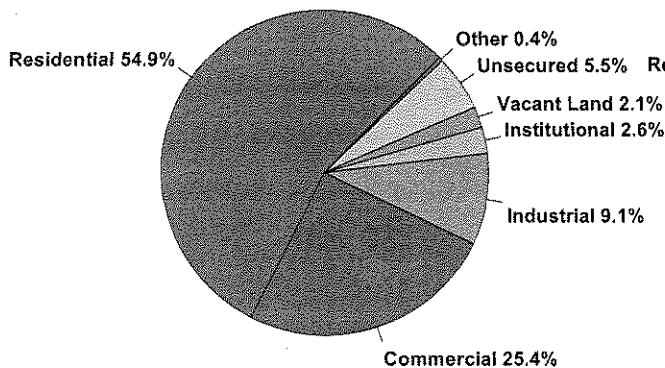
## USE CATEGORY SUMMARY, 2006/07

### *BASIC PROPERTY VALUE TABLE*

CATEGORY	PARCELS	ASSESSED VALUE	NET TAXABLE VALUE
Residential	7,948	\$ 1,556,081,047 54.9%	\$ 1,516,836,958 56.2%
Commercial	683	\$ 719,090,903 25.4%	\$ 716,003,238 26.5%
Industrial	304	\$ 257,293,530 9.1%	\$ 256,216,839 9.5%
Recreational	26	\$ 6,250,761 0.2%	\$ 3,416,845 0.1%
Institutional	56	\$ 74,357,503 2.6%	\$ 5,203,713 0.2%
Vacant Land	446	\$ 58,508,051 2.1%	\$ 57,547,912 2.1%
Exempt	284	\$ 0 0.0%	\$ 0 0.0%
SBE Nonunitary	[87]	\$ 5,931,260 0.2%	\$ 5,931,260 0.2%
Unsecured	[1,392]	\$ 156,535,471 5.5%	\$ 136,024,998 5.0%
<b>TOTALS</b>	<b>9,747</b>	<b>\$ 2,834,048,526</b>	<b>\$ 2,697,181,763</b>

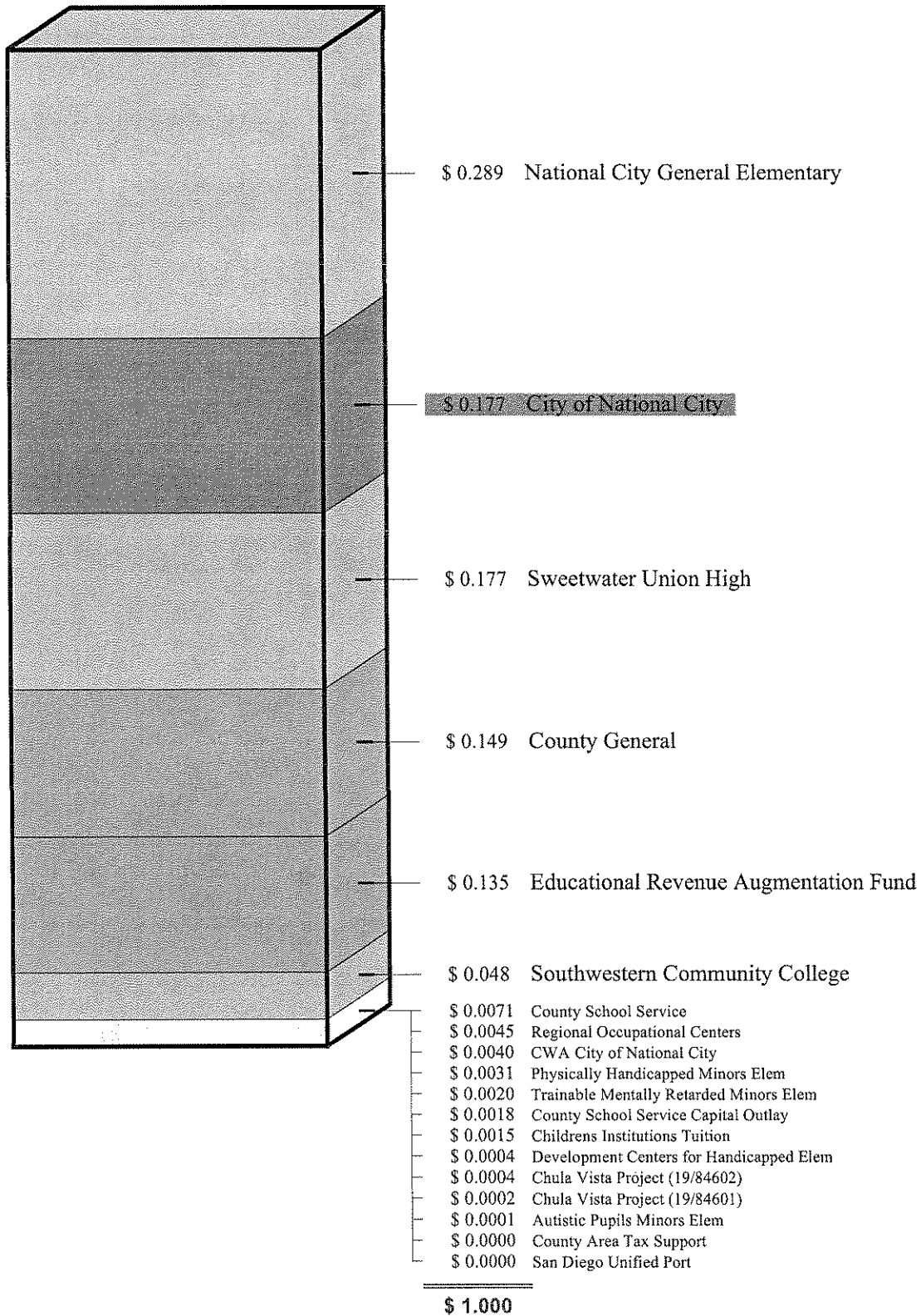
**ASSESSED VALUE**

**NET TAXABLE VALUE**



# THE CITY OF NATIONAL CITY

## PROPERTY TAX DOLLAR BREAKDOWN



ATI (Annual Tax Increment) Ratios For Tax Rate Area 006-000, Excluding Redevelopment Factors & Additional Debt Service

Source: HdL Coren & Cone, San Diego County Assessor 2006/07 Annual Tax Increment Tables

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*This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone.*

# THE CITY OF NATIONAL CITY

## 2006/07 CITY ROLL SUMMARY

### Taxable Property Values

	Secured Taxable	Nonunitary Utilities	Unsecured Roll
<b>Parcels</b>	9,463	87	1,392
<b>TRAs</b>	44	5	18
<b>Values</b>			
Land	\$ 1,149,589,265	\$ 4,848,769	\$ 0
Improvements	\$ 1,520,578,413	\$ 735,693	\$ 47,846,381
Personal Property	\$ 1,414,117	\$ 346,798	\$ 108,689,090
Fixtures	\$ 0	\$ 0	\$ 0
Aircraft		\$ 0	\$ 0
<b>Total Value</b>	<b>\$ 2,671,581,795</b>	<b>\$ 5,931,260</b>	<b>\$ 156,535,471</b>
<b>Exemptions</b>			
Real Estate	\$ 116,356,290	\$ 0	\$ 20,510,473
Personal Property	\$ 0	\$ 0	
Fixtures	\$ 0	\$ 0	
Aircraft		\$ 0	\$ 0
Homeowners*	\$ 31,064,600	\$ 0	\$ 0
<b>Total Exemptions*</b>	<b>\$ 116,356,290</b>	<b>\$ 0</b>	<b>\$ 20,510,473</b>
<b>Total Net Value</b>	<b>\$ 2,555,225,505</b>	<b>\$ 5,931,260</b>	<b>\$ 136,024,998</b>

Combined Values	Total
<b>Total Values</b>	<b>\$ 2,834,048,526</b>
<b>Total Exemptions</b>	<b>\$ 136,866,763</b>
<b>Net Total Values</b>	<b>\$ 2,697,181,763</b>

*Note:*

*Homeowners Exemption Not Included In Total Exemptions*

*Source: HdL Coren & Cone, San Diego County Assessor 2006/07 Combined Tax Rolls*

*This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone.*

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# THE CITY OF NATIONAL CITY

## ASSESSED VALUE OF TAXABLE PROPERTY

1997/98 - 2006/07 Taxable Property Values

Category	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Residential	712,602,539	735,790,965	753,615,172	788,688,010	858,637,562	910,661,353	977,435,596	1,082,306,711	1,247,573,721	1,516,836,958
Commercial	419,597,042	484,078,578	521,761,694	536,869,078	556,740,563	583,704,244	578,140,896	611,146,522	681,262,429	716,003,238
Industrial	148,417,515	156,468,207	164,325,077	161,263,160	174,165,831	184,467,093	193,821,784	184,112,160	231,159,365	256,216,839
Dry Farm	13,806	13,878								
Institutional	3,059,924	4,309,924	4,130,702	2,457,011	5,322,431	4,045,907	25,829,220	9,137,490	6,023,868	5,203,713
Recreational	2,878,033	2,797,942	2,849,759	2,906,723	2,416,278	4,778,254	3,082,188	3,119,237	3,239,814	3,416,845
Vacant Land	26,921,489	25,509,227	27,263,462	28,414,815	31,387,754	29,305,007	37,815,694	45,967,328	46,943,983	57,547,912
SBE Nonunitary	9,898,309	11,081,186	11,028,471	11,076,114	11,138,470	10,884,643	11,768,070	6,177,516	6,064,199	5,931,260
Unsecured	76,675,380	89,894,518	99,805,455	100,902,500	103,166,141	107,821,517	119,327,613	121,108,202	132,107,219	136,024,998
Unknown	1,829,308		11,700	11,700	356,276	504,895	943,052			
TOTALS	1,401,893,145	1,509,944,425	1,584,791,482	1,632,589,111	1,743,331,306	1,836,172,913	1,948,164,113	2,063,075,166	2,354,374,598	2,697,181,763
Total Direct Rate	0.46943%	0.47186%	0.48370%	0.49349%	0.49814%	0.51297%	0.52942%	0.54468%	0.56263%	0.57282%

**Notes:**  
 Exempt values are not included in Total.  
 In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the

Data Source: San Diego County Assessor 1997/98 - 2006/07 Combined Tax Rolls

Prepared On 9/27/2007 By NEC

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# THE CITY OF NATIONAL CITY

## 2006/07 TOP TEN PROPERTY TAXPAYERS

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Revenue	Parcels	Revenue	Revenue	Portion Of City	
1) Pasha Automotive Services	8	\$ 263,259.92	1	\$ 4,496.45	\$ 267,756.37	1.73%	Industrial HARBOR DISTRICT
		\$ 212,735.69		\$ 3,577.66	\$ 216,313.35	1.40%	
2) Wells Fargo Bank	5	\$ 244,272.88	5	\$ 2,813.05	\$ 247,085.93	1.60%	Commercial E. J. CHRISTMAN #1
		\$ 241,954.00		\$ 2,548.55	\$ 244,502.55	1.58%	
3) Centermark Properties Inc.	1	\$ 246,588.98			\$ 246,588.98	1.59%	Commercial TAX DISTRICT #1
		\$ 0.00		\$ 0.00	\$ 0.00	0.00%	
4) Sweetwater Associates Limited Partnership	22	\$ 207,960.45			\$ 207,960.45	1.34%	Commercial SWEETWATER RDA
		\$ 205,681.71			\$ 205,681.71	1.33%	
5) CIP Venture	16	\$ 152,484.79			\$ 152,484.79	0.98%	Industrial E. J. CHRISTMAN #1
		\$ 151,335.10			\$ 151,335.10	0.98%	
6) Wal Mart Real Estate Business Trust	1	\$ 139,153.76			\$ 139,153.76	0.90%	Commercial DOWNTOWN RDA
		\$ 130,757.45			\$ 130,757.45	0.84%	
7) Southbay Marketplace Holdings	4	\$ 130,525.24			\$ 130,525.24	0.84%	Commercial DOWNTOWN RDA
		\$ 122,650.38			\$ 122,650.38	0.79%	
8) Costco Wholesale Corporation	1	\$ 45,807.20	3	\$ 62,080.82	\$ 107,888.02	0.70%	Unsecured HARBOR DISTRICT
		\$ 38,191.65		\$ 49,395.39	\$ 87,587.04	0.57%	
9) Elsonbaty Nasser Aardema Grandchildren	4	\$ 103,689.65			\$ 103,689.65	0.67%	Commercial DOWNTOWN RDA
		\$ 97,433.84			\$ 97,433.84	0.63%	
10) Sweetwater Plaza East LLC	7	\$ 96,035.83			\$ 96,035.83	0.62%	Commercial DOWNTOWN AMEND #1
		\$ 92,314.66			\$ 92,314.66	0.60%	
<b>Top Ten Totals</b>	<b>69</b>	<b>\$ 1,629,778.71</b>	<b>9</b>	<b>\$ 69,390.33</b>	<b>\$ 1,699,169.03</b>	<b>10.97%</b>	
		\$ 1,293,054.49		\$ 55,521.59	\$ 1,348,576.08	8.71%	
<b>City Totals</b>	<b>\$ 14,668,145.40</b>		<b>\$ 820,175.83</b>		<b>\$ 15,488,321.23</b>		
		\$ 11,937,312.15		\$ 677,379.81	\$ 12,614,691.96		

The 'Revenue' line for each owner is the estimated total revenue for that owner; the 'RDA Rev' line estimates that part of the revenue apportioned as 1% increment. Although these estimated calculations are performed on a parcel level, county auditor/controllers' offices neither calculate nor apportion revenues at a parcel level.

Source: HdL Coren & Cone, San Diego County Assessor 2006/07 Combined Tax Rolls

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# THE CITY OF NATIONAL CITY

## 1997/98 TOP TEN PROPERTY TAXPAYERS

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Revenue	Parcels	Revenue	Revenue	Portion Of City	
1) Wells Fargo Bank	7	\$ 211,668.40 \$ 208,650.48	2	\$ 12,647.72 \$ 12,618.50	\$ 224,316.13 \$ 221,268.99	3.36% 3.32%	Commercial E. J. CHRISTMAN #1
2) G F Pinnacle Peak Limited Partnership	24	\$ 166,149.73 \$ 163,969.77			\$ 166,149.73 \$ 163,969.77	2.49% 2.46%	Commercial SWEETWATER RDA
3) Centermark Properties Inc.	1	\$ 138,790.36 \$ 0.00			\$ 138,790.36 \$ 0.00	2.08% 0.00%	Commercial TAX DISTRICT #1
4) CIP Venture	16	\$ 125,022.18 \$ 123,794.93			\$ 125,022.18 \$ 123,794.93	1.87% 1.85%	Industrial E. J. CHRISTMAN #1
5) National City Capital	3	\$ 64,995.13 \$ 55,227.71			\$ 64,995.13 \$ 55,227.71	0.97% 0.83%	Commercial DOWNTOWN RDA
6) Dixieline Lumber Company LF Pacific National	7	\$ 64,394.01 \$ 41,624.57	1	\$ 162.24 \$ 141.85	\$ 64,556.25 \$ 41,766.42	0.97% 0.63%	Industrial DOWNTOWN RDA
7) Federal Employees Distributing	1	\$ 55,277.56 \$ 46,970.49	1	\$ 6,997.85 \$ 6,121.92	\$ 62,275.40 \$ 53,092.41	0.93% 0.80%	Commercial DOWNTOWN RDA
8) AFL CIO Building Trade Corporation No. 1	2	\$ 51,247.42 \$ 43,546.00			\$ 51,247.42 \$ 43,546.00	0.77% 0.65%	Residential DOWNTOWN RDA
9) J & C Properties	3	\$ 48,202.76 \$ 45,456.12			\$ 48,202.76 \$ 45,456.12	0.72% 0.68%	Commercial E. J. CHRISTMAN #2
10) Formaca Real Properties	3	\$ 42,407.12 \$ 40,824.54			\$ 42,407.12 \$ 40,824.54	0.64% 0.61%	Commercial E. J. CHRISTMAN #2
<b>Top Ten Totals</b>	<b>67</b>	<b>\$ 968,154.70</b> <b>\$ 770,064.60</b>	<b>4</b>	<b>\$ 19,807.80</b> <b>\$ 18,882.28</b>	<b>\$ 987,962.50</b> <b>\$ 788,946.88</b>	<b>14.80%</b> <b>11.82%</b>	
<b>City Totals</b>	<b>\$ 6,237,126.37</b> <b>\$ 4,562,920.64</b>	<b>\$ 437,318.05</b> <b>\$ 355,617.76</b>			<b>\$ 6,674,444.42</b> <b>\$ 4,918,538.40</b>		

The 'Revenue' line for each owner is the estimated total revenue for that owner; the 'RDA Rev' line estimates that part of the revenue apportioned as 1% increment. Although these estimated calculations are performed on a parcel level, county auditor/controllers' offices neither calculate nor apportion revenues at a parcel level.

Source: HdL Coren & Cone, San Diego County Assessor 1997/98 Combined Tax Rolls

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# THE CITY OF NATIONAL CITY

## DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

1 Year Detail of Rates producing Revenue for City and Associated Redevelopment Agencies						
City General Fund Direct Rates				RDA Incremental Rate		Total Direct Rate
Roll Year	City Share of 1% levy per Prop 13	Debt Rates	Total City Rates	RDA TRA	Prop. 13 1% + applicable voter approved debt	
2006/07	0.17720%	0.01570%	0.19290%	006-045	1.00470%	0.57282%

1 Year Detail of all Taxpayer Rates for Largest General Fund Tax Rate Area 006-000 (direct rate agencies in bold)	
Agency	2006/07
<b>City Of National City</b>	0.17720
Autistic Pupils Minors Elem	0.00010
Childrens Institutions Tuition	0.00152
Chula Vista Project (19/84601)	0.00019
Chula Vista Project (19/84602)	0.00037
County General	0.14935
County School Service	0.00710
County School Service Capital Outlay	0.00179
Cwa City Of National City	0.00401
Development Centers For Handicapped Elem	0.00045
Educational Revenue Augmentation Fund	0.13548
National City General Elementary	0.28858
Physically Handicapped Minors Elem	0.00314
Regional Occupational Centers	0.00453
Southwestern Community College	0.04758
Sweetwater Union High	0.17658
Trainable Mentally Retarded Minors Elem	0.00203
<b>Total Prop. 13 Rate</b>	<b>1.00000</b>
<b>National City Debt Service</b>	0.01570
Hi Bond Sweetwater 2000A	0.00696
Hi Bond Sweetwater 2000B	0.00537
Hi Bond Sweetwater 2000C	0.00783
Mwd D/S Remainder Of Sdcwa 1501999	0.00470
Southwestern Community College Bond 2000	0.00511
Southwestern Community College Bond Refund 2005B	0.00894
<b>Total Voter Approved Rate</b>	<b>0.06481</b>
<b>Total Tax Rate</b>	<b>1.05461</b>

**Notes:**

General fund tax rates are representative and based upon the direct and overlapping rates for the largest General Fund tax rate area (TRA) by net taxable value.

Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information. The percentages presented in the columns above do not sum across rows.

RDA rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.

**THE CITY OF NATIONAL CITY  
TOP 25 SALES TAX PRODUCERS  
FOR THE FISCAL YEAR 2006/2007**

<b>Business Name</b>	<b>Business Category</b>
Arco AM PM Mini Mart	Service Stations
Ball Honda Acura Mitsubishi & Suzuki	New Motor Vehicle Dealers
Circuit City	Electronics/Appliance Stores
Daimler Chrysler Finance	Auto Lease
Dixieline Lumber	Lumber/Building Materials
Frank Motors	New Motor Vehicle Dealers
Harrison Buick	New Motor Vehicle Dealers
Highland Arco	Service Stations
JC Penney	Department Stores
Macys	Department Stores
McCune Motors	New Motor Vehicle Dealers
McLean Automotive	New Motor Vehicle Dealers
Mervyns	Department Stores
Mossy Nissan	New Motor Vehicle Dealers
Perry Ford	New Motor Vehicle Dealers
Reliance Steel & Aluminum	Heavy Industrial
Ron Baker Chevrolet Isuzu	New Motor Vehicle Dealers
Ross	Family Apparel
San Diego Dodge	New Motor Vehicle Dealers
South Bay Volkswagen Suzuki	New Motor Vehicle Dealers
South Bay Yamaha	Boats/Motorcycles
Toys R Us	Specialty Stores
Univar	Drugs/Chemicals
Wal Mart	Discount Dept Stores
Wescott Mazda Kia	New Motor Vehicle Dealers

Percent of Fiscal Year Total Paid By Top 25 Accounts = 58.93%

\* Firms Listed Alphabetically  
Period: April 2006 Thru March 2007

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

Printed 09/27/2007

**THE CITY OF NATIONAL CITY  
TOP 25 SALES TAX PRODUCERS  
FOR THE FISCAL YEAR 1997/1998**

<b>Business Name</b>	<b>Business Category</b>
Arco Am Pm Mini Marts	Service Stations
Ball Honda Acura Mitsubishi & Suzuki	New Motor Vehicle Dealers
Circuit City	Electronics/Appliance Stores
Costco Business Delivery	Discount Dept Stores
Dixieline Lumber	Lumber/Building Materials
Fedco	Discount Dept Stores
Frank Motors	New Motor Vehicle Dealers
Harrison Buick	New Motor Vehicle Dealers
JC Penney	Department Stores
McCune Motors	New Motor Vehicle Dealers
McLean Automotive	New Motor Vehicle Dealers
Mervyns	Department Stores
Montgomery Ward	Department Stores
Mossy Nissan	New Motor Vehicle Dealers
National City Ford	New Motor Vehicle Dealers
Reliance Steel & Aluminum	Heavy Industrial
Robinsons May	Department Stores
Ron Baker Chevrolet Isuzu	New Motor Vehicle Dealers
San Diego Dodge	New Motor Vehicle Dealers
South Bay Volkswagen Suzuki	New Motor Vehicle Dealers
Toys R Us	Specialty Stores
Univar	Drugs/Chemicals
Webster Pontiac	New Motor Vehicle Dealers
Wescott Mazda Kia	New Motor Vehicle Dealers
Westcott Volvo	New Motor Vehicle Dealers

Percent of Fiscal Year Total Paid By Top 25 Accounts = 56.41%

\* Firms Listed Alphabetically  
Period: April 1997 Thru March 1998

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

Printed 09/27/2007

City of National City  
Principal Employers  
2007

Employer	2007	
	Number of Employees	Percent of Total Employment
Mile of Cars	1228	4.35%
Paradise Valley Hospital	1155	4.09%
National School District	660	2.34%
City of National City	498	1.77%
WAL-MART	417	1.48%
MDI Interviewing Service	300	1.06%
Knight & Carver	255	0.90%
PASHA Group	250	0.89%
Macy's	250	0.89%

Source: InfoUSA, compiled by the San Diego Regional Economic Development Corporation  
SANDAG Data Warehouse (2010 Employment Forecast)  
City of National City

City of National City  
 Operating Indicators by Function/Program  
 FY 2006-07

Function/Program	Fiscal Year 2006-07
Police	
Physical arrests	2,401
Parking violations	5,341
Traffic violations	1,875
Fire	
Emergency responses	5,054
Fires extinguished	183
Inspections	1,965
Other public works	
Street resurfacing (miles)	
Potholes repaired	
Parks and recreation	
Athletic field permits issued b	24
Community center admissions	49,767
Library	
Volumes in collection	205,182
Total volumes borrowed	273,646
Wastewater	
Average daily sewage treatment (Million Gallons per Day)	5.211
Transit	
Revenue miles	455,497*
Passengers	1,727,169*

Source: City of National City

\*Statistics are from the 2005 Sandag Short Term Transit Plan.

City of National City  
 Capital Asset Statistics by Function/Program  
 FY 2006-07

Function/Program	Fiscal Year 2006-07
Police	
Stations	1
Zone offices	0
Patrol units	62
Fire stations	2
Other public works	
Streets (miles)	101
Highways (miles) a	6
Streetlights	1,673
Traffic signals	89
Parks and recreation	
Acreage	84
Playgrounds	4
Baseball/softball diamonds b	7
Soccer/football fields b	3
Community centers	5
Wastewater	
Sanitary sewers (miles)	96.9
Storm sewers (miles)	n/a
Treatment capacity (Million Gallons per Day)	7.487

Source: City of National City