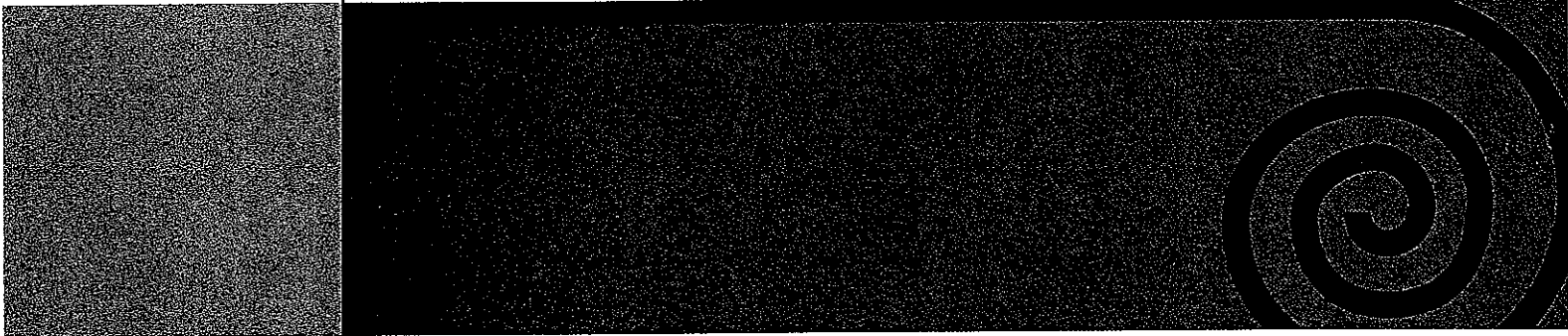


CITY OF NATIONAL CITY

Basic Financial Statements
and Supplementary Information

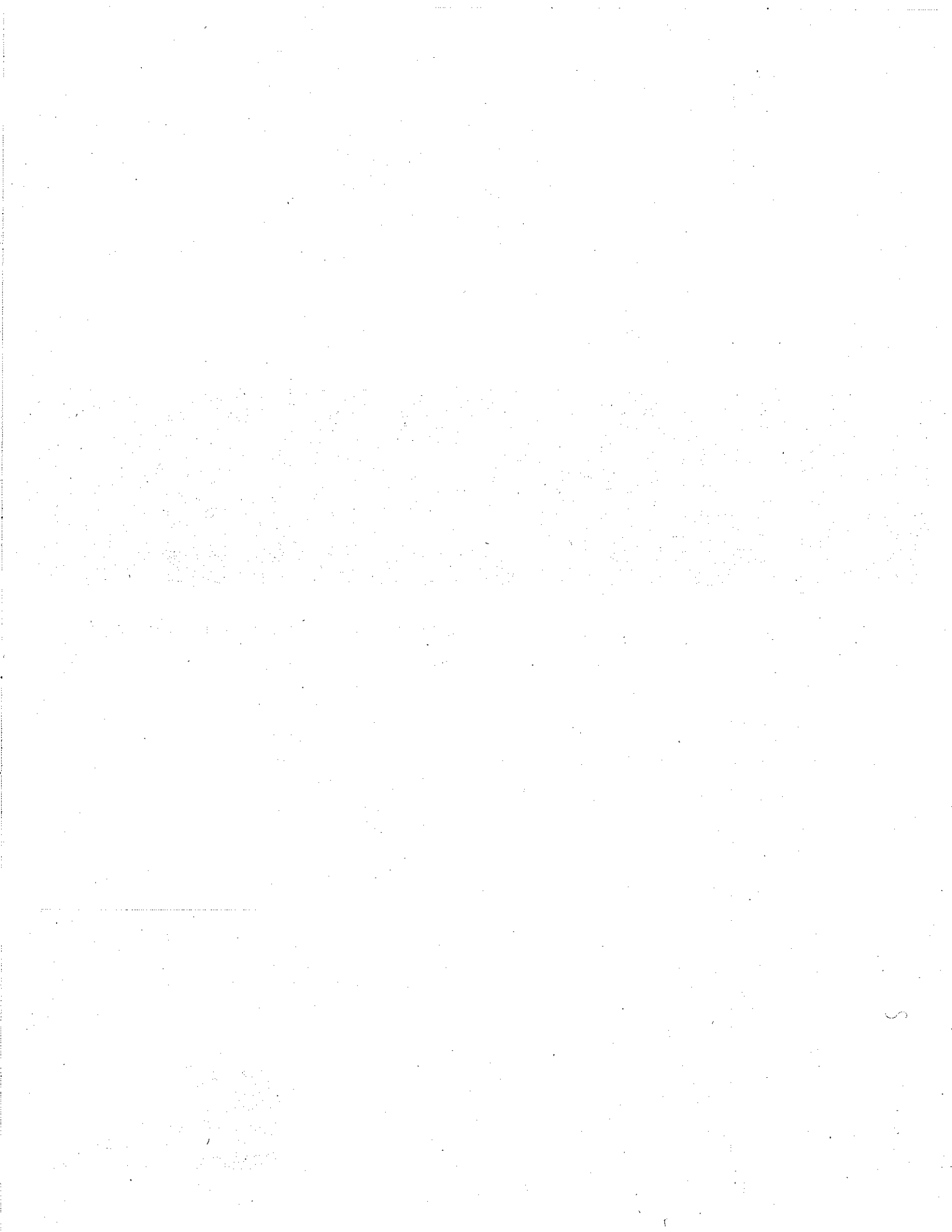
For the Year Ended June 30, 2006



Conrad Government Services Division

MHM

Mayer
Hoffman
McCann P.C.
An Independent CPA Firm



CITY OF NATIONAL CITY

Basic Financial Statements and Supplementary Information

For the Year Ended June 30, 2006

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CITY OF NATIONAL CITY
Basic Financial Statements and Supplementary Information
For the Year Ended June 30, 2006

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To the Honorable Mayor and Members of the City Council
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, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of National City. Our responsibility is to express an opinion on these basic 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, 2006, 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 City of National City has not presented *Management's Discussion and Analysis* that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. The information identified in the accompanying table of contents as *required supplementary information* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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.



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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2006 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
November 30, 2006

CITY OF NATIONAL CITY

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and investments (note 2)	\$ 53,739,721	436,970	54,176,691
Accounts receivable	3,130,663	7,269	3,137,932
Property tax receivable	394,887	-	394,887
Interest receivable	406,032	-	406,032
Due from other governmental entities	8,978,676	95,835	9,074,511
Total current assets	<u>66,649,979</u>	<u>540,074</u>	<u>67,190,053</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash and investments with fiscal agents (note 2)	4,988,833	1,637,694	6,626,527
Inventories	24,912	129,443	154,355
Prepaid items and deposits	15,449	199,965	215,414
Land held for resale	13,140,136	-	13,140,136
Contracts, notes and loans receivable (note 4)	3,271,772	-	3,271,772
Subtotal	<u>21,441,102</u>	<u>1,967,102</u>	<u>23,408,204</u>
Capital assets (note 5):			
Non-depreciable	40,140,718	1,428,382	41,569,100
Depreciable, net	77,814,455	12,606,494	90,420,949
Total capital assets	<u>117,955,173</u>	<u>14,034,876</u>	<u>131,990,049</u>
Total noncurrent assets	<u>139,396,275</u>	<u>16,001,978</u>	<u>155,398,253</u>
Total assets	<u>206,046,254</u>	<u>16,542,052</u>	<u>222,588,306</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	4,331,855	214,702	4,546,557
Interest payable	575,874	-	575,874
Salaries payable	1,257,739	24,578	1,282,317
Deposits payable	281,070	85,177	366,247
Due to other governmental entities	72,045	-	72,045
Compensated absences	-	48,676	48,676
Unearned revenue	592,549	-	592,549
Total current liabilities	<u>7,111,132</u>	<u>373,133</u>	<u>7,484,265</u>
Long-term liabilities (note 7):			
Due within one year	3,773,212	158,005	3,931,217
Due beyond one year	65,962,025	3,022,049	68,984,074
Total noncurrent liabilities	<u>69,735,237</u>	<u>3,180,054</u>	<u>72,915,291</u>
Total liabilities	<u>76,846,369</u>	<u>3,553,187</u>	<u>80,399,556</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	93,916,816	10,854,822	104,771,638
Restricted for:			
Community development	30,314,098	-	30,314,098
Public Safety	1,059,835	-	1,059,835
Transportation	5,634,514	293,345	5,927,859
Health	589,186	-	589,186
Housing	-	1,840,698	1,840,698
Total restricted	<u>37,597,633</u>	<u>2,134,043</u>	<u>39,731,676</u>
Unrestricted	(2,314,564)	-	(2,314,564)
Total net assets	<u>\$ 129,199,885</u>	<u>12,988,865</u>	<u>142,188,750</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

Statement of Activities

For the year ended June 30, 2006

	Expenses	Program Revenues			Total Program Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 3,141,167	11,731,690	-	-	11,731,690
Public safety	24,841,408	182,214	5,400,863	-	5,583,077
Transportation	9,979,551	-	5,274,537	-	5,274,537
Community development	23,709,596	557,715	16,120,264	243,662	16,921,641
Health	6,049,689	-	512,615	-	512,615
Culture and leisure	6,243,390	650,428	-	-	650,428
Interest and fiscal charges	2,631,082	-	-	-	-
Total governmental activities	76,595,883	13,122,047	27,308,279	243,662	40,673,988
Business-type activities:					
TDA	3,684,772	1,287,218	2,002,041	-	3,289,259
Community development commission	2,535,540	1,920,403	-	-	1,920,403
Total business-type activities	6,220,312	3,207,621	2,002,041	-	5,209,662
Total primary government	\$82,816,195	16,329,668	29,310,320	243,662	45,883,650
General Revenue:					
Taxes:					
Property taxes					
Sales taxes					
Franchise taxes					
Motor vehicle in-lieu, unrestricted					
Transient occupancy taxes					
Total taxes					
Investment earnings					
Other miscellaneous revenues					
Rent					
Total general revenues					
Change in net assets					
Net assets - beginning of year, as restated (note 10)					
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
8,590,523	-	8,590,523
(19,258,331)	-	(19,258,331)
(4,705,014)	-	(4,705,014)
(6,787,955)	-	(6,787,955)
(5,537,074)	-	(5,537,074)
(5,592,962)	-	(5,592,962)
(2,631,082)	-	(2,631,082)
<u>(35,921,895)</u>	<u>-</u>	<u>(35,921,895)</u>
-	(395,513)	(395,513)
<u>-</u>	<u>(615,137)</u>	<u>(615,137)</u>
<u>-</u>	<u>(1,010,650)</u>	<u>(1,010,650)</u>
<u>(35,921,895)</u>	<u>(1,010,650)</u>	<u>(36,932,545)</u>
13,304,816	-	13,304,816
17,571,328	-	17,571,328
1,357,256	-	1,357,256
4,558,078	-	4,558,078
618,378	-	618,378
<u>37,409,856</u>	<u>-</u>	<u>37,409,856</u>
1,460,288	59,721	1,520,009
314,606	34,653	349,259
80,711	-	80,711
<u>39,265,461</u>	<u>94,374</u>	<u>39,359,835</u>
3,343,566	(916,276)	2,427,290
<u>125,856,319</u>	<u>13,905,141</u>	<u>139,761,460</u>
<u>\$ 129,199,885</u>	<u>12,988,865</u>	<u>142,188,750</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.

Redevelopment Capital Project Fund

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

Fire Construction Project Capital Projects Fund

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

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, 2006

	General Fund	Special Revenue Funds	
		Section 8 Housing Assistance	Other Special Revenue
ASSETS			
Cash and investments (note 2)	\$ 2,200,023	-	8,008,867
Restricted cash and investments with fiscal agents (note 2)	-	-	154,668
Accounts receivable	830,986	-	1,680,568
Property tax receivable	-	-	-
Interest receivable	336,031	317	1,573
Due from other funds (note 3)	8,429,711	-	-
Due from other governmental entities	2,534,613	-	2,031,567
Prepaid items and deposits	-	-	-
Land held for resale	-	-	-
Contracts, notes and loans receivable	-	-	-
Total assets	<u>\$ 14,331,364</u>	<u>317</u>	<u>11,877,243</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 313,523	94,828	1,028,994
Salaries payable	1,028,175	-	75,842
Due to other funds (note 3)	28,869	1,324,236	4,099,578
Deposits payable	1,420	-	279,650
Deferred revenue	95,000	-	4,036,434
Due to other governmental entities	72,045	-	-
Total liabilities	<u>1,539,032</u>	<u>1,419,064</u>	<u>9,520,498</u>
Fund balances (deficit):			
Reserved:			
Encumbrances	111,800	-	1,611,993
Prepaid items	-	-	-
Land held for resale	-	-	-
Long-term loans receivable	-	-	-
Debt service	1,059,948	-	-
Total reserved	<u>1,171,748</u>	<u>-</u>	<u>1,611,993</u>
Unreserved, designated:			
Continuing appropriations	217,022	-	744,752
Employee accrued benefits	897,432	-	-
Other	39,900	-	-
Continuing CIPs	179,309	-	-
Contingencies	4,232,798	-	-
Total unreserved, designated	<u>5,566,461</u>	<u>-</u>	<u>744,752</u>
Unreserved, undesignated			
General fund	6,054,123	-	-
Special revenue funds	-	(1,418,747)	-
Capital projects funds	-	-	-
Total unreserved, undesignated	<u>6,054,123</u>	<u>(1,418,747)</u>	<u>-</u>
Total fund balances (deficit)	<u>12,792,332</u>	<u>(1,418,747)</u>	<u>2,356,745</u>
Total liabilities and fund balances	<u>\$ 14,331,364</u>	<u>317</u>	<u>11,877,243</u>

See accompanying notes to the basic financial statements.

Special Revenue Fund	Capital Project Funds				Total Governmental Funds
	Redevelopment Fund	Fire Construction Project	Library Construction Project	Other Governmental Funds	
12,526,396	4,418,296	449,371	241,425	16,131,477	43,975,855
-	1,971,795	-	119,343	2,743,027	4,988,833
111,186	76,343	-	-	155,584	2,854,667
-	315,910	-	-	78,977	394,887
-	23,583	-	2,227	42,301	406,032
-	2,532,622	-	-	-	10,962,333
1,718	-	-	3,752,009	658,769	8,978,676
-	15,449	-	-	-	15,449
-	11,074,334	-	-	2,065,802	13,140,136
-	343,792	-	-	2,927,980	3,271,772
<u>12,639,300</u>	<u>20,772,124</u>	<u>449,371</u>	<u>4,115,004</u>	<u>24,803,917</u>	<u>88,988,640</u>
42,180	1,863,958	-	-	764,041	4,107,524
11,991	72,329	-	-	36,543	1,224,880
-	-	-	3,907,154	1,621,746	10,981,583
-	-	-	-	-	281,070
-	100,000	-	1,555,089	195,988	5,982,511
-	-	-	-	-	72,045
<u>54,171</u>	<u>2,036,287</u>	<u>-</u>	<u>5,462,243</u>	<u>2,618,318</u>	<u>22,649,613</u>
25,996	-	42,844	51,802	284,344	2,128,779
-	15,449	-	-	-	15,449
-	11,074,334	-	-	2,065,802	13,140,136
-	343,792	-	-	2,927,980	3,271,772
-	-	-	-	3,231,977	4,291,925
<u>25,996</u>	<u>11,433,575</u>	<u>42,844</u>	<u>51,802</u>	<u>8,510,103</u>	<u>22,848,061</u>
2,753,464	-	292,439	-	3,625,800	7,633,477
-	-	-	-	-	897,432
-	-	-	-	-	39,900
-	-	-	-	-	179,309
-	-	-	-	-	4,232,798
<u>2,753,464</u>	<u>-</u>	<u>292,439</u>	<u>-</u>	<u>3,625,800</u>	<u>12,982,916</u>
-	-	-	-	-	6,054,123
9,805,669	-	-	-	8,959,708	17,346,630
-	7,302,262	114,088	(1,399,041)	1,089,988	7,107,297
<u>9,805,669</u>	<u>7,302,262</u>	<u>114,088</u>	<u>(1,399,041)</u>	<u>10,049,696</u>	<u>30,508,050</u>
<u>12,585,129</u>	<u>18,735,837</u>	<u>449,371</u>	<u>(1,347,239)</u>	<u>22,185,599</u>	<u>66,339,027</u>
<u>12,639,300</u>	<u>20,772,124</u>	<u>449,371</u>	<u>4,115,004</u>	<u>24,803,917</u>	<u>88,988,640</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, 2006

Total Fund Balances - Total Governmental Funds \$ 66,339,027

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	174,758,215
- Accumulated depreciation	(58,578,475)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (575,874)

Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in funds. 5,389,962

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. 9,368,539

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. (67,501,509)

Net Assets of Governmental Activities \$ 129,199,885

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, 2006

	General Fund	Special Revenue Funds	
		Section 8 Housing Assistance	Other Special Revenue
Revenues:			
Taxes	\$ 25,627,904	-	181,510
Licenses and permits	874,854	-	12,155
Fines and forfeitures	1,003,262	-	81,410
Interest and rents	1,088,901	13,384	45,940
Intergovernmental	1,131,714	7,967,957	4,042,360
Charges for services	925,769	-	502,177
Other revenues	273,825	-	535,311
Total revenues	30,926,229	7,981,341	5,400,863
Expenditures:			
Current:			
General government	3,733,413	-	1,660,967
Public safety	23,688,513	-	1,142,488
Transportation	2,662,781	-	-
Community development	727,936	8,643,178	1,472,983
Health	-	-	161,066
Culture and leisure	1,363,291	-	2,496,674
Capital outlay	417,755	4,507	2,851,825
Debt service:			
Principal	113,186	-	294,229
Interest and fiscal charges	61,526	-	337,814
Total expenditures	32,768,401	8,647,685	10,418,046
Excess (deficiency) of revenues over (under) expenditures	(1,842,172)	(666,344)	(5,017,183)
Other financing sources (uses):			
Proceeds from lease	359,999	-	-
Transfers in (note 3)	3,800,000	-	788,260
Transfers out (note 3)	(2,108,738)	-	-
Total other financing sources (uses)	2,051,261	-	788,260
Net change in fund balances	209,089	(666,344)	(4,228,923)
Fund balances (deficit), beginning of year, as restated (note 10)	12,583,243	(752,403)	6,585,668
Fund balances (deficit), end of year	\$ 12,792,332	(1,418,747)	2,356,745

See accompanying notes to the basic financial statements.

Special Revenue Fund	Capital Project Funds				Total Governmental Funds
	Redevelopment Fund	Fire Construction Project	Library Construction Project	Other Governmental Funds	
-	9,665,716	-	-	3,663,350	39,138,480
-	-	-	-	-	887,009
-	-	-	-	152,397	1,237,069
-	299,892	10,860	9,092	489,253	1,957,322
-	37,735	-	3,741,310	7,424,912	24,345,988
7,883,477	-	-	-	18,659	9,330,082
32,631	809,366	-	-	1,011,021	2,662,154
<u>7,916,108</u>	<u>10,812,709</u>	<u>10,860</u>	<u>3,750,402</u>	<u>12,759,592</u>	<u>79,558,104</u>
-	-	-	-	1,128	5,395,508
-	-	941,537	-	11,905	25,784,443
-	-	-	-	706,599	3,369,380
-	10,779,223	-	-	1,692,479	23,315,799
5,888,623	-	-	-	-	6,049,689
-	-	-	-	2,383,425	6,243,390
-	71,682	-	2,704,462	4,907,366	10,957,597
21,980	-	-	-	2,795,000	3,224,395
274	-	-	-	2,614,817	3,014,431
<u>5,910,877</u>	<u>10,850,905</u>	<u>941,537</u>	<u>2,704,462</u>	<u>15,112,719</u>	<u>87,354,632</u>
<u>2,005,231</u>	<u>(38,196)</u>	<u>(930,677)</u>	<u>1,045,940</u>	<u>(2,353,127)</u>	<u>(7,796,528)</u>
98,995	-	-	-	-	458,994
-	-	-	-	5,842,894	10,431,154
-	(3,605,350)	-	-	(2,217,066)	(7,931,154)
<u>98,995</u>	<u>(3,605,350)</u>	<u>-</u>	<u>-</u>	<u>3,625,828</u>	<u>2,958,994</u>
2,104,226	(3,643,546)	(930,677)	1,045,940	1,272,701	(4,837,534)
10,480,903	22,379,383	1,380,048	(2,393,179)	20,912,898	71,176,561
<u>12,585,129</u>	<u>18,735,837</u>	<u>449,371</u>	<u>(1,347,239)</u>	<u>22,185,599</u>	<u>66,339,027</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, 2006

Net Changes in Fund Balances - Total Governmental Funds	\$ (4,837,534)
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.	6,514,924
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.	(3,489,456)
The issuance of long-term debt provides current financial resources to the funds but has no effect on the Government-Wide Statement of Net Assets.	(458,994)
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.	3,224,395
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.	383,349
To record as an expense the net change in compensated absences in the Statement of Activities.	29,691
Revenues in the Government-Wide Statement of Activities that did not provide current financial resources were not reported as revenues in the governmental funds.	(23,135)
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>2,000,326</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,343,566</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	TDA	Kimball Towers	Morgan Towers		
ASSETS					
Current assets:					
Cash and investments (note 2)	\$ 200,217	215,754	20,999	436,970	9,763,866
Restricted cash and investments with fiscal agents (note 2)	-	890,919	746,775	1,637,694	-
Accounts receivable	2,329	4,940	-	7,269	275,996
Due from other funds	-	-	-	-	28,869
Due from other governmental entities	95,835	-	-	95,835	-
Inventories	129,443	-	-	129,443	24,912
Prepaid items and deposits	45,132	77,962	76,871	199,965	-
Total current assets	472,956	1,189,575	844,645	2,507,176	10,093,643
Noncurrent assets:					
Capital assets (note 5):					
Nondepreciable assets	900,000	315,814	212,568	1,428,382	-
Depreciable assets, net of accumulated depreciation	4,175,624	5,164,982	3,265,888	12,606,494	1,775,433
Total capital assets, net	5,075,624	5,480,796	3,478,456	14,034,876	1,775,433
Total noncurrent assets	5,075,624	5,480,796	3,478,456	14,034,876	1,775,433
Total assets	5,548,580	6,670,371	4,323,101	16,542,052	11,869,076
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	106,357	54,805	53,540	214,702	224,331
Salaries payable	24,578	-	-	24,578	32,859
Due to other funds	-	-	-	-	9,619
Compensated absences - due within one year	48,676	-	-	48,676	128,601
Note payable - due within one year	-	-	158,005	158,005	-
Self-insurance claims payable - due within one year	-	-	-	-	400,000
Total current liabilities	179,611	54,805	211,545	445,961	795,410
Noncurrent liabilities (note 7):					
Tenant security deposit liability	-	44,572	40,605	85,177	-
Note payable - due in more than one year	-	-	3,022,049	3,022,049	-
Self-insurance claims payable - due in more than one year	-	-	-	-	1,705,127
Total noncurrent liabilities	-	44,572	3,062,654	3,107,226	1,705,127
Total liabilities	179,611	99,377	3,274,199	3,553,187	2,500,537
NET ASSETS					
Invested in capital assets, net of related debt	5,075,624	5,480,796	298,402	10,854,822	1,775,433
Restricted for:					
Housing	-	1,090,198	750,500	1,840,698	-
Transportation	293,345	-	-	293,345	-
Unrestricted	-	-	-	-	7,593,106
Total net assets	\$ 5,368,969	6,570,994	1,048,902	12,988,865	9,368,539

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, 2006

	Enterprise Funds			Governmental Activities - Internal Service Funds
	TDA	Kimball Towers	Morgan Towers	
Operating revenues:				
Fare box revenue	\$ 1,287,218	-	-	1,287,218
Rental income	-	882,540	1,022,574	1,905,114
Service charges	-	-	-	9,140,299
Other revenues	-	7,372	7,917	15,289
Total operating revenues	<u>1,287,218</u>	<u>889,912</u>	<u>1,030,491</u>	<u>3,207,621</u>
Operating expenses:				
Personnel services	1,535,253	-	-	1,535,253
Maintenance and operations	1,200,880	1,138,691	807,278	3,146,849
Insurance	460,713	-	-	460,713
Depreciation	487,926	187,350	190,252	865,528
Total operating expenses	<u>3,684,772</u>	<u>1,326,041</u>	<u>997,530</u>	<u>6,008,343</u>
Operating income (loss)	<u>(2,397,554)</u>	<u>(436,129)</u>	<u>32,961</u>	<u>(2,800,722)</u>
Nonoperating revenues (expenses):				
TDA grants	2,002,041	-	-	2,002,041
Interest income	4,401	30,685	24,635	59,721
Interest expense	-	-	(211,969)	(211,969)
Miscellaneous	34,653	-	-	34,653
Total nonoperating revenues (expenses)	<u>2,041,095</u>	<u>30,685</u>	<u>(187,334)</u>	<u>1,884,446</u>
Income (loss) before transfers	<u>(356,459)</u>	<u>(405,444)</u>	<u>(154,373)</u>	<u>(916,276)</u>
Transfers out (note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>
Change in net assets	<u>(356,459)</u>	<u>(405,444)</u>	<u>(154,373)</u>	<u>2,000,326</u>
Net assets at beginning of year, as restated (note 10)	<u>5,725,428</u>	<u>6,976,438</u>	<u>1,203,275</u>	<u>13,905,141</u>
Net assets, end of year	<u>\$ 5,368,969</u>	<u>6,570,994</u>	<u>1,048,902</u>	<u>12,988,865</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, 2006

	Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	TDA	Kimball Towers	Morgan Towers		
Cash flows from operating activities:					
Cash received from customers/other funds	\$ 1,538,420	889,912	1,030,491	3,458,823	9,105,675
Cash payments to suppliers	(1,661,593)	(1,120,073)	(526,225)	(3,307,891)	(4,839,786)
Cash payments for general and administrative	(1,535,253)	-	(266,907)	(1,802,160)	(2,054,070)
Cash received from (payments to) other	-	-	-	-	4,294
Net cash provided (used by) operating activities	<u>(1,658,426)</u>	<u>(230,161)</u>	<u>237,359</u>	<u>(1,651,228)</u>	<u>2,216,113</u>
Cash flows from noncapital financing activities:					
TDA grants	2,002,041	-	-	2,002,041	-
Cash received from other funds	-	-	-	-	9,619
Cash paid to other funds	(238,486)	-	-	(238,486)	(2,899,049)
Net cash provided (used by) noncapital financing activities	<u>1,763,555</u>	<u>-</u>	<u>-</u>	<u>1,763,555</u>	<u>(2,889,430)</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(66,705)	-	(295,389)	(362,094)	(37,544)
Principal payments of note payable	-	-	(148,087)	(148,087)	-
Interest paid	-	-	(211,969)	(211,969)	-
Net cash provided (used by) capital and related financing activities	<u>(66,705)</u>	<u>-</u>	<u>(655,445)</u>	<u>(722,150)</u>	<u>(37,544)</u>
Cash flows from investing activities:					
Interest income	4,401	30,685	24,635	59,721	-
Net cash provided (used by) investing activities	<u>4,401</u>	<u>30,685</u>	<u>24,635</u>	<u>59,721</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	42,825	(199,476)	(393,451)	(550,102)	(710,861)
Cash and equivalents, beginning of year	157,392	1,306,149	1,161,225	2,624,766	10,474,727
Cash and equivalents, end of year	<u>\$ 200,217</u>	<u>1,106,673</u>	<u>767,774</u>	<u>2,074,664</u>	<u>9,763,866</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (2,397,554)	(436,129)	32,961	(2,800,722)	4,500,326
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	487,926	187,350	190,252	865,528	395,566
Changes in current assets and liabilities:					
Accounts receivable	1,995	(3,376)	-	(1,381)	5,634
Due from other governmental entities	243,860	-	-	243,860	-
Inventories	58,176	-	-	58,176	1,637
Prepaid items and deposits	-	(4,049)	(2,932)	(6,981)	3,933
Accounts payable and accrued liabilities	9,991	26,043	17,078	53,112	26,267
Salaries payable	(68,789)	-	-	(68,789)	(5,117)
Compensated absences	5,969	-	-	5,969	(27,260)
Self-insurance claims payable	-	-	-	-	(2,684,873)
Total adjustments	<u>739,128</u>	<u>205,968</u>	<u>204,398</u>	<u>283,966</u>	<u>(2,284,213)</u>
Net cash provided (used) by operating activities	<u>\$ (1,658,426)</u>	<u>(230,161)</u>	<u>237,359</u>	<u>(1,651,228)</u>	<u>2,216,113</u>

Noncash investing, capital and financing activities

There were no noncash investing, capital or financing activities for the year ended June 30, 2006.

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	<u>Library Private- Purpose Trust</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and investments (note 2)	\$ <u>50,445</u>	<u>561,397</u>	<u>611,842</u>
Total assets	<u>50,445</u>	<u>561,397</u>	<u>611,842</u>
<u>LIABILITIES</u>			
Accounts payable	<u>-</u>	<u>561,397</u>	<u>561,397</u>
Total liabilities	<u>-</u>	<u>561,397</u>	<u>561,397</u>
<u>NET ASSETS</u>			
Held in trust for private purposes	<u>\$ 50,445</u>	<u>-</u>	<u>50,445</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, 2006

	<u>Library Private- Purpose Trust</u>
Additions:	
Investment income	\$ 1,912
Total additions	<u>1,912</u>
Net assets:	
Net assets, beginning of year	<u>48,533</u>
Net assets, end of year	<u>\$ 50,445</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, 2006

(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 Transit Enterprise Fund and Community Development Commission (including Morgan Towers, and Kimball Towers) Enterprise Fund.

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. For the year ended June 30, 2006, there was no activity for the Authority; however, the capital assets of the Authority has 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.

Redevelopment Capital Project Fund

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

Fire Construction Project Capital Projects Fund

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

Library Construction Project Capital Project Fund

This fund is used to account for activities of 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, 2006 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, 2006 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 54,176,691
Restricted cash and investments with fiscal agents	6,626,527
Statement of Fiduciary Net Assets:	
Cash and investments	<u>611,842</u>
Total cash and investments	<u>\$ 61,415,060</u>

Cash and investments as of June 30, 2006 consist of the following:

Cash on hand	\$ 4,799
Deposits with financial institutions	15,968,900
Investments	<u>45,441,361</u>
Total cash and investments	<u>\$ 61,415,060</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. Treasury Obligations	\$ 417,093	417,093	-	-
U.S. Agency Securities	8,181,386	2,220,232	800,000	5,161,154
Negotiable Certificates of Deposit	2,949,214	1,465,271	658,895	825,048
Local Agency Investment Fund	29,182,500	29,182,500	-	-
Held by Fiscal Agent:				
Commercial Paper	2,345,000	2,345,000	-	-
Money Market Funds	<u>2,366,168</u>	<u>2,366,168</u>	-	-
Total	<u>\$ 45,441,361</u>	<u>37,996,264</u>	<u>1,458,895</u>	<u>5,986,202</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>A</u>	<u>AAA</u>	<u>Not Rated</u>
U.S. Treasury Obligations	\$ 417,093	AAA	-	417,093	-
U.S. Agency Securities	8,181,386	AAA	-	8,181,386	-
Negotiable Certificates of Deposit	2,949,214	N/A	-	-	2,949,214
Local Agency Investment Fund	29,182,500	N/A	-	-	29,182,500
Held by Fiscal Agent:					
Commercial Paper	2,345,000	A	-	-	2,345,000
Money Market Funds	<u>2,366,168</u>	N/A	<u>2,366,168</u>	-	-
Total	<u>\$45,441,361</u>		<u>2,366,168</u>	<u>8,598,479</u>	<u>34,476,714</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	U.S. Agency Securities	\$ 7,413,470
General Electric	Commercial Paper	2,345,000

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, 2006, 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	\$8,181,386
Negotiable Certificates of Deposit	2,949,214

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.

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	\$ 548,606
Residual receipts reserve	177,623
Mortgage and insurance impounds reserve	<u>20,546</u>
Total Morgan Towers	<u>\$ 746,775</u>
Kimball Towers:	
Residual receipts reserve	\$ 268,964
Other	<u>621,955</u>
Total Kimball Towers	<u>\$ 890,919</u>
Total restricted cash and investments	<u>\$1,637,694</u>

Morgan Towers

- Reserve for replacements of \$548,606 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 \$177,623 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 mortgage and insurance impounds of \$3,091, \$13,372 and \$4,083, respectively, totaling \$20,546, represent amounts held for the future payment of property and mortgage insurance.

Kimball Towers

- Residual receipts reserve of \$268,964 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 \$621,955 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, 2006 are as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	\$ 4,099,578
	Library Construction Capital Projects Fund	3,907,154
	Other Governmental Funds	413,360
	Internal Service Funds	<u>9,619</u>
Subtotal		8,429,711
Redevelopment Capital Projects Fund	Section 8 Housing Assistance Special Revenue Fund	1,324,236
	Other Governmental Funds	<u>1,208,386</u>
Subtotal		<u>2,532,622</u>
Internal Service Funds	General Fund	<u>28,869</u>
		<u>\$ 10,991,202</u>

Interfund balances are primarily related to short-term borrowings to cover deficit cash balances at June 30, 2006.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Transactions, (Continued)

Interfund Transfers

For the year ended June 30, 2006, interfund transfers were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 2,500,000 (a)
General Fund	Other Governmental Funds	1,300,000 (b)
Other Special Revenue Fund	General Fund	788,260
Other Governmental Funds	General Fund	1,320,478 (c)
Other Governmental Funds	Redevelopment Capital Projects Fund	3,605,350 (d)
Other Governmental Funds	Other Governmental Funds	<u>917,066</u>
		<u>\$ 10,431,154</u>

Significant interfund transfers were to: (a) reimburse the General fund for current year operating expenses; (b) reimburse the General Fund for related highways and streets expenditures; (c) provide funding for library operating expenditures; (d) provide funds to the Debt Service Fund to cover debt service payments made during the fiscal year.

(4) Contracts, Notes and Loans Receivable

As of June 30, 2006, the Contracts, Notes and Loans Receivable consisted of the following:

Residential property improvement loans	\$1,932,388
First-time homebuyers loans	<u>1,339,384</u>
Total	<u>\$3,271,772</u>

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

(5) Capital Assets

The following is a summary of changes in the capital assets for governmental activities at June 30, 2006:

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental-type activities:				
Depreciable:				
Buildings and improvements	\$ 20,608,991	6,810,990	-	27,419,981
Machinery and equipment	9,528,567	712,762	-	10,241,329
Infrastructure	<u>100,060,831</u>	<u>2,340,385</u>	-	<u>102,401,216</u>
Total cost of depreciable capital assets	<u>130,198,389</u>	<u>9,864,137</u>	-	<u>140,062,526</u>
Less accumulated depreciation:				
Buildings and improvements	(11,107,535)	(735,892)	-	(11,843,427)
Machinery and equipment	(4,910,038)	(784,329)	-	(5,694,367)
Infrastructure	<u>(42,345,475)</u>	<u>(2,364,802)</u>	-	<u>(44,710,277)</u>
Total accumulated depreciation	<u>(58,363,048)</u>	<u>(3,885,023)</u>	-	<u>(62,248,071)</u>
Net depreciable capital assets	71,835,341	5,979,114	-	77,814,455
Non-depreciable:				
Land	19,125,598	-	-	19,125,598
Rights of way	4,245,088	-	-	4,245,088
Construction in progress	<u>20,081,702</u>	<u>3,428,919</u>	<u>(6,740,589)</u>	<u>16,770,032</u>
Total non-depreciable capital assets	<u>43,452,388</u>	<u>3,428,919</u>	<u>(6,740,589)</u>	<u>40,140,718</u>
Capital assets, net	<u>\$ 115,287,729</u>	<u>9,408,033</u>	<u>(6,740,589)</u>	<u>117,955,173</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, 2006 of \$3,885,023 was allocated as follows:

General Government	\$ 395,567
Community Development	393,797
Public Safety	928,161
Transportation	<u>2,167,498</u>
	<u>\$3,885,023</u>

The following is a summary of changes in the capital assets for business-type activities at June 30, 2006:

	Balance at July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business-type activities:				
Depreciable:				
Buildings and improvements	\$ 17,212,188	287,105	-	17,499,293
Machinery and equipment	<u>5,228,528</u>	<u>81,540</u>	-	<u>5,310,068</u>
Total depreciable capital assets	22,440,716	368,645	-	22,809,361
Less accumulated depreciation	<u>(9,337,339)</u>	<u>(865,528)</u>	-	<u>(10,202,867)</u>
Total depreciable assets, net	<u>13,103,377</u>	<u>(496,883)</u>	-	<u>12,606,494</u>
Non-depreciable assets:				
Land	<u>1,428,382</u>	-	-	<u>1,428,382</u>
Total non-depreciable capital assets	<u>1,428,382</u>	-	-	<u>1,428,382</u>
Capital assets, net	<u>\$14,531,759</u>	<u>(496,883)</u>	-	<u>14,034,876</u>

Depreciation expense for business-type activities for the year ended June 30, 2006 was allocated as follows:

TDA	\$487,926
Kimball Towers	187,350
Morgan Towers	<u>190,252</u>
Total depreciation expense	<u>\$865,528</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 \$15,000,000. Losses in excess of \$15,000,000 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 \$150,000,000 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, 2006, the City accrued \$2,105,127 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, 2006 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.

	<u>Fiscal Year 2005-06</u>	<u>Fiscal Year 2004-05</u>
Unpaid claims, July 1	\$4,790,000	3,947,983
Incurred claims and adjustments	(1,469,657)	2,653,081
Claims paid	<u>(1,215,216)</u>	<u>(1,811,064)</u>
Total	<u>\$ 2,105,127</u>	<u>4,790,000</u>

The City's blended component unit, Bayshore Transit Corporation (Corporation), does not participate in the City's insurance program. The Corporation continues to carry commercial insurance.

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, 2006:

	Balance July 1, 2005*	Additions	Deletions	Balance June 30, 2006	Classification	
					Amount Due Within One Year	Amount Due Beyond One Year
Governmental Activities:						
National City Joint Powers Financing Authority:						
Lease Revenue Refunding Bonds	\$ 4,790,000	-	(280,000)	4,510,000	290,000	4,220,000
Community Development Commission:						
1999 Tax Allocation Bonds	4,640,000	-	(100,000)	4,540,000	105,000	4,435,000
2004 Tax Allocation Bonds	5,860,000	-	(220,000)	5,640,000	245,000	5,395,000
2005 Series A and B Tax Allocation Bonds	37,780,000	-	(2,075,000)	35,705,000	1,650,000	34,055,000
General Obligation Bonds	5,970,000	-	(120,000)	5,850,000	130,000	5,720,000
HUD 108 Bond 2003 A	<u>6,730,000</u>	<u>-</u>	<u>(170,000)</u>	<u>6,560,000</u>	<u>180,000</u>	<u>6,380,000</u>
Total Bonds	65,770,000	-	(2,965,000)	62,805,000	2,600,000	60,205,000
Claims Payable	4,790,000	-	(2,684,873)	2,105,127	400,000	1,705,127
Compensated Absences	2,969,640	442,045	(513,765)	2,897,920	501,357	2,396,563
Capitalized Lease Obligations	<u>1,727,591</u>	<u>458,995</u>	<u>(259,396)</u>	<u>1,927,190</u>	<u>271,855</u>	<u>1,655,335</u>
Total Governmental Activities	75,257,231	901,040	(6,423,034)	69,735,237	3,773,212	65,962,025
Business-type Activities:						
Note Payable	<u>3,328,141</u>	<u>-</u>	<u>(148,087)</u>	<u>3,180,054</u>	<u>158,005</u>	<u>3,022,049</u>
Total Primary Government	<u>\$78,585,372</u>	<u>901,040</u>	<u>(6,571,121)</u>	<u>72,915,291</u>	<u>3,931,217</u>	<u>68,984,074</u>

* The beginning balance has been restated to reflect the addition of the Radio System Equipment Capital Lease. See Note 10 for additional information.

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>
2007	\$ 290,000	199,160	489,160
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>\$4,510,000</u>	<u>1,380,467</u>	<u>5,890,467</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>
2007	\$ 105,000	224,048	329,048
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>\$4,540,000</u>	<u>3,292,007</u>	<u>7,832,007</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>
2007	\$ 245,000	244,063	489,063
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	465,000	12,788	477,788
Total	<u>\$5,640,000</u>	<u>4,118,617</u>	<u>9,758,617</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>
2007	\$ 1,650,000	1,593,986	3,243,986
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	235,000	12,338	247,338
Total	<u>\$ 35,705,000</u>	<u>15,407,574</u>	<u>51,112,574</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>
2007	\$ 130,000	270,208	400,208
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	425,000	9,282	434,282
Total	<u>\$5,850,000</u>	<u>3,648,882</u>	<u>9,498,882</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>
2007	\$ 180,000	326,279	506,279
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>\$6,560,000</u>	<u>3,833,722</u>	<u>10,393,722</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 \$3,180,054 (including current portion of \$158,005). 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>
2007	\$ 158,005	202,055	360,060
2008	168,587	191,473	360,060
2009	179,877	180,183	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>\$3,180,054</u>	<u>1,560,736</u>	<u>4,740,790</u>

Defeasance of Debt

As of June 30, 2006, the outstanding balances of defeased issues are as follows:

Community Development Commission 2001 Tax Allocation Bonds	\$36,935,000
Community Development Commission 1998 Tax Allocation Bonds	18,185,000

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, 2005 to June 30, 2006 has been determined by an actuarial valuation of the plan as of June 30, 2003. The contribution rates are as follows: 33.441% for safety employees, 19.405% for miscellaneous City employees, and 17.569% for miscellaneous CDC employees. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2006, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2005 to June 30, 2006.

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

	<u>Miscellaneous Employees Group</u>	<u>Safety Employees Group</u>
Valuation Date	June 30, 2003	June 30, 2003
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	16 Years - City	15 Years
(as of the Valuation Date)	17 Years - CDC	
Asset Valuation Method	3 Year Smoothed Market	3 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% 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, 2034.

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 – Miscellaneous Employees Group - City

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/03	\$ 47,131,583	40,700,150	6,431,433	86.4%	8,663,676	74.2%
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%

*Required Supplementary Information – Miscellaneous Employees Group – CDC**

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/03	\$ 335,029,580	270,886,705	64,142,875	80.9%	75,357,937	85.1%
6/30/04	426,958,282	334,956,019	92,002,263	78.5%	90,667,029	101.5%
6/30/05	499,323,280	405,480,805	93,842,475	81.2%	108,618,321	86.4%

Required Supplementary Information – Safety Employees Group

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/03	\$ 76,837,894	64,354,013	12,483,881	83.8%	8,249,188	151.3%
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%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

* Agencies with less than 100 members have been placed in a pool with other agencies that have similar benefit provisions. With the implementation of risk pooling, individual stand-alone valuations are no longer prepared. Instead the plan's financial results are pooled with the plans of other agencies. The data shown beginning with the June 30, 2003 valuation date represents data for the pool, rather than the individual Entity.

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>
6/30/04	\$ 1,087,104	100%	-0-
6/30/05	3,401,669	100%	-0-
6/30/06	5,045,783	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. The City expects such amounts, if any, to be immaterial.

As of June 30, 2006 in the opinion of City management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(10) Prior Period Adjustments

Primary Government

Governmental Activities

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning fund balances of the HOME Program Fund and the Low and Moderate Income Housing Program Fund to adjust the balances of first time homebuyer loans at July 1, 2005. In addition, the accompanying financial statements reflect adjustments that resulted in the restatement of beginning net assets of the Governmental Funds to include capital lease obligations that were not reported in the prior period as long-term liabilities. The following summarizes the effect of the prior period adjustment to the beginning net assets as of July 1, 2005:

	<u>Fund Financial Statements</u>		
	<u>Special Revenue Funds</u>		
	<u>HOME</u>	Low and Moderate Income Housing <u>Program</u>	Government-Wide Statement of <u>Activities</u>
	<u>Program</u>		
Fund balance – beginning of year, as previously reported	\$3,110,878	4,208,779	127,154,592
Adjustments:			
To adjust the balance for first time homebuyer loans at July 1, 2005	777,450	(556,906)	220,544
To properly include capital lease obligations as long-term liabilities in the statement of net assets	-	-	<u>(1,518,817)</u>
Fund balance - beginning of year, as restated	<u>\$3,888,328</u>	<u>3,651,873</u>	<u>125,856,319</u>

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

(10) Prior Period Adjustments, (Continued)

Business-Type Activities

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning net assets of the TDA Fund to record the accrual of intergovernmental revenue earned in the prior year. The following summarizes the effect of the prior period adjustment to the beginning net assets as of July 1, 2005:

	<u>TDA Fund</u>	<u>Business-Type Activities</u>
Net assets – beginning of year, as previously reported	\$5,464,587	13,644,300
To record the accrual of intergovernmental revenue earned in the prior year.	<u>260,841</u>	<u>260,841</u>
Net assets - beginning of year, as restated	<u>\$5,725,428</u>	<u>13,905,141</u>

(11) Required Disclosures

The following funds had fund deficits at June 30, 2006:

Section 8 Housing Assistance Special Revenue Fund	\$(1,418,747)
Library Construction Capital Project Fund	(1,347,239)
Nutrition Program Special Revenue Fund	(1,174,052)

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2006:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Section 8 Housing Assistance Special Revenue Fund	\$8,246,924	8,647,685	(400,761)
Home Loan Program Special Revenue Fund	-	6,673	(6,673)
Community Development Commission Debt Service Fund	-	4,522,416	(4,522,416)
State – Local Partnership Capital Projects Fund	5,073	12,300	(7,227)

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CITY OF NATIONAL CITY

Notes to Required Supplementary Information

For the year ended June 30, 2006

(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 department within a fund. However, any revisions that increase the total budget of any department or 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, 2006, supplemental appropriations requiring City Council approval were insignificant. The legal level of control for appropriations is exercised at the department 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, 2006:

Section 8 Housing Assistance Special Revenue Fund	\$(1,418,747)
---	---------------

The following fund reported excess of expenditures over appropriations for the year ended June 30, 2006:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Section 8 Housing Assistance Special Revenue Fund	\$8,246,924	8,647,685	(400,761)

CITY OF NATIONAL CITY
General Fund

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

For the year ended June 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 24,838,139	24,838,139	25,627,904	789,765
Licenses and permits	813,848	813,848	874,854	61,006
Fines and forfeitures	1,073,000	1,073,000	1,003,262	(69,738)
Interest and rents	835,000	835,000	1,088,901	253,901
Intergovernmental	1,309,777	1,309,777	1,131,714	(178,063)
Charges for services	1,006,553	1,006,553	925,769	(80,784)
Other revenues	112,239	112,239	273,825	161,586
Total revenues	29,988,556	29,988,556	30,926,229	937,673
Expenditures:				
Current:				
General government	5,007,571	5,007,571	3,733,413	1,274,158
Public safety	25,434,531	25,434,531	23,688,513	1,746,018
Transportation	3,031,891	3,031,891	2,662,781	369,110
Community development	774,547	774,547	727,936	46,611
Culture and leisure	1,826,346	1,826,346	1,363,291	463,055
Capital outlay	230,284	230,284	417,755	(187,471)
Debt service:				
Principal	194,348	194,348	113,186	81,162
Interest and fiscal charges	61,713	61,713	61,526	187
Total expenditures	36,561,231	36,561,231	32,768,401	3,792,830
Excess (deficiency) of revenues over (under) expenditures	(6,572,675)	(6,572,675)	(1,842,172)	4,730,503
Other financing sources (uses):				
Proceeds from lease	-	-	359,999	359,999
Transfers in	3,800,000	3,800,000	3,800,000	-
Transfers out	(1,793,838)	(1,793,838)	(2,108,738)	(314,900)
Total other financing sources (uses)	2,006,162	2,006,162	2,051,261	45,099
Net change in fund balances	(4,566,513)	(4,566,513)	209,089	4,775,602
Fund balance, beginning of year	12,583,243	12,583,243	12,583,243	-
Fund balance, end of year	\$ 8,016,730	8,016,730	12,792,332	4,775,602

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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	13,384	13,384
Intergovernmental	<u>8,246,924</u>	<u>8,246,924</u>	<u>7,967,957</u>	<u>(278,967)</u>
Total revenues	<u>8,246,924</u>	<u>8,246,924</u>	<u>7,981,341</u>	<u>(265,583)</u>
Expenditures:				
Current:				
Community development	8,243,924	8,243,924	8,643,178	(399,254)
Capital outlay	<u>3,000</u>	<u>3,000</u>	<u>4,507</u>	<u>(1,507)</u>
Total expenditures	<u>8,246,924</u>	<u>8,246,924</u>	<u>8,647,685</u>	<u>(400,761)</u>
Net change in fund balances	-	-	(666,344)	(666,344)
Fund balance (deficit), beginning of year	<u>(752,403)</u>	<u>(752,403)</u>	<u>(752,403)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (752,403)</u>	<u>(752,403)</u>	<u>(1,418,747)</u>	<u>(666,344)</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 195,591	195,591	181,510	(14,081)
Licenses and permits	5,000	5,000	12,155	7,155
Fines and forfeitures	73,000	73,000	81,410	8,410
Interest and rents	-	-	45,940	45,940
Intergovernmental	5,694,003	5,694,003	4,042,360	(1,651,643)
Charges for services	187,921	187,921	502,177	314,256
Other revenues	-	-	535,311	535,311
Total revenues	<u>6,155,515</u>	<u>6,155,515</u>	<u>5,400,863</u>	<u>(754,652)</u>
Expenditures:				
Current:				
General government	1,310,859	1,310,859	1,660,967	(350,108)
Public safety	1,316,553	1,316,553	1,142,488	174,065
Community development	4,626,161	4,626,161	1,472,983	3,153,178
Health	242,936	242,936	161,066	81,870
Culture and leisure	3,405,692	3,405,692	2,496,674	909,018
Capital outlay	7,523,569	7,523,569	2,851,825	4,671,744
Debt service:				
Principal	294,229	294,229	294,229	-
Interest and fiscal charges	338,814	338,814	337,814	1,000
Total expenditures	<u>19,058,813</u>	<u>19,058,813</u>	<u>10,418,046</u>	<u>8,640,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,903,298)</u>	<u>(12,903,298)</u>	<u>(5,017,183)</u>	<u>7,886,115</u>
Other financing sources (uses):				
Transfers in	60,000	60,000	788,260	728,260
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>788,260</u>	<u>728,260</u>
Net change in fund balances	<u>(12,843,298)</u>	<u>(12,843,298)</u>	<u>(4,228,923)</u>	<u>8,614,375</u>
Fund balance, beginning of year	6,585,668	6,585,668	6,585,668	-
Fund balance (deficit), end of year	<u>\$ (6,257,630)</u>	<u>(6,257,630)</u>	<u>2,356,745</u>	<u>8,614,375</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Charges for services	\$ 7,106,000	7,106,000	7,883,477	777,477
Other revenues	<u>25,500</u>	<u>25,500</u>	<u>32,631</u>	<u>7,131</u>
Total revenues	<u>7,131,500</u>	<u>7,131,500</u>	<u>7,916,108</u>	<u>784,608</u>
Expenditures:				
Current:				
Health	9,900,469	9,900,469	5,888,623	4,011,846
Debt service:				
Principal	-	-	21,980	(21,980)
Interest	<u>-</u>	<u>-</u>	<u>274</u>	<u>(274)</u>
Total expenditures	<u>9,900,469</u>	<u>9,900,469</u>	<u>5,910,877</u>	<u>3,989,592</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,768,969)</u>	<u>(2,768,969)</u>	<u>2,005,231</u>	<u>4,774,200</u>
Other financing sources (uses):				
Proceeds from lease	<u>-</u>	<u>-</u>	<u>98,995</u>	<u>98,995</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>98,995</u>	<u>98,995</u>
Net change in fund balances	(2,768,969)	(2,768,969)	2,104,226	4,873,195
Fund balance, beginning of year	<u>10,480,903</u>	<u>10,480,903</u>	<u>10,480,903</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,711,934</u>	<u>7,711,934</u>	<u>12,585,129</u>	<u>4,873,195</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.

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.

Community Development Commission Fund

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

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.

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2006

	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	\$ 532,627	223,276	213,574	551,595	853,715	502,927
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	145	49,498	36,550
Property tax receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	7,834	-
Due from other governmental entities	-	6,479	7,550	9,573	109,977	-
Land held for resale	-	-	-	-	-	-
Contracts, notes and loans receivable	-	-	-	-	-	-
Total assets	\$ 532,627	229,755	221,124	561,313	1,021,024	539,477
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ -	-	8,277	-	309,703	-
Salaries payable	-	17,073	12,169	-	2,891	-
Due to other funds	-	212,682	200,678	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	229,755	221,124	-	312,594	-
Fund balances:						
Reserved:						
Encumbrances	-	-	-	-	17,709	-
Land held for resale	-	-	-	-	-	-
Contracts, loans, notes receivable	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total reserved	-	-	-	-	17,709	-
Unreserved, designated:						
Continuing appropriations	532,627	-	-	408,168	690,721	-
Total reserved, designated	532,627	-	-	408,168	690,721	-
Unreserved, undesignated:						
Special revenue funds	-	-	-	153,145	-	539,477
Capital projects funds	-	-	-	-	-	-
Total fund balances	532,627	-	-	561,313	708,430	539,477
Total liabilities and fund balances	\$ 532,627	229,755	221,124	561,313	1,021,024	539,477

Special Revenue Funds						Debt Service Funds	
Community Development Block Grant	Home Loan Program	HOME Program	Nutrition Program	Low and Moderate Income Housing Program	Asset Forfeiture	Joint Powers Financing Authority	Community Development Commission
727,425	2,768,963	1,506,302	-	3,422,567	398,990	-	-
-	-	-	-	-	-	251	2,739,122
-	-	-	69,391	-	-	-	-
-	-	-	-	78,977	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,705,802	-	360,000	-	-	-
1,957	586,639	805,027	-	1,534,357	-	-	-
<u>729,382</u>	<u>3,355,602</u>	<u>4,017,131</u>	<u>69,391</u>	<u>5,395,901</u>	<u>398,990</u>	<u>251</u>	<u>2,739,122</u>
120,052	67	68,016	21,032	67	633	-	-
-	-	-	-	-	-	-	-
-	-	-	1,208,386	-	-	-	-
-	-	-	14,025	-	-	-	-
<u>120,052</u>	<u>67</u>	<u>68,016</u>	<u>1,243,443</u>	<u>67</u>	<u>633</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	1,705,802	-	360,000	-	-	-
1,957	586,639	805,027	-	1,534,357	-	-	-
-	-	-	-	-	-	251	2,739,122
<u>1,957</u>	<u>586,639</u>	<u>2,510,829</u>	<u>-</u>	<u>1,894,357</u>	<u>-</u>	<u>251</u>	<u>2,739,122</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
607,373	2,768,896	1,438,286	(1,174,052)	3,501,477	398,357	-	-
-	-	-	-	-	-	-	-
<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>251</u>	<u>2,739,122</u>
<u>729,382</u>	<u>3,355,602</u>	<u>4,017,131</u>	<u>69,391</u>	<u>5,395,901</u>	<u>398,990</u>	<u>251</u>	<u>2,739,122</u>

(Continued)

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Balance Sheet, Continued

June 30, 2006

	Debt Service	Capital Projects Funds				Total Other Governmental Funds
		Library Bonds	Proposition A	STP Local/ TransNet Highway	State- Local Partnership	
ASSETS						
Cash and investments	\$ 489,691	3,098,864	529,681	106,808	204,472	16,131,477
Restricted cash and investments with fiscal agent	-	3,654	-	-	-	2,743,027
Accounts receivable	-	-	-	-	-	155,584
Property tax receivable	-	-	-	-	-	78,977
Interest receivable	-	28,601	4,880	986	-	42,301
Due from other governmental entities	2,913	-	-	-	522,277	658,769
Land held for resale	-	-	-	-	-	2,065,802
Contracts, notes and loans receivable	-	-	-	-	-	2,927,980
Total assets	\$ 492,604	3,131,119	534,561	107,794	726,749	24,803,917
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	236,194	-	-	-	764,041
Salaries payable	-	4,410	-	-	-	36,543
Due to other funds	-	-	-	-	-	1,621,746
Deferred revenue	-	74,169	-	107,794	-	195,988
Total liabilities	-	314,773	-	107,794	-	2,618,318
Fund balances:						
Reserved:						
Encumbrances	-	265,261	1,374	-	-	284,344
Land held for resale	-	-	-	-	-	2,065,802
Contracts, loans, notes receivable	-	-	-	-	-	2,927,980
Debt service	492,604	-	-	-	-	3,231,977
Total reserved	492,604	265,261	1,374	-	-	8,510,103
Unreserved, designated:						
Continuing appropriations	-	1,461,097	533,187	-	-	3,625,800
Total reserved, designated	-	1,461,097	533,187	-	-	3,625,800
Unreserved, undesignated:						
Special revenue funds	-	-	-	-	726,749	8,959,708
Capital projects funds	-	1,089,988	-	-	-	1,089,988
Total fund balances	492,604	2,816,346	534,561	-	726,749	22,185,599
Total liabilities and fund balances	\$ 492,604	3,131,119	534,561	107,794	726,749	24,803,917

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CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2006

	Special Revenue Funds					
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Park and Recreation Capital Outlay
Revenues:						
Taxes	\$ -	471,962	549,956	225,003	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rents	-	-	-	-	39,803	168,026
Intergovernmental	-	6,659	7,759	-	1,173,195	-
Charges for services	-	-	-	18,659	-	-
Other revenues	-	781	-	-	-	3,000
Total revenues	-	479,402	557,715	243,662	1,212,998	171,026
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Transportation	-	-	-	-	706,599	-
Community development	-	-	-	-	-	-
Culture and leisure	-	1,473,417	909,700	-	-	308
Capital outlay	-	-	-	111,635	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	1,473,417	909,700	111,635	706,599	308
Excess (deficiency) of revenues over (under) expenditures	-	(994,015)	(351,985)	132,027	506,399	170,718
Other financing sources (uses):						
Transfers in	-	982,466	338,012	-	-	-
Transfers out	(500,000)	-	-	-	(800,000)	-
Total other financing sources (uses)	(500,000)	982,466	338,012	-	(800,000)	-
Net change in fund balances	(500,000)	(11,549)	(13,973)	132,027	(293,601)	170,718
Fund balances (deficit), beginning of year, as restated	1,032,627	11,549	13,973	429,286	1,002,031	368,759
Fund balances (deficit), end of year	\$ 532,627	-	-	561,313	708,430	539,477

Special Revenue Funds						Debt Service Funds	
Community Development Block Grant	Home Loan Program	HOME Program	Nutrition Program	Low and Moderate Income Housing Program	Asset Forfeiture	Joint Powers Financing Authority	Community Development Commission
-	-	-	-	2,416,429	-	-	-
-	-	-	-	-	152,397	-	-
-	22,314	-	-	19,305	29,817	1,029	-
1,324,219	-	280,825	290,460	-	-	489,215	-
-	-	-	-	-	-	-	-
224	853	8,642	222,155	276,101	-	-	-
<u>1,324,443</u>	<u>23,167</u>	<u>289,467</u>	<u>512,615</u>	<u>2,711,835</u>	<u>182,214</u>	<u>490,244</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	11,905	-	-
524,628	6,673	228,680	881,690	50,808	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	800,784	-	-
-	-	-	-	-	-	280,000	2,395,000
-	-	-	-	-	-	209,993	2,127,416
<u>524,628</u>	<u>6,673</u>	<u>228,680</u>	<u>881,690</u>	<u>50,808</u>	<u>812,689</u>	<u>489,993</u>	<u>4,522,416</u>
<u>799,815</u>	<u>16,494</u>	<u>60,787</u>	<u>(369,075)</u>	<u>2,661,027</u>	<u>(630,475)</u>	<u>251</u>	<u>(4,522,416)</u>
-	-	-	-	-	-	-	4,522,416
-	-	-	-	(917,066)	-	-	-
-	-	-	-	(917,066)	-	-	4,522,416
799,815	16,494	60,787	(369,075)	1,743,961	(630,475)	251	-
(190,485)	3,339,041	3,888,328	(804,977)	3,651,873	1,028,832	-	2,739,122
<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>251</u>	<u>2,739,122</u>

(Continued)

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

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

Year ended June 30, 2006

	Debt Service	Capital Projects Funds			Total Other Governmental Funds	
	Library Bonds	Proposition A	STP Local/TransNet Highway	State-Local Partnership		Traffic Congestion Relief
Revenues:						
Taxes	\$ -	-	-	-	-	3,663,350
Fines and forfeitures	-	-	-	-	-	152,397
Interest and rents	-	187,333	17,994	3,632	-	489,253
Intergovernmental	-	3,125,831	-	-	726,749	7,424,912
Charges for services	-	-	-	-	-	18,659
Other revenues	499,265	-	-	-	-	1,011,021
Total revenues	499,265	3,313,164	17,994	3,632	726,749	12,759,592
Expenditures:						
Current:						
General government	1,128	-	-	-	-	1,128
Public safety	-	-	-	-	-	11,905
Transportation	-	-	-	-	-	706,599
Community development	-	-	-	-	-	1,692,479
Culture and leisure	-	-	-	-	-	2,383,425
Capital outlay	-	3,982,647	-	12,300	-	4,907,366
Debt service:						
Principal	120,000	-	-	-	-	2,795,000
Interest and fiscal charges	277,408	-	-	-	-	2,614,817
Total expenditures	398,536	3,982,647	-	12,300	-	15,112,719
Excess (deficiency) of revenues over (under) expenditures	100,729	(669,483)	17,994	(8,668)	726,749	(2,353,127)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	5,842,894
Transfers out	-	-	-	-	-	(2,217,066)
Total other financing sources (uses)	-	-	-	-	-	3,625,828
Net change in fund balances	100,729	(669,483)	17,994	(8,668)	726,749	1,272,701
Fund balances (deficit), beginning of year, as restated	391,875	3,485,829	516,567	8,668	-	20,912,898
Fund balances (deficit), end of year	\$ 492,604	2,816,346	534,561	-	726,749	22,185,599

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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Expenditures:				
Capital outlay	\$ 1,014,945	1,014,945	-	1,014,945
Total expenditures	1,014,945	1,014,945	-	1,014,945
Excess (deficiency) of revenues over (under) expenditures	(1,014,945)	(1,014,945)	-	1,014,945
Other financing sources (uses):				
Transfers out	(500,000)	(500,000)	(500,000)	-
Total other financing sources (uses)	(500,000)	(500,000)	(500,000)	-
Net change in fund balances	(1,514,945)	(1,514,945)	(500,000)	1,014,945
Fund balance, beginning of year	1,032,627	1,032,627	1,032,627	-
Fund balance (deficit), end of year	\$ (482,318)	(482,318)	532,627	1,014,945

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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 400,000	400,000	471,962	71,962
Intergovernmental	6,700	6,700	6,659	(41)
Other revenues	-	-	781	781
Total revenues	<u>406,700</u>	<u>406,700</u>	<u>479,402</u>	<u>72,702</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,601,557</u>	<u>1,601,557</u>	<u>1,473,417</u>	<u>128,140</u>
Total expenditures	<u>1,601,557</u>	<u>1,601,557</u>	<u>1,473,417</u>	<u>128,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,194,857)</u>	<u>(1,194,857)</u>	<u>(994,015)</u>	<u>200,842</u>
Other financing sources (uses):				
Transfers in	<u>1,195,148</u>	<u>1,195,148</u>	<u>982,466</u>	<u>(212,682)</u>
Total other financing sources (uses)	<u>1,195,148</u>	<u>1,195,148</u>	<u>982,466</u>	<u>(212,682)</u>
Net change in fund balances	291	291	(11,549)	(11,840)
Fund balance, beginning of year	<u>11,549</u>	<u>11,549</u>	<u>11,549</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,840</u>	<u>11,840</u>	<u>-</u>	<u>(11,840)</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 450,000	450,000	549,956	99,956
Intergovernmental	<u>7,700</u>	<u>7,700</u>	<u>7,759</u>	<u>59</u>
Total revenues	<u>457,700</u>	<u>457,700</u>	<u>557,715</u>	<u>100,015</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,009,392</u>	<u>1,009,392</u>	<u>909,700</u>	<u>99,692</u>
Total expenditures	<u>1,009,392</u>	<u>1,009,392</u>	<u>909,700</u>	<u>99,692</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(551,692)</u>	<u>(551,692)</u>	<u>(351,985)</u>	<u>199,707</u>
Other financing sources (uses):				
Transfers in	<u>538,690</u>	<u>538,690</u>	<u>338,012</u>	<u>(200,678)</u>
Total other financing sources (uses)	<u>538,690</u>	<u>538,690</u>	<u>338,012</u>	<u>(200,678)</u>
Net change in fund balances	(13,002)	(13,002)	(13,973)	(971)
Fund balance, beginning of year	<u>13,973</u>	<u>13,973</u>	<u>13,973</u>	<u>-</u>
Fund balance, end of year	<u>\$ 971</u>	<u>971</u>	<u>-</u>	<u>(971)</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 130,000	130,000	225,003	95,003
Charges for services	12,000	12,000	18,659	6,659
Total revenues	<u>142,000</u>	<u>142,000</u>	<u>243,662</u>	<u>101,662</u>
Expenditures:				
Capital outlay	520,461	520,461	111,635	408,826
Total expenditures	<u>520,461</u>	<u>520,461</u>	<u>111,635</u>	<u>408,826</u>
Net change in fund balances	(378,461)	(378,461)	132,027	510,488
Fund balance, beginning of year	<u>429,286</u>	<u>429,286</u>	<u>429,286</u>	<u>-</u>
Fund balance, end of year	<u>\$ 50,825</u>	<u>50,825</u>	<u>561,313</u>	<u>510,488</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ 12,000	12,000	39,803	27,803
Intergovernmental	<u>1,119,500</u>	<u>1,119,500</u>	<u>1,173,195</u>	<u>53,695</u>
Total revenues	<u>1,131,500</u>	<u>1,131,500</u>	<u>1,212,998</u>	<u>81,498</u>
Expenditures:				
Current:				
Transportation	<u>1,504,800</u>	<u>1,504,800</u>	<u>706,599</u>	<u>798,201</u>
Total expenditures	<u>1,504,800</u>	<u>1,504,800</u>	<u>706,599</u>	<u>798,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(373,300)</u>	<u>(373,300)</u>	<u>506,399</u>	<u>879,699</u>
Other financing sources (uses):				
Transfers out	<u>(800,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(800,000)</u>	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
Net change in fund balances	(1,173,300)	(1,173,300)	(293,601)	879,699
Fund balance, beginning of year	<u>1,002,031</u>	<u>1,002,031</u>	<u>1,002,031</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (171,269)</u>	<u>(171,269)</u>	<u>708,430</u>	<u>879,699</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 15,000	15,000	-	(15,000)
Interest and rents	120,000	120,000	168,026	48,026
Other revenues	-	-	3,000	3,000
Total revenues	<u>135,000</u>	<u>135,000</u>	<u>171,026</u>	<u>36,026</u>
Expenditures:				
Current:				
Culture and leisure	100,308	100,308	308	100,000
Total expenditures	<u>100,308</u>	<u>100,308</u>	<u>308</u>	<u>100,000</u>
Net change in fund balances	34,692	34,692	170,718	136,026
Fund balance, beginning of year	<u>368,759</u>	<u>368,759</u>	<u>368,759</u>	<u>-</u>
Fund balance, end of year	<u>\$ 403,451</u>	<u>403,451</u>	<u>539,477</u>	<u>136,026</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, 2006

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,259,999	1,259,999	1,324,219	64,220
Other revenues	-	-	224	224
Total revenues	<u>1,259,999</u>	<u>1,259,999</u>	<u>1,324,443</u>	<u>64,444</u>
Expenditures:				
Current:				
Community development	<u>1,259,999</u>	<u>1,259,999</u>	<u>524,628</u>	<u>735,371</u>
Total expenditures	<u>1,259,999</u>	<u>1,259,999</u>	<u>524,628</u>	<u>735,371</u>
Net change in fund balances	-	-	799,815	799,815
Fund balance (deficit), beginning of year	<u>(190,485)</u>	<u>(190,485)</u>	<u>(190,485)</u>	-
Fund balance (deficit), end of year	<u>\$ (190,485)</u>	<u>(190,485)</u>	<u>609,330</u>	<u>799,815</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Interest and rents	\$ 50,000	50,000	22,314	(27,686)
Other revenues	-	-	853	853
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>23,167</u>	<u>(26,833)</u>
Expenditures:				
Current:				
Community development	-	-	6,673	(6,673)
Total expenditures	<u>-</u>	<u>-</u>	<u>6,673</u>	<u>(6,673)</u>
Net change in fund balances	50,000	50,000	16,494	(33,506)
Fund balance, beginning of year	<u>3,339,041</u>	<u>3,339,041</u>	<u>3,339,041</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,389,041</u>	<u>3,389,041</u>	<u>3,355,535</u>	<u>(33,506)</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,443,088	1,443,088	280,825	(1,162,263)
Other revenues	-	-	8,642	8,642
Total revenues	<u>1,443,088</u>	<u>1,443,088</u>	<u>289,467</u>	<u>(1,153,621)</u>
Expenditures:				
Current:				
Community development	1,443,088	1,443,088	228,680	1,214,408
Total expenditures	<u>1,443,088</u>	<u>1,443,088</u>	<u>228,680</u>	<u>1,214,408</u>
Net change in fund balances	-	-	60,787	60,787
Fund balance, beginning of year, as restated	<u>3,888,328</u>	<u>3,888,328</u>	<u>3,888,328</u>	-
Fund balance, end of year	<u>\$ 3,888,328</u>	<u>3,888,328</u>	<u>3,949,115</u>	<u>60,787</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 347,713	347,713	290,460	(57,253)
Other revenues	<u>306,200</u>	<u>306,200</u>	<u>222,155</u>	<u>(84,045)</u>
Total revenues	<u>653,913</u>	<u>653,913</u>	<u>512,615</u>	<u>(141,298)</u>
Expenditures:				
Current:				
Community development	<u>893,827</u>	<u>893,827</u>	<u>881,690</u>	<u>12,137</u>
Total expenditures	<u>893,827</u>	<u>893,827</u>	<u>881,690</u>	<u>12,137</u>
Net change in fund balances	(239,914)	(239,914)	(369,075)	(129,161)
Fund balance (deficit), beginning of year	<u>(804,977)</u>	<u>(804,977)</u>	<u>(804,977)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (1,044,891)</u>	<u>(1,044,891)</u>	<u>(1,174,052)</u>	<u>(129,161)</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,899,800	1,899,800	2,416,429	516,629
Interest and rents	15,000	15,000	19,305	4,305
Other revenues	435,000	435,000	276,101	(158,899)
Total revenues	<u>2,349,800</u>	<u>2,349,800</u>	<u>2,711,835</u>	<u>362,035</u>
Expenditures:				
Current:				
Community development	77,962	77,962	50,808	27,154
Total expenditures	<u>77,962</u>	<u>77,962</u>	<u>50,808</u>	<u>27,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,271,838</u>	<u>2,271,838</u>	<u>2,661,027</u>	<u>389,189</u>
Other financing sources (uses):				
Transfers out	(917,066)	(917,066)	(917,066)	-
Total other financing sources (uses)	<u>(917,066)</u>	<u>(917,066)</u>	<u>(917,066)</u>	<u>-</u>
Net change in fund balances	1,354,772	1,354,772	1,743,961	389,189
Fund balance, beginning of year, as restated	<u>3,651,873</u>	<u>3,651,873</u>	<u>3,651,873</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,006,645</u>	<u>5,006,645</u>	<u>5,395,834</u>	<u>389,189</u>

CITY OF NATIONAL CITY
Asset Forfeiture Special Revenue Fund

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

For the year ended June 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 194,827	194,827	152,397	(42,430)
Interest and rents	-	-	29,817	29,817
Total revenues	<u>194,827</u>	<u>194,827</u>	<u>182,214</u>	<u>(12,613)</u>
Expenditures:				
Current:				
Public safety	11,905	11,905	11,905	-
Capital outlay	857,789	857,789	800,784	57,005
Total expenditures	<u>869,694</u>	<u>869,694</u>	<u>812,689</u>	<u>57,005</u>
Net change in fund balances	(674,867)	(674,867)	(630,475)	44,392
Fund balance, beginning of year	<u>1,028,832</u>	<u>1,028,832</u>	<u>1,028,832</u>	<u>-</u>
Fund balance, end of year	<u>\$ 353,965</u>	<u>353,965</u>	<u>398,357</u>	<u>44,392</u>

CITY OF NATIONAL CITY
 Joint Powers Financing Authority Debt Service Fund

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

For the year ended June 30, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	1,029	1,029
Intergovernmental	-	-	489,215	489,215
Total revenues	-	-	490,244	490,244
Expenditures:				
Debt service				
Principal	280,000	280,000	280,000	-
Interest and fiscal charges	210,063	210,063	209,993	70
Total expenditures	490,063	490,063	489,993	70
Net change in fund balances	(490,063)	(490,063)	251	490,314
Fund balance, beginning of year	-	-	-	-
Fund balance (deficit), end of year	\$ (490,063)	(490,063)	251	490,314

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, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Debt service:				
Principal payments	\$ -	-	2,395,000	(2,395,000)
Interest and fiscal charges	-	-	2,127,416	(2,127,416)
Total expenditures	-	-	4,522,416	(4,522,416)
Excess (deficiency) of revenues over expenditures	-	-	(4,522,416)	(4,522,416)
Other financing sources (uses):				
Transfers in	-	-	4,522,416	4,522,416
Total other financing sources (uses)	-	-	4,522,416	4,522,416
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	2,739,122	2,739,122	2,739,122	-
Fund balance, end of year	\$ 2,739,122	2,739,122	2,739,122	-

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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Other revenues	\$ -	-	499,265	499,265
Total revenues	-	-	499,265	499,265
Expenditures:				
Current:				
General government	1,128	1,128	1,128	-
Debt service				
Principal	120,000	120,000	120,000	-
Interest and fiscal charges	277,408	277,408	277,408	-
Total expenditures	398,536	398,536	398,536	-
Net change in fund balances	(398,536)	(398,536)	100,729	499,265
Fund balance, beginning of year	391,875	391,875	391,875	-
Fund balance (deficit), end of year	\$ (6,661)	(6,661)	492,604	499,265

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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	187,333	187,333
Intergovernmental	<u>3,864,000</u>	<u>3,864,000</u>	<u>3,125,831</u>	<u>(738,169)</u>
Total revenues	<u>3,864,000</u>	<u>3,864,000</u>	<u>3,313,164</u>	<u>(550,836)</u>
Expenditures:				
Capital outlay	<u>5,623,247</u>	<u>5,623,247</u>	<u>3,982,647</u>	<u>1,640,600</u>
Total expenditures	<u>5,623,247</u>	<u>5,623,247</u>	<u>3,982,647</u>	<u>1,640,600</u>
Net change in fund balances	(1,759,247)	(1,759,247)	(669,483)	1,089,764
Fund balance, beginning of year	<u>3,485,829</u>	<u>3,485,829</u>	<u>3,485,829</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,726,582</u>	<u>1,726,582</u>	<u>2,816,346</u>	<u>1,089,764</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	17,994	17,994
Total revenues	-	-	17,994	17,994
Expenditures:				
Capital outlay	1,604,884	1,604,884	-	1,604,884
Total expenditures	1,604,884	1,604,884	-	1,604,884
Net change in fund balances	(1,604,884)	(1,604,884)	17,994	1,622,878
Fund balance, beginning of year	516,567	516,567	516,567	-
Fund balance (deficit), end of year	<u>\$ (1,088,317)</u>	<u>(1,088,317)</u>	<u>534,561</u>	<u>1,622,878</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	3,632	3,632
Total revenues	-	-	3,632	3,632
Expenditures:				
Capital outlay	5,073	5,073	12,300	(7,227)
Total expenditures	5,073	5,073	12,300	(7,227)
Net change in fund balances	(5,073)	(5,073)	(8,668)	(3,595)
Fund balance, beginning of year	8,668	8,668	8,668	-
Fund balance, end of year	\$ 3,595	3,595	-	(3,595)

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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	-	726,749	726,749
Total revenues	-	-	726,749	726,749
Expenditures:				
Current:				
Transportation	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	-	-	726,749	726,749
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	-	726,749	726,749

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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 7,599,200	7,599,200	9,665,716	2,066,516
Interest and rents	180,000	180,000	299,892	119,892
Intergovernmental	538,394	538,394	37,735	(500,659)
Other revenues	<u>8,138,720</u>	<u>8,138,720</u>	<u>809,366</u>	<u>(7,329,354)</u>
Total revenues	<u>16,456,314</u>	<u>16,456,314</u>	<u>10,812,709</u>	<u>(5,643,605)</u>
Expenditures:				
Current:				
Community development	24,206,665	24,206,665	10,779,223	13,427,442
Capital outlay	<u>83,250</u>	<u>83,250</u>	<u>71,682</u>	<u>11,568</u>
Total expenditures	<u>24,289,915</u>	<u>24,289,915</u>	<u>10,850,905</u>	<u>13,439,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,833,601)</u>	<u>(7,833,601)</u>	<u>(38,196)</u>	<u>7,795,405</u>
Other financing sources (uses):				
Transfers out	<u>(3,845,302)</u>	<u>(3,845,302)</u>	<u>(3,605,350)</u>	<u>239,952</u>
Total other financing sources (uses)	<u>(3,845,302)</u>	<u>(3,845,302)</u>	<u>(3,605,350)</u>	<u>239,952</u>
Net change in fund balances	(11,678,903)	(11,678,903)	(3,643,546)	8,035,357
Fund balance, beginning of year	<u>22,379,383</u>	<u>22,379,383</u>	<u>22,379,383</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,700,480</u>	<u>10,700,480</u>	<u>18,735,837</u>	<u>8,035,357</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	10,860	10,860
Total revenues	-	-	10,860	10,860
Expenditures:				
Current:				
Public safety	1,112,056	1,112,056	941,537	170,519
Transportation	-	-	-	-
Total expenditures	1,112,056	1,112,056	941,537	170,519
Net change in fund balances	(1,112,056)	(1,112,056)	(930,677)	181,379
Fund balance, beginning of year	1,380,048	1,380,048	1,380,048	-
Fund balance, end of year	<u>\$ 267,992</u>	<u>267,992</u>	<u>449,371</u>	<u>181,379</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, 2006

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	9,092	9,092
Intergovernmental	-	-	3,741,310	3,741,310
Total revenues	-	-	3,750,402	3,750,402
Expenditures:				
Capital outlay	3,070,255	3,070,255	2,704,462	365,793
Total expenditures	3,070,255	3,070,255	2,704,462	365,793
Net change in fund balances	(3,070,255)	(3,070,255)	1,045,940	4,116,195
Fund balance (deficit), beginning of year	(2,393,179)	(2,393,179)	(2,393,179)	-
Fund balance (deficit), end of year	\$ (5,463,434)	(5,463,434)	(1,347,239)	4,116,195

INTERNAL SERVICE FUNDS

Facilities Maintenance Fund

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

Liability Insurance Fund

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

General Services Fund

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

Information Systems Maintenance Fund

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

Office Equipment Depreciation Fund

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

Telecommunications Revolving Fund

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

General Accounting Services Fund

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

Motor Vehicle Services Fund

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

Equipment Replacement Reserve Fund

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

Unemployment Insurance Reserve Fund

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

CITY OF NATIONAL CITY
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	<u>Facilities Maintenance</u>	<u>Liability Insurance</u>	<u>General Services</u>	<u>Information Systems Maintenance</u>	<u>Office Equipment Depreciation</u>
<u>ASSETS</u>					
Current assets:					
Cash and investments	\$ 524,517	5,516,857	88,357	464,674	1,897,914
Accounts receivable	138	-	-	275,858	-
Due from other funds	-	-	-	-	-
Inventories	-	-	24,912	-	-
Prepaid items and deposits	-	-	-	-	-
Total current assets	<u>524,655</u>	<u>5,516,857</u>	<u>113,269</u>	<u>740,532</u>	<u>1,897,914</u>
Noncurrent assets:					
Capital assets:					
Depreciable assets, net of accumulated depreciation	-	-	-	149,801	8,027
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,801</u>	<u>8,027</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,801</u>	<u>8,027</u>
Total assets	<u>524,655</u>	<u>5,516,857</u>	<u>113,269</u>	<u>890,333</u>	<u>1,905,941</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	55,630	50,682	10,067	21,459	17,502
Salaries payable	13,033	-	3,879	2,257	-
Due to other funds	-	-	-	-	-
Compensated absences	47,665	-	26,665	-	-
Self-insurance claims payable - due within one year	-	400,000	-	-	-
Total current liabilities	<u>116,328</u>	<u>450,682</u>	<u>40,611</u>	<u>23,716</u>	<u>17,502</u>
Noncurrent liabilities:					
Self-insurance claims payable - due in more than one year	-	1,705,127	-	-	-
Total liabilities	<u>116,328</u>	<u>2,155,809</u>	<u>40,611</u>	<u>23,716</u>	<u>17,502</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	-	-	-	149,801	8,027
Unrestricted	408,327	3,361,048	72,658	716,816	1,880,412
Total net assets (deficit)	<u>\$ 408,327</u>	<u>3,361,048</u>	<u>72,658</u>	<u>866,617</u>	<u>1,888,439</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>
745,589	72,990	63,535	320,000	69,433	9,763,866
-	-	-	-	-	275,996
-	28,869	-	-	-	28,869
-	-	-	-	-	24,912
-	-	-	-	-	-
<u>745,589</u>	<u>101,859</u>	<u>63,535</u>	<u>320,000</u>	<u>69,433</u>	<u>10,093,643</u>
<u>25,199</u>	<u>-</u>	<u>1,592,406</u>	<u>-</u>	<u>-</u>	<u>1,775,433</u>
<u>25,199</u>	<u>-</u>	<u>1,592,406</u>	<u>-</u>	<u>-</u>	<u>1,775,433</u>
<u>25,199</u>	<u>-</u>	<u>1,592,406</u>	<u>-</u>	<u>-</u>	<u>1,775,433</u>
<u>770,788</u>	<u>101,859</u>	<u>1,655,941</u>	<u>320,000</u>	<u>69,433</u>	<u>11,869,076</u>
19,069	8,348	41,574	-	-	224,331
1,220	6,209	6,261	-	-	32,859
9,619	-	-	-	-	9,619
-	26,674	27,597	-	-	128,601
-	-	-	-	-	400,000
<u>29,908</u>	<u>41,231</u>	<u>75,432</u>	<u>-</u>	<u>-</u>	<u>795,410</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,705,127</u>
<u>29,908</u>	<u>41,231</u>	<u>75,432</u>	<u>-</u>	<u>-</u>	<u>2,500,537</u>
25,199	-	1,592,406	-	-	1,775,433
<u>715,681</u>	<u>60,628</u>	<u>(11,897)</u>	<u>320,000</u>	<u>69,433</u>	<u>7,593,106</u>
<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>

CITY OF NATIONAL CITY

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2006

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Operating revenues:					
Services charges	\$ 2,099,040	2,474,855	432,972	782,049	442,675
Other revenues	-	2,689,167	-	-	-
Total operating revenues	<u>2,099,040</u>	<u>5,164,022</u>	<u>432,972</u>	<u>782,049</u>	<u>442,675</u>
Operating expenses:					
Personnel services	716,403	10,418	177,507	148,122	46,626
Maintenance and operations	1,245,678	1,821,312	147,356	365,218	188,580
Depreciation	-	-	-	44,228	7,185
Total operating expenses	<u>1,962,081</u>	<u>1,831,730</u>	<u>324,863</u>	<u>557,568</u>	<u>242,391</u>
Operating income (loss)	136,959	3,332,292	108,109	224,481	200,284
Transfers in	-	-	-	-	-
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>
Change in net assets	(363,041)	2,832,292	108,109	224,481	(799,716)
Net assets (deficit), beginning of year	<u>771,368</u>	<u>528,756</u>	<u>(35,451)</u>	<u>642,136</u>	<u>2,688,155</u>
Net assets, end of year	<u>\$ 408,327</u>	<u>3,361,048</u>	<u>72,658</u>	<u>866,617</u>	<u>1,888,439</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>
426,664	865,896	1,577,328	-	38,820	9,140,299
-	-	-	-	-	2,689,167
<u>426,664</u>	<u>865,896</u>	<u>1,577,328</u>	<u>-</u>	<u>38,820</u>	<u>11,829,466</u>
93,216	466,802	397,639	-	-	2,056,733
65,012	300,842	704,525	-	38,318	4,876,841
7,917	-	336,236	-	-	395,566
<u>166,145</u>	<u>767,644</u>	<u>1,438,400</u>	<u>-</u>	<u>38,318</u>	<u>7,329,140</u>
260,519	98,252	138,928	-	502	4,500,326
-	-	-	-	-	-
<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>(100,000)</u>	<u>(2,500,000)</u>
260,519	(101,748)	138,928	(200,000)	(99,498)	2,000,326
<u>480,361</u>	<u>162,376</u>	<u>1,441,581</u>	<u>520,000</u>	<u>168,931</u>	<u>7,368,213</u>
<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>

CITY OF NATIONAL CITY
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2006

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Cash flows from operating activities:					
Cash received from customers/other funds	\$ 2,099,040	2,474,855	432,972	782,049	442,675
Cash payments to suppliers	(1,245,678)	(1,821,312)	(136,497)	(354,530)	(173,072)
Cash payments for general and administrative	(714,445)	(22,912)	(177,507)	(148,122)	(46,626)
Cash received from (payments to) other	-	4,294	-	-	-
Net cash provided (used) by operating activities	<u>138,917</u>	<u>634,925</u>	<u>118,968</u>	<u>279,397</u>	<u>222,977</u>
Cash flows from capital and related financing activities:					
Acquisition or disposal of capital assets	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-	-	-
Cash flows from non-capital financing activities:					
Cash received from other funds	-	-	-	-	-
Cash paid to other funds	(500,000)	(500,000)	(30,611)	-	(1,000,000)
Net cash provided (used) by non-capital financing activities	<u>(500,000)</u>	<u>(500,000)</u>	<u>(30,611)</u>	<u>-</u>	<u>(1,000,000)</u>
Net increase (decrease) in cash and cash equivalents	(361,083)	134,925	88,357	279,397	(777,023)
Cash and investments:					
Beginning of year	885,600	5,381,932	-	185,277	2,674,937
End of year	<u>\$ 524,517</u>	<u>5,516,857</u>	<u>88,357</u>	<u>464,674</u>	<u>1,897,914</u>
Cash flows from operating activities:					
Operating income (loss)	<u>\$ 136,959</u>	<u>3,332,292</u>	<u>108,109</u>	<u>224,481</u>	<u>200,284</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	44,228	7,185
Changes in current assets and liabilities:					
Accounts receivable	(138)	-	-	-	-
Inventories	-	-	1,637	-	-
Prepaid items and deposits	-	3,933	-	-	-
Accounts payable and accrued liabilities	(17,991)	21,886	7,598	10,971	15,508
Salaries payable	2,486	(1,724)	379	(283)	-
Compensated absences	17,601	(36,589)	1,245	-	-
Self-insurance claims payable	-	(2,684,873)	-	-	-
Total adjustments	<u>1,958</u>	<u>(2,697,367)</u>	<u>10,859</u>	<u>54,916</u>	<u>22,693</u>
Net cash provided (used) by operating activities	<u>\$ 138,917</u>	<u>634,925</u>	<u>118,968</u>	<u>279,397</u>	<u>222,977</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>
426,664	865,896	1,542,812	-	38,712	9,105,675
(65,012)	(300,842)	(704,525)	-	(38,318)	(4,839,786)
(91,169)	(455,650)	(397,639)	-	-	(2,054,070)
-	-	-	-	-	4,294
<u>270,483</u>	<u>109,404</u>	<u>440,648</u>	<u>-</u>	<u>394</u>	<u>2,216,113</u>
-	-	(37,544)	-	-	(37,544)
-	-	(37,544)	-	-	(37,544)
9,619	-	-	-	-	9,619
-	(228,869)	(339,569)	(200,000)	(100,000)	(2,899,049)
<u>9,619</u>	<u>(228,869)</u>	<u>(339,569)</u>	<u>(200,000)</u>	<u>(100,000)</u>	<u>(2,889,430)</u>
280,102	(119,465)	63,535	(200,000)	(99,606)	(710,861)
465,487	192,455	-	520,000	169,039	10,474,727
<u>745,589</u>	<u>72,990</u>	<u>63,535</u>	<u>320,000</u>	<u>69,433</u>	<u>9,763,866</u>
260,519	98,252	138,928	-	502	4,500,326
7,917	-	336,236	-	-	395,566
-	-	5,772	-	-	5,634
-	-	-	-	-	1,637
-	-	-	-	-	3,933
3,590	1,560	(16,747)	-	(108)	26,267
(1,543)	(3,692)	(740)	-	-	(5,117)
-	13,284	(22,801)	-	-	(27,260)
-	-	-	-	-	(2,684,873)
<u>9,964</u>	<u>11,152</u>	<u>301,720</u>	<u>-</u>	<u>(108)</u>	<u>(2,284,213)</u>
<u>270,483</u>	<u>109,404</u>	<u>440,648</u>	<u>-</u>	<u>394</u>	<u>2,216,113</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.

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CITY OF NATIONAL CITY
Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>COBRA INSURANCE FUND</u>				
Assets:				
Cash and investments	\$ 4,014	70,826	69,615	5,225
Total assets	<u>\$ 4,014</u>	<u>70,826</u>	<u>69,615</u>	<u>5,225</u>
Liabilities:				
Accounts payable	\$ 4,014	142,086	140,875	5,225
Total liabilities	<u>\$ 4,014</u>	<u>142,086</u>	<u>140,875</u>	<u>5,225</u>
	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>MISCELLANEOUS DEPOSITS FUND</u>				
Assets:				
Cash and investments	\$ 282,571	453,481	179,880	556,172
Total assets	<u>\$ 282,571</u>	<u>453,481</u>	<u>179,880</u>	<u>556,172</u>
Liabilities:				
Accounts payable	\$ 282,571	627,252	353,651	556,172
Total liabilities	<u>\$ 282,571</u>	<u>627,252</u>	<u>353,651</u>	<u>556,172</u>
	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>TOTAL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 286,585	524,307	249,495	561,397
Total assets	<u>\$ 286,585</u>	<u>524,307</u>	<u>249,495</u>	<u>561,397</u>
Liabilities:				
Accounts payable	\$ 286,585	769,338	494,526	561,397
Total liabilities	<u>\$ 286,585</u>	<u>769,338</u>	<u>494,526</u>	<u>561,397</u>

