

CITY OF NATIONAL CITY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2008

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Prepared by:
Finance Department

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March 31, 2009

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

The Comprehensive Annual Financial Report of the City of National City for the fiscal year ended June 30, 2008 is hereby submitted in accordance with Title 2.16.100(N) of the National City Municipal Code and section 25253 of the Government Code of the State of California. The City is responsible for the accuracy, completeness, and fair presentation of this report. Under the direction of the City's Director of Finance our financial reports are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various Funds, account groups and component units of the City. It is believed that all disclosures necessary have been included in order to enable the reader to gain maximum understanding of the City's financial affairs as of June 30, 2008.

As required by the City of National City Municipal Code, Title 2.16.100(N), the independent auditing firm Mayer Hoffman McCann, P.C. has reviewed the City's financial records and the internal control system. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of National City for the fiscal year ended June 30, 2008, are free of material misstatements. The audit firm of Mayer Hoffman McCann, P.C., has issued an unqualified opinion on the City of National City's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

The Report is organized into three major sections:

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

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

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

GOVERNMENT

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

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

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

REPORTING ENTITY

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

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

BOARDS AND COMMISSIONS

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

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

FACTORS AFFECTING FINANCIAL CONDITION

The City's largest revenue stream, Sales Tax, has experienced significant declines over the past years. In 2004, the sales tax revenue was over \$16 million and now, in 2008, is a little under \$12 million. With this shortage, the City has done its part in enhancing its revenues and containing costs. Through the years, the City has received grants totaling over \$14 million, has enhanced the City's quality of life through investments in street resurfacing projects, safe routes to school projects, the Paradise Creek Educational Park as well as other community and cultural events. City staff has contained costs through savings in salaries, monitoring overall departmental and capital improvement program expenditures.

In June 6, 2006, voters approved Proposition D (District Tax), a 1% increase in local sales tax, which is effective for 10 years. Implementation of the district tax began on October 1, 2006 and has generated a cumulative total of 14.5 million in additional sales tax revenue. The City has repaid the General Fund Reserve that had been used to restore those services which had been previously cut. In November 2008, the District Tax was challenged to be overturned through Proposition M. Through the vote, the district tax was not repealed and the tax will remain in effect until 2016. The District Tax has been projected to generate approximately \$7 to \$9 million in revenues and is on target to continue at that rate.

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

In 2006, the Community Development Commission was consolidated with other City departments and was re-organized to report to the City Manager. In 2008, a Housing and Grants Division was established to oversee and coordinate all grants within the City and the Planning and Building and Safety Departments were consolidated under a Neighborhood Services Department. These organizational changes were completed to better serve the community, enhance services and create efficiencies within the City structure.

BUDGETARY CONTROLS

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

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

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

CASH MANAGEMENT POLICIES AND PRACTICES

The investment operations of the City are under the direction of the City Finance Director. The City Treasurer and the Finance Director share investment policy review, operations and approval. On an annual basis, the City's investment policy is reviewed and approved by the City Council. The Finance Director and Financial Services Officer monitor cash balances daily and invest temporarily idle funds in accordance with the California Government Code and the City's Investment Policy. The City employs a pooled cash system for various City funds to maximize interest income. Investment earnings are distributed based on average cash balance. During Fiscal Year 2007-2008, the City invested funds in the State of California Local Agency Investment Fund, certificates of deposit, money market and federal agency bonds.

RISK MANAGEMENT

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

MAJOR ACCOMPLISHMENTS

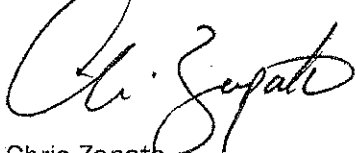
- Highland Avenue Streetscape Project – Construction was completed on Phase I, between 8th Street and 16th Street.
- National City Boulevard Streetscape Project – Construction was completed on Phase II, between 7th Street and 12th Street. The project included sidewalks, curbs, gutters, medians, decorative pedestrian ramps, electrical and landscape improvements.
- National City Street Resurfacing Project – Slurry seal and resurfacing of various city streets totaling \$8 million. The project included asphalt-rubber and aggregate membrane pavement, leveling course, concrete work and slurry seal resurfacing.

- Safe Routes to School Project - In general, the project included installation of reflective signage, flashing beacons, school crossing signs, in-roadway crosswalks, striping and pavement markings.
- Paradise Creek Educational Park - Construction was completed and includes a view pavilion, walking paths, interpretive elements, and native landscaping. Design and implementation included a joint partnership with the community and Kimball School.
- Paramedic Program - The City developed a plan to implement a paramedic program to improve pre-hospital medical care, which began on January 3, 2008.
- Strategic Plan - The City developed and adopted a Strategic Plan after holding three public workshops to facilitate public participation and receive community input. The Strategic Plan establishes goals and objectives to be achieved through the implementation of key plans, programs, and projects that were identified during the planning process.

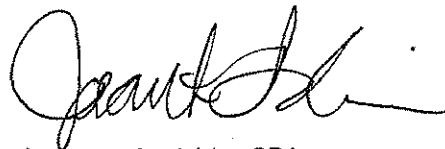
ACKNOWLEDGMENTS

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

Sincerely,



Chris Zapata
City Manager



Jeanette Ladrido, CPA
Director of Finance



DIRECTORY OF CITY OFFICIALS

City Council

Ron Morrison
Frank Parra
Fideles Ungab
Louie Natividad
Rosalie Zarate

Mayor
Vice Mayor
Council Member
Council Member
Council Member

City Treasurer

George Hood

City Clerk

Michael R. Dalla

City Manager

Chris Zapata

City Attorney

George H. Eiser

Assistant City Manager

Leslie Deese

Community Development Commission Executive Director

Brad Raulston

Department Heads

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

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of National City, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
March 31, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of National City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of National City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the close of fiscal year 2008 by \$158,435,271 (*net assets*). Of this amount, \$7,376,407 (*unrestricted net assets*) is for unrestricted uses in accordance with finance-related legal requirements reflected in the City's fund structure.
- The City's total net assets increased by \$6,200,827 or 4.1%. Net assets of governmental activities increased by \$10,805,325 and net assets of business type activities decreased by \$4,604,498.
- As of the close of fiscal year 2008, the City's governmental funds reported combined ending fund balances of \$87,961,844, an increase of \$10,381,419 or 13.4%. Total fund balance is broken-up as follows:

BALANCE SHEET Governmental Funds

Total Fund Balance \$87,961,844		
Reserves \$25,685,929 (29%)	Unreserved \$62,275,915 (71%)	
	Designated \$22,256,224 (25%)	Undesignated \$40,019,691 (46%)

- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$6,874,602 or 20 percent of total general fund expenditures. An increase of \$212,056 in comparison with the prior year.
- The City's total long-term debt had a net decrease of \$2,162,567 or 3 percent during fiscal year 2008.
- In 2006, the citizens of National City voted to implement a 1% district tax which will sunset in 2016. It was estimated that the district tax would provide additional revenues of \$7 to \$9 million per fiscal year. In fiscal year 2008, the district tax brought in \$8.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

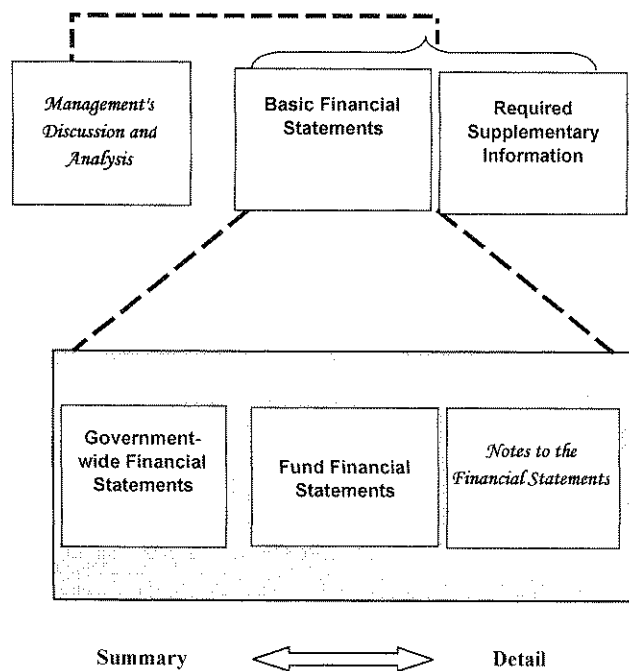
Government-Wide Financial Statements

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

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

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

Figure A-1
Required Components of
City of National City's Annual Financial Report



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



MANAGEMENT'S DISCUSSION AND ANALYSIS

and leisure, and community development. The business-type activities of the City of National City include the community development commission.

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

Fund Financial Statements

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

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

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Funds. The City of National City maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Kimball Towers and Morgan Towers. *Internal Service Fund* is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle operations, workers compensation insurance, general liability insurance, separation benefits, accounting services and technology development. The internal service funds predominantly benefit governmental rather than business-type functions; therefore they have been included within governmental activities in the government-wide financial statements.

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

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

Notes to the Basic Financial Statements

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

Other Information

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of National City, assets exceeded liabilities by \$158,435,271 at the close of the most recent fiscal year.

A portion of the City's net assets \$7,376,407 (4.8%) is unrestricted and may be used to meet the City's ongoing financial obligations. These are net assets that are not restricted by external requirements nor invested in capital.

Of the City's \$158,435,271 in net assets, \$123,615,284 (60%) reflects investment in capital assets (e.g., land, buildings, machinery, and equipment). The City of National City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of National City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net assets of the City also include \$55,078,752 of restricted net assets. These are assets representing resources subject to external restriction as to how they may be used by the City.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 108,905,722	\$ 101,785,338	\$ 2,198,738	\$ 2,138,229	\$ 111,104,460	\$ 103,923,567
Capital assets	115,177,024	117,953,932	8,438,260	13,429,521	123,615,284	131,383,453
Total assets	<u>224,082,746</u>	<u>219,739,270</u>	<u>10,636,998</u>	<u>15,567,750</u>	<u>234,719,744</u>	<u>235,307,020</u>
Long-term liabilities outstanding	<u>66,502,001</u>	<u>68,495,982</u>	<u>2,853,463</u>	<u>3,022,049</u>	<u>69,355,464</u>	<u>71,518,031</u>
Other liabilities	<u>6,727,072</u>	<u>9,460,232</u>	<u>201,937</u>	<u>359,605</u>	<u>6,929,009</u>	<u>9,819,837</u>
Total liabilities	<u>73,229,073</u>	<u>77,956,214</u>	<u>3,055,400</u>	<u>3,381,654</u>	<u>76,284,473</u>	<u>81,337,868</u>
Net assets:						
Invested in capital assets, net						
of related debt	<u>90,395,315</u>	<u>95,083,039</u>	<u>5,584,797</u>	<u>10,407,472</u>	<u>95,980,112</u>	<u>105,490,511</u>
Restricted	<u>53,081,951</u>	<u>41,250,048</u>	<u>1,996,801</u>	<u>1,778,624</u>	<u>55,078,752</u>	<u>43,028,672</u>
Unrestricted	<u>7,376,407</u>	<u>5,449,969</u>	<u>-</u>	<u>-</u>	<u>7,376,407</u>	<u>5,449,969</u>
Total net assets	<u>\$ 150,853,673</u>	<u>\$ 141,783,056</u>	<u>7,581,598</u>	<u>\$12,186,096</u>	<u>\$ 158,435,271</u>	<u>\$ 153,969,152</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the 2008 fiscal year, the City of National City is able to report positive balances in all three categories of net assets for the government as a whole and the separate governmental and business-type activities.

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

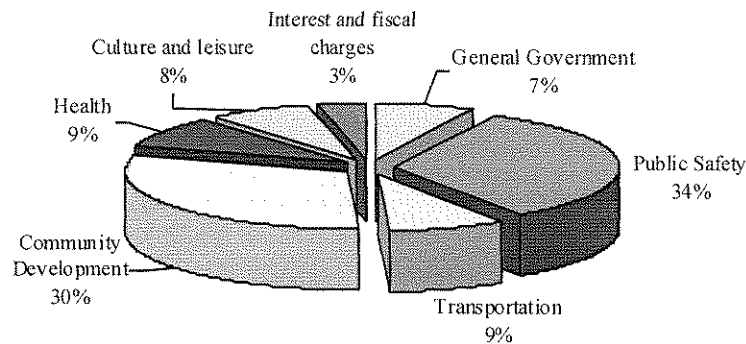
	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 12,366,305	\$ 12,896,049	\$ 2,044,277	\$ 2,846,533	\$ 14,410,582	\$ 15,742,582
Operating grants and contributions	26,090,615	23,016,167	-	990,340	26,090,615	24,006,507
Capital grants and contributions	112,107	166,994	-	-	112,107	166,994
General Revenue:						
Property tax	16,421,961	15,232,910	-	-	16,421,961	15,232,910
Sales and Use tax	24,072,743	22,102,515	-	-	24,072,743	22,102,515
Franchise tax	1,416,236	1,440,770	-	-	1,416,236	1,440,770
Other taxes	5,942,144	5,745,864	-	-	5,942,144	5,745,864
Investment earnings	3,369,224	3,405,789	27,618	82,069	3,396,842	3,487,858
Rent	305,082	85,527	-	-	305,082	85,527
Transfers	2,378,910	-	(2,378,910)	-	-	-
Total Revenues	92,475,327	84,092,585	(307,015)	3,918,942	92,168,312	88,011,527
Expenses:						
General government	5,881,015	5,219,116	-	-	5,881,015	5,219,116
Public safety	27,218,309	25,943,803	-	-	27,218,309	25,943,803
Transportation	7,144,911	2,680,880	-	-	7,144,911	2,680,880
Community development	24,841,387	22,209,522	-	-	24,841,387	22,209,522
Health	7,426,569	6,273,178	-	-	7,426,569	6,273,178
Culture and leisure	6,304,412	6,387,197	-	-	6,304,412	6,387,197
Interest and fiscal charges	2,853,399	2,768,004	-	-	2,853,399	2,768,004
TDA	-	-	2,218,661	2,689,687	2,218,661	2,689,687
Community Development Commission	-	-	2,078,822	2,059,738	2,078,822	2,059,738
Total Expenses	81,670,002	71,481,700	4,297,483	4,749,425	85,967,485	76,231,125
Increase (decrease) in net assets						
before transfers	10,805,325	12,610,885	(4,604,498)	(830,483)	6,200,827	11,780,402
Transfers	-	(27,714)	-	27,714	-	-
Increase (decrease) in net assets	10,805,325	12,583,171	(4,604,498)	(802,769)	6,200,827	11,780,402
Net assets - Beginning of Year (note 11)	140,048,348	129,199,885	12,186,096	12,988,865	152,234,444	142,188,750
Net assets - End of Year	\$ 150,853,673	\$ 141,783,056	\$ 7,581,598	\$ 12,186,096	\$ 158,435,271	\$ 153,969,152

Governmental Activities

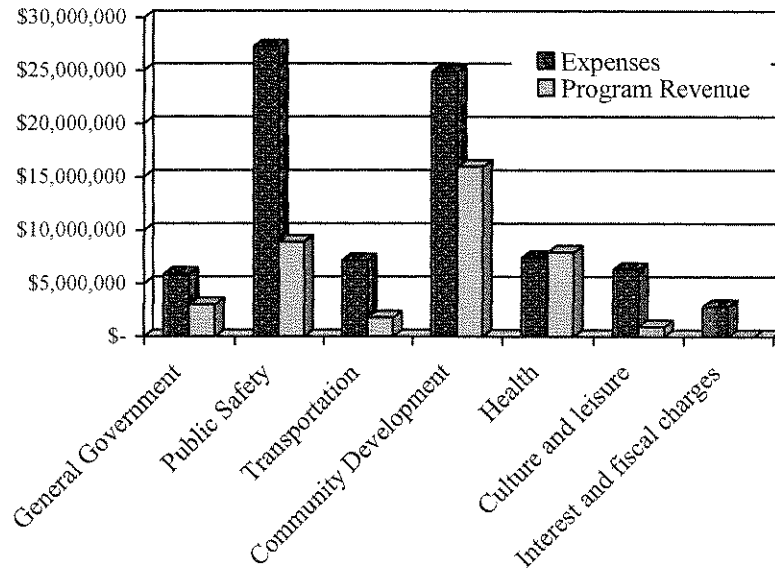
Governmental activities increased the City of National City's net assets by \$10,805,325 causing a 7 percent increase in the primary government's net assets. Key elements of this increase are as follows:

- Tax revenue increased by \$3,331,025 or 7.5 percent increase from fiscal year 2007. This change was primarily a result from increases in sales taxes (\$1,970,228), property taxes (\$1,189,051) and motor vehicle in lieu (\$262,722). Despite the nation-wide recession the City of National City was able to maintain fiscal sustainability during the fiscal year 2008 through the passing of Prop. D, which implemented a 1% district tax rate.
- Total program revenue for governmental activities increased by \$2,489,817 or 7 percent from fiscal year 2007. This change was mainly attributed to the increase in revenue from operating grants and contributions of \$3,074,448.

Program Expenses - Governmental Activities



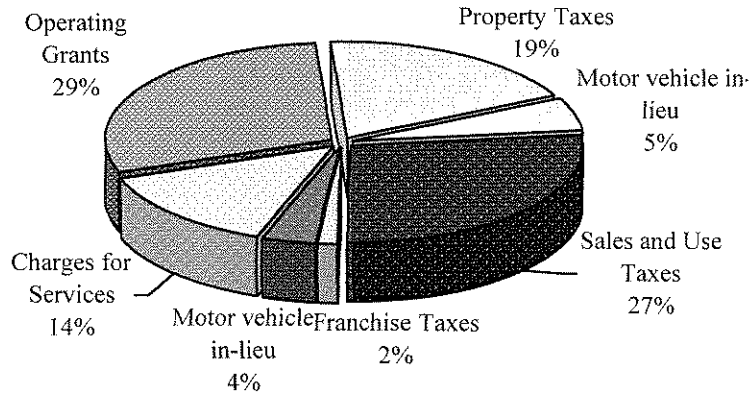
Expenses and Program Revenues- Governmental Activities



Intergovernmental revenues are grants and other revenues received from the state and federal government. Licenses and permits include amounts collected from the issuance of licenses and

permits required by the City of National City for various purposes. Revenues from fees collected by the City for a variety of services provided to the public are recorded as charges for services. Investment income reflects revenue from investment activity. Other revenue includes rent proceeds from the leasing of various government buildings.

Revenue By Source - Governmental Activities



Business-type Activities

Business-type activities had an immaterial impact on net assets. The National City transit program is no longer managed by the City of National City and is now operated by Metropolitan Transit System (MTS). The City's only current business type activity is the community development commission.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

Governmental Funds report the difference between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. The function of reserved fund balance is simply to isolate the portion of fund balance that is unavailable for the following period's budget. The unreserved fund balance can serve as a measure of current available financial resources.



MANAGEMENT'S DISCUSSION AND ANALYSIS

City Council may commit a portion of the unreserved fund balance by designation of fund balance to an intended future use.

As of the fiscal year ended June 30, 2008, the City of National City's governmental funds reported combined ending fund balances of \$87,961,844, an increase of \$10,381,419 in comparison with the prior year. Approximately 71 percent of the total fund balance amount, or \$62,275,915, constitutes unreserved fund balance, \$22,256,224 of this has been designated for specific purposes by City Council. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$2,278,611), 2) to pay debt service (\$4,696,770), 3) for land held for resale (\$10,995,136), 4) for a variety of other purposes (\$7,715,412).

The General Fund is the chief operating fund of the City. For the fiscal year ended June 30, 2008, unreserved fund balance of the General Fund was \$18,298,540 while total fund balance was \$20,026,232. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 53 percent of total General Fund expenditures, while total fund balance represents 58 percent of the same amount.

The total fund balance of the City's General Fund increased by \$2,478,732 or 14.1 percent, during the fiscal year ended June 30, 2008. Restated fund balance was \$17,547,500. Key factors in this increase are as follows:

- The Change in fund balance of the General Fund, from an increase of \$4,293,947 for fiscal year 2007 to an increase of \$2,478,732 for fiscal 2008, represents an overall change of approximately \$1.8 million.
- Revenue from taxes increased by \$2.3 million or 7.2 percent from the prior year. This increase is mainly attributed to the passing of Proposition D, which implemented one cent district tax. In more detail, the change in tax revenue is comprised of increases in: sales taxes of \$1,970,228 or 8.9 percent, property taxes of \$1,189,051 or 7.8 percent and motor vehicle in lieu of \$262,722 or 5.4 percent.
- Interest and Rent Revenue increased \$112,865 or 5.5 percent from the prior year. This increase is mainly attributed to the increase in interest revenue. The increase in tax revenue has continued to increase in the City's cash flow allowing more opportunity to invest.



MANAGEMENT'S DISCUSSION AND ANALYSIS

- Revenue from fines and forfeitures increased \$301,591 or 38.5 percent. This increase is partially attributed to the adoption of a revised fee schedule, which became in affect September 15, 2008.

The Section 8 Housing Assistance Fund has a fund balance of \$1,155,443, which is an increase of \$1,348,076 from the prior year deficit of (\$192,633). The key factors contributing to this increase are as follows:

- Total revenues increased \$1,233,771 or 15 percent, whereas total expenditures decreased \$53,662 or .6 percent.
- Intergovernmental revenues increased \$1,222,537 or 14.9 percent. This was mainly attributed to the end of year settlement of \$582,582.02 which was received by the City during the fiscal year 2008. Interest and rent revenue was not produced this year. However \$41,269 of the funds revenue was attributed from other revenue sources.

The Sewer Service Fund has an ending fund balance of \$13,820,961, of which \$218,640 is reserved for encumbrances. This year's net increase in fund balance was \$131,487, approximately \$1 million less than last year's net increase. The change can be attributed to the increase in total expenditures of \$1,143,069 or 19 percent. The increase in expenditure is due to the City's capital project activity increase in FY07/08. Capital projects such as Upsizing of Sewer for \$2,260,000 and 22nd Street Sewer Replacement for \$1,067,000 are both funded by the Sewer Service Fund.

The Community Development Commission Debt Service Fund has a total fund balance of \$2,613,954. For the year ended June 30, 2008 \$814,215 was transferred in from other governmental funds to provide funding to cover debt service payments made during the fiscal year that related to low and moderate development. A total of \$8,915,568 was transferred to the redevelopment fund in order to provide funding for future capital project expenditures. The net change in fund balance during the current year in the debt service fund is (\$2,499,534) or 49% percent decrease from the prior year restated fund balance of \$5,113,488.

Proprietary Funds

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Total net assets for the Kimball Towers, and Morgan Towers Funds amounted to \$6,492,902 and \$1,088,696; respectively. The total net income (loss) for each fund before transfers was (\$37,471) and \$30,544; respectively.

Kimball Towers and Morgan Towers Funds account for activities relating to the operations of Kimball and Morgan Towers, which provide housing to low and moderate income seniors. For the year ended June 30, 2008 total operating revenue for Kimball Towers and Morgan Towers amounted to \$923,151 and \$1,121,126; respectively. Kimball Towers operating expenses decreased by \$11,752 or 1 percent from the prior year, while Morgan Towers operating expenses increased by \$41,417 or 6 percent from the prior year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Original revenue estimates for the fiscal year 2007-08 were based on a predicted economical recession. Actual total General Fund revenues exceeded the final budgets estimated amount by \$632,596. The variance between actual and estimated revenue is mainly attributed to actual revenue produced by taxes. The passing of Proposition D, which implemented one cent district tax, provided additional revenue in overall sales tax. The district tax which became effective on October 1, 2006 provided revenue for all 4 quarters in FY07/08 compared to only 3 quarters in FY06/07. Taxes produced revenue of \$560,832 or 2 percent higher than anticipated. Interest and rent revenue was also under estimated, with actual revenue of \$335,903 or 18 percent higher than anticipated. The increase in interest revenue is a rippling effect caused by the increase in tax revenue which increased the City's cash flow and allowed the City more opportunities to invest in various bonds and CD's. The largest negative variance occurred in the estimated revenue of Intergovernmental which actual revenue was \$178,792 less than budget estimated.

The General Fund actual total expenditures did not exceed final budgeted appropriations. The variance between actual total expenditures and the final appropriation was \$4.5 million or 12 percent. The only negative variance occurred in the community development expenditures which exceeded the final budget by \$13,762.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Ending Fund Balance exceeded the final budget estimated ending fund balance by \$5,157,877 or 34.7 percent. General Fund actual end of year fund balance was \$ 20,026,232.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2008, amounted to \$123,615,284 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment and infrastructure (including streets, alleys, traffic signals and signs and bridges) of governmental activities. Infrastructure type assets of business-type activities are reported as buildings and improvements.

The City's capital assets by activity at June 30, 2008 were as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 20,025,598	\$ 19,125,598	\$ 528,382	\$ 1,428,382	\$ 20,553,980	\$ 20,553,980
Right of way	4,245,088	4,245,088	-	-	4,245,088	4,245,088
Construction in progress	-	-	-	-	-	-
Buildings and improvements	44,343,967	44,491,598	15,636,107	17,629,514	59,980,074	62,121,112
Machinery and equipment	11,910,726	10,913,827	462,153	5,453,644	12,372,879	16,367,471
Infrastructure	105,526,920	105,421,595	-	-	105,526,920	105,421,595
Less accumulated depreciation	70,875,275	66,243,774	8,188,382	11,082,019	79,063,657	77,325,793
Total	\$ 115,177,024	\$ 117,953,932	\$ 8,438,260	\$ 13,429,521	\$ 123,615,284	\$ 131,383,453

Major capital asset activity during the year ended June 30, 2008 includes the following:

- Purchase of new vehicles, a new motorcycle and equipment for the National City Police department - \$174,063.
- Purchase of new computer equipment and other electronics for the National City Public Library - \$439,894.
- Purchase of various City office equipment - \$116,210.
- Sidewalk pavement of 9,977 square feet - \$134,594.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-Term Debt

At year-end the City had a total long-term debt of \$69,355,464, a decrease of \$2,162,567 from the prior year. These include \$3,920,000 of Lease revenue refunding bonds issued by National City Joint Powers Financing Authority (NCJPFA) and \$41,820,000 of tax allocation bonds applicable to Community Development Commission. The City of National City's general obligation bond is rated A- by Standard & Poor's rating agency.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
NCJPFA:						
Lease Revenue Refunding Bonds	\$ 3,920,000	\$ 4,220,000	\$ -	\$ -	\$ 3,920,000	\$ 4,220,000
Community Development Commission:						
1999 Tax Allocation Bonds	4,325,000	4,435,000	-	-	4,325,000	4,435,000
2004 Tax Allocation Bonds	5,145,000	5,395,000	-	-	5,145,000	5,395,000
2005 Series A and B Tax Allocation Bonds	32,350,000	34,055,000	-	-	32,350,000	34,055,000
General Obligation Bonds	5,585,000	5,720,000	-	-	5,585,000	5,720,000
HUD 108 Bond 2003 A	6,185,000	6,380,000	-	-	6,185,000	6,380,000
Total Bonds	-	-	-	-	-	-
Claims Payable	4,508,000	4,145,000	-	-	4,508,000	4,145,000
Compensated Absences	3,111,061	2,490,655	-	-	3,111,061	2,490,655
Capitalized Lease Obligations	1,372,940	1,655,327	-	-	1,372,940	1,655,327
Notes Payable	-	-	2,853,463	3,022,049	2,853,463	3,022,049
Total	\$ 66,502,001	\$ 68,495,982	\$ 2,853,463	\$ 3,022,049	\$ 69,355,464	\$ 71,518,031

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

REQUEST FOR INFORMATION

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

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CITY OF NATIONAL CITY

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and investments (note 2)	\$ 75,909,673	233,033	76,142,706
Accounts receivable	2,197,512	1,392	2,198,904
Property tax receivable	84,135	-	84,135
Interest receivable	854,789	-	854,789
Short-term internal balances (note 3)	-	-	-
Due from other governmental entities	6,840,528	-	6,840,528
Total current assets	<u>85,886,637</u>	<u>234,425</u>	<u>86,121,062</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash and investments with fiscal agents (note 2)	4,233,634	1,804,906	6,038,540
Inventories	27,903	-	27,903
Prepaid items and deposits	50,386	159,407	209,793
Land held for resale	10,995,136	-	10,995,136
Contracts, notes and loans receivable (note 4)	7,712,026	-	7,712,026
Subtotal	<u>23,019,085</u>	<u>1,964,313</u>	<u>24,983,398</u>
Capital assets (note 5):			
Non-depreciable	24,270,686	528,382	24,799,068
Depreciable, net	90,906,338	7,909,878	98,816,216
Total capital assets	<u>115,177,024</u>	<u>8,438,260</u>	<u>123,615,284</u>
Total noncurrent assets	<u>138,196,109</u>	<u>10,402,573</u>	<u>148,598,682</u>
Total assets	<u>224,082,746</u>	<u>10,636,998</u>	<u>234,719,744</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	2,871,934	115,607	2,987,541
Interest payable	433,382	-	433,382
Salaries payable	1,434,761	-	1,434,761
Deposits payable	361,582	86,330	447,912
Due to other governmental entities	689,118	-	689,118
Unearned revenue	936,295	-	936,295
Total current liabilities	<u>6,727,072</u>	<u>201,937</u>	<u>6,929,009</u>
Long-term liabilities (note 7):			
Due within one year	6,797,588	179,857	6,977,445
Due beyond one year	59,704,413	2,673,606	62,378,019
Total noncurrent liabilities	<u>66,502,001</u>	<u>2,853,463</u>	<u>69,355,464</u>
Total liabilities	<u>73,229,073</u>	<u>3,055,400</u>	<u>76,284,473</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	90,395,315	5,584,797	95,980,112
Restricted for:			
Community development	41,864,051	-	41,864,051
Public Safety	1,603,522	-	1,603,522
Transportation	6,801,568	-	6,801,568
Culture and leisure	1,099,532	-	1,099,532
Health	1,713,278	-	1,713,278
Housing	-	1,996,801	1,996,801
Total restricted	<u>53,081,951</u>	<u>1,996,801</u>	<u>55,078,752</u>
Unrestricted	7,376,407	-	7,376,407
Total net assets	<u>\$ 150,853,673</u>	<u>7,581,598</u>	<u>158,435,271</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

Statement of Activities

For the year ended June 30, 2008

	Program Revenues				Total Program Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 5,881,015	3,035,893	-	-	3,035,893
Public safety	27,218,309	192,291	8,717,780	-	8,910,071
Transportation	7,144,911	-	1,783,728	-	1,783,728
Community development	24,841,387	776,094	15,078,303	112,107	15,966,504
Health	7,426,569	7,426,730	510,804	-	7,937,534
Culture and leisure	6,304,412	935,297	-	-	935,297
Interest and fiscal charges	2,853,399	-	-	-	-
Total governmental activities	<u>81,670,002</u>	<u>12,366,305</u>	<u>26,090,615</u>	<u>112,107</u>	<u>38,569,027</u>
Business-type activities:					
TDA	2,218,661	-	-	-	-
Community development commission	<u>2,078,822</u>	<u>2,044,277</u>	-	-	<u>2,044,277</u>
Total business-type activities	<u>4,297,483</u>	<u>2,044,277</u>	-	-	<u>2,044,277</u>
Total primary government	<u>\$85,967,485</u>	<u>14,410,582</u>	<u>26,090,615</u>	<u>112,107</u>	<u>40,613,304</u>

General revenue and transfers:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Motor vehicle in-lieu, unrestricted

Transient occupancy taxes

Total taxes

Investment earnings

Rent

Transfers

Total general revenues

Change in net assets

Net assets at beginning of year, as restated (note 11)

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
(2,845,122)	-	(2,845,122)
(18,308,238)	-	(18,308,238)
(5,361,183)	-	(5,361,183)
(8,874,883)	-	(8,874,883)
510,965	-	510,965
(5,369,115)	-	(5,369,115)
(2,853,399)	-	(2,853,399)
<u>(43,100,975)</u>	<u>-</u>	<u>(43,100,975)</u>
-	(2,218,661)	(2,218,661)
<u>-</u>	<u>(34,545)</u>	<u>(34,545)</u>
-	(2,253,206)	(2,253,206)
<u>(43,100,975)</u>	<u>(2,253,206)</u>	<u>(45,354,181)</u>
16,421,961	-	16,421,961
24,072,743	-	24,072,743
1,416,236	-	1,416,236
5,100,399	-	5,100,399
841,745	-	841,745
47,853,084	-	47,853,084
3,369,224	27,618	3,396,842
305,082	-	305,082
2,378,910	(2,378,910)	-
<u>53,906,300</u>	<u>(2,351,292)</u>	<u>51,555,008</u>
10,805,325	(4,604,498)	6,200,827
<u>140,048,348</u>	<u>12,186,096</u>	<u>152,234,444</u>
<u>\$ 150,853,673</u>	<u>7,581,598</u>	<u>158,435,271</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Balance Sheet
Governmental Funds
June 30, 2008

	Special Revenue Funds			
	General Fund	Section 8 Housing Assistance	Other Special Revenue	Nutrition Program
<u>ASSETS</u>				
Cash and investments (note 2)	\$ 13,154,048	1,259,329	8,534,555	-
Restricted cash and investments with fiscal agents (note 2)	-	-	-	-
Accounts receivable	1,048,550	4,416	887,706	50,778
Property tax receivable	-	-	-	-
Interest receivable	377,232	-	7,075	-
Due from other funds (note 3)	4,403,837	-	381,613	-
Due from other governmental entities	3,577,329	40,528	774,638	481,982
Prepaid items and deposits	-	3,386	-	-
Land held for resale	-	-	-	-
Contracts, notes and loans receivable (note 4)	-	-	-	-
Total assets	<u>\$ 22,560,996</u>	<u>1,307,659</u>	<u>10,585,587</u>	<u>532,760</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 822,712	123,109	524,559	287,167
Salaries payable	938,437	-	163,137	13,985
Due to other funds (note 3)	371,447	883	2,420,837	1,615,340
Due to other governmental entities	-	28,224	-	-
Deposits payable	107,377	-	254,205	-
Deferred revenue	294,791	-	369,736	-
Total liabilities	<u>2,534,764</u>	<u>152,216</u>	<u>3,732,474</u>	<u>1,916,492</u>
Fund balances (deficit):				
Reserved:				
Encumbrances	308,401	-	625,583	-
Prepaid items and deposits	-	3,386	-	-
Land held for resale	-	-	-	-
Long-term loans receivable	-	-	-	-
Debt service	1,419,291	-	-	-
Total reserved	<u>1,727,692</u>	<u>3,386</u>	<u>625,583</u>	<u>-</u>
Unreserved, designated:				
Continuing appropriations	1,322,219	-	2,061,004	-
Employee accrued benefits	862,511	-	-	-
Other	59,899	-	-	-
Rate stabilization	-	-	-	-
Continuing CIPs	179,309	-	-	-
Contingencies	9,000,000	-	-	-
Total unreserved, designated	<u>11,423,938</u>	<u>-</u>	<u>2,061,004</u>	<u>-</u>
Unreserved, undesignated				
General fund	6,874,602	-	-	-
Special revenue funds	-	1,152,057	4,166,526	(1,383,732)
Capital projects funds	-	-	-	-
Total unreserved, undesignated	<u>6,874,602</u>	<u>1,152,057</u>	<u>4,166,526</u>	<u>(1,383,732)</u>
Total fund balances (deficit)	<u>20,026,232</u>	<u>1,155,443</u>	<u>6,853,113</u>	<u>(1,383,732)</u>
Total liabilities and fund balances	<u>\$ 22,560,996</u>	<u>1,307,659</u>	<u>10,585,587</u>	<u>532,760</u>

See accompanying notes to the basic financial statements.

Special Revenue Fund	Debt Service Community Development Commission	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		Redevelopment Fund	Library Construction Project		
13,882,558	673,060	6,062,551	113,056	19,044,639	62,723,796
-	2,727,285	1,506,276	-	73	4,233,634
15,715	-	82,717	-	33,399	2,123,281
-	-	8,177	-	75,958	84,135
-	303,834	133,291	815	32,542	854,789
-	-	1,499,753	-	458,380	6,743,583
1,647	-	264,556	1,109,833	590,015	6,840,528
-	-	-	-	-	3,386
-	-	8,929,334	-	2,065,802	10,995,136
-	-	2,822,152	-	4,889,874	7,712,026
<u>13,899,920</u>	<u>3,704,179</u>	<u>21,308,807</u>	<u>1,223,704</u>	<u>27,190,682</u>	<u>102,314,294</u>
59,823	283,833	1,063	-	180,660	2,282,926
19,136	-	172,099	-	64,592	1,371,386
-	742,217	-	1,106,088	481,771	6,738,583
-	64,175	596,719	-	-	689,118
-	-	-	-	-	361,582
-	-	922,500	1,109,833	211,995	2,908,855
<u>78,959</u>	<u>1,090,225</u>	<u>1,692,381</u>	<u>2,215,921</u>	<u>939,018</u>	<u>14,352,450</u>
218,640	-	-	-	1,125,987	2,278,611
-	-	-	-	-	3,386
-	-	8,929,334	-	2,065,802	10,995,136
-	-	2,822,152	-	4,889,874	7,712,026
-	2,613,954	-	-	663,525	4,696,770
<u>218,640</u>	<u>2,613,954</u>	<u>11,751,486</u>	<u>-</u>	<u>8,745,188</u>	<u>25,685,929</u>
1,910,554	-	-	-	847,886	6,141,663
-	-	-	-	-	862,511
-	-	-	-	-	59,899
3,184,801	-	-	-	-	3,184,801
2,489,095	-	-	-	-	2,668,404
338,946	-	-	-	-	9,338,946
<u>7,923,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>847,886</u>	<u>22,256,224</u>
-	-	-	-	-	6,874,602
5,678,925	-	-	-	13,780,490	23,394,266
-	-	7,864,940	(992,217)	2,878,100	9,750,823
<u>5,678,925</u>	<u>-</u>	<u>7,864,940</u>	<u>(992,217)</u>	<u>16,658,590</u>	<u>40,019,691</u>
13,820,961	2,613,954	19,616,426	(992,217)	26,251,664	87,961,844
<u>13,899,920</u>	<u>3,704,179</u>	<u>21,308,807</u>	<u>1,223,704</u>	<u>27,190,682</u>	<u>102,314,294</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, 2008

Fund balances of governmental funds \$ 87,961,844

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds balance sheet. Excluding the internal service funds capital assets which are reported below, capital assets were adjusted as follows:

- Capital assets	180,092,682
- Accumulated depreciation	(66,527,838)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds balance sheet.	(433,382)
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Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in funds.	1,972,560
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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.	9,599,111
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds balance sheet. This amount excludes long-term liabilities reported in Internal Service funds.	<u>(61,811,304)</u>
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Net assets of governmental activities	<u>\$ 150,853,673</u>
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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, 2008

	Special Revenue Funds			
	General Fund	Section 8 Housing Assistance	Other Special Revenue	Nutrition Program
Revenues:				
Taxes	\$ 33,638,924	-	-	-
Licenses and permits	799,452	-	1,780	-
Fines and forfeitures	1,084,647	-	67,590	-
Interest and rents	2,168,962	-	77,864	-
Intergovernmental	802,557	9,427,480	7,646,053	288,359
Charges for services	414,298	-	606,785	-
Other revenues	152,148	41,269	317,708	222,445
Total revenues	39,060,988	9,468,749	8,717,780	510,804
Expenditures:				
Current:				
General government	3,215,981	-	2,137,334	-
Public safety	25,393,406	-	1,073,506	-
Transportation	2,678,673	-	-	-
Community development	1,128,843	8,115,750	1,098,394	876,471
Health	-	-	131,326	-
Culture and leisure	1,527,397	-	2,221,899	-
Capital outlay	364,946	4,923	475,279	-
Debt service:				
Principal	196,709	-	195,000	-
Interest and fiscal charges	66,596	-	330,505	-
Total expenditures	34,572,551	8,120,673	7,663,243	876,471
Excess (deficiency) of revenues over (under) expenditures	4,488,437	1,348,076	1,054,537	(365,667)
Other financing sources (uses):				
Transfers in (note 3)	700,000	-	986,006	375,912
Transfers out (note 3)	(2,709,705)	-	-	-
Total other financing sources (uses)	(2,009,705)	-	986,006	375,912
Net change in fund balances	2,478,732	1,348,076	2,040,543	10,245
Fund balances (deficit), beginning of year, as restated (note 11)	17,547,500	(192,633)	4,812,570	(1,393,977)
Fund balances (deficit), end of year	\$ 20,026,232	1,155,443	6,853,113	(1,383,732)

See accompanying notes to the basic financial statements.

Special Revenue Fund	Debt Service Community Development Commission	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		Redevelopment Fund	Library Construction Project		
-	11,766,428	-	-	4,466,207	49,871,559
-	-	-	-	-	801,232
-	-	-	-	170,110	1,322,347
-	8,665	608,291	4,205	501,237	3,369,224
-	-	1,735,857	722,604	3,754,563	24,377,473
7,426,730	-	-	-	23,473	8,471,286
-	30,478	1,417,661	-	498,680	2,680,389
<u>7,426,730</u>	<u>11,805,571</u>	<u>3,761,809</u>	<u>726,809</u>	<u>9,414,270</u>	<u>90,893,510</u>
-	-	-	-	1,198	5,354,513
-	-	-	-	62,025	26,528,937
-	-	-	-	1,077,625	3,756,298
-	2,120,909	9,022,853	-	1,357,933	23,721,153
7,295,243	-	-	-	-	7,426,569
-	-	-	-	2,527,563	6,276,859
-	-	22,124	-	769,126	1,636,398
-	-	-	-	-	-
-	2,065,000	-	-	435,000	2,891,709
-	2,017,843	-	-	449,989	2,864,933
<u>7,295,243</u>	<u>6,203,752</u>	<u>9,044,977</u>	<u>-</u>	<u>6,680,459</u>	<u>80,457,369</u>
<u>131,487</u>	<u>5,601,819</u>	<u>(5,283,168)</u>	<u>726,809</u>	<u>2,733,811</u>	<u>10,436,141</u>
-	814,215	8,915,568	-	1,305,023	13,096,724
-	(8,915,568)	-	-	(1,526,173)	(13,151,446)
-	(8,101,353)	8,915,568	-	(221,150)	(54,722)
131,487	(2,499,534)	3,632,400	726,809	2,512,661	10,381,419
<u>13,689,474</u>	<u>5,113,488</u>	<u>15,984,026</u>	<u>(1,719,026)</u>	<u>23,739,003</u>	<u>77,580,425</u>
<u>13,820,961</u>	<u>2,613,954</u>	<u>19,616,426</u>	<u>(992,217)</u>	<u>26,251,664</u>	<u>87,961,844</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

For the year ended June 30, 2008

Changes in fund balances of governmental funds	\$ 10,381,419
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year, net of disposals.	(4,088,440)
Repayment of bond principal and capitalized lease obligations are expenditures in governmental funds, but the repayments reduces long-term liabilities in the government-wide statement of net assets. (\$85,678 of payments in capitalized lease obligations were recorded as functional expenses in the governmental funds.)	2,977,387
Interest expense on long-term debt was reported in the government-wide statement of activities but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest.	11,534
To record as an expense the net change in compensated absences in the statement of activities.	(557,991)
Revenues in the government-wide statement of activities that did not provide current financial resources were not reported as revenues in the governmental funds.	(467,902)
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.	66,915
To record the transfer of land, buildings and other capital assets from the TDA Enterprise Fund.	<u>2,482,403</u>
Change in net assets of governmental activities	<u>\$ 10,805,325</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	TDA	Kimball Towers	Morgan Towers		
<u>ASSETS</u>					
Current assets:					
Cash and investments (note 2)	\$ -	113,056	119,977	233,033	13,185,877
Restricted cash and investments with fiscal agents (note 2)	-	1,193,811	611,095	1,804,906	-
Accounts receivable	-	872	520	1,392	74,231
Inventories	-	-	-	-	27,903
Prepaid items and deposits	-	77,508	81,899	159,407	47,000
Total current assets	<u>-</u>	<u>1,385,247</u>	<u>813,491</u>	<u>2,198,738</u>	<u>13,335,011</u>
Noncurrent assets:					
Capital assets (note 5):					
Nondepreciable assets	-	315,814	212,568	528,382	-
Depreciable assets, net of accumulated depreciation	-	4,910,200	2,999,678	7,909,878	1,612,180
Total capital assets, net	<u>-</u>	<u>5,226,014</u>	<u>3,212,246</u>	<u>8,438,260</u>	<u>1,612,180</u>
Total noncurrent assets	<u>-</u>	<u>5,226,014</u>	<u>3,212,246</u>	<u>8,438,260</u>	<u>1,612,180</u>
Total assets	<u>-</u>	<u>6,611,261</u>	<u>4,025,737</u>	<u>10,636,998</u>	<u>14,947,191</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	-	76,061	39,546	115,607	589,008
Salaries payable	-	-	-	-	63,375
Due to other funds	-	-	-	-	5,000
Compensated absences - due within one year	-	-	-	-	182,697
Note payable - due within one year	-	-	179,857	179,857	-
Self-insurance claims payable - due within one year	-	-	-	-	1,930,000
Total current liabilities	<u>-</u>	<u>76,061</u>	<u>219,403</u>	<u>295,464</u>	<u>2,770,080</u>
Noncurrent liabilities (note 7):					
Tenant security deposit liability	-	42,298	44,032	86,330	-
Note payable - due in more than one year	-	-	2,673,606	2,673,606	-
Self-insurance claims payable - due in more than one year	-	-	-	-	2,578,000
Total noncurrent liabilities	<u>-</u>	<u>42,298</u>	<u>2,717,638</u>	<u>2,759,936</u>	<u>2,578,000</u>
Total liabilities	<u>-</u>	<u>118,359</u>	<u>2,937,041</u>	<u>3,055,400</u>	<u>5,348,080</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	-	5,226,014	358,783	5,584,797	1,612,180
Restricted for:					
Housing	-	1,266,888	729,913	1,996,801	-
Unrestricted	-	-	-	-	7,986,931
Total net assets	<u>\$ -</u>	<u>6,492,902</u>	<u>1,088,696</u>	<u>7,581,598</u>	<u>9,599,111</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2008

	Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	TDA	Kimball Towers	Morgan Towers		
Operating revenues:					
Rental income	\$ -	896,359	1,113,162	2,009,521	-
Service charges	-	-	-	-	9,329,643
Other revenues	-	26,792	7,964	34,756	53,646
Total operating revenues	-	923,151	1,121,126	2,044,277	9,383,289
Operating expenses:					
Personnel services	-	-	-	-	2,209,727
Maintenance and operations	-	780,618	670,428	1,451,046	6,712,876
Depreciation	-	187,350	248,956	436,306	345,000
Total operating expenses	-	967,968	919,384	1,887,352	9,267,603
Operating income (loss)	-	(44,817)	201,742	156,925	115,686
Nonoperating revenues (expenses):					
Interest income	-	7,346	20,272	27,618	-
Interest expense	-	-	(191,470)	(191,470)	-
Miscellaneous expense	(511)	-	-	(511)	-
Total nonoperating revenues (expenses)	(511)	7,346	(171,198)	(164,363)	-
Income (loss) before transfers	(511)	(37,471)	30,544	(7,438)	115,686
Capital contribution to governmental activities	(2,482,403)	-	-	(2,482,403)	-
Capital contribution to Metropolitan Transit System	(2,218,150)	-	-	(2,218,150)	-
Transfers in (note 3)	103,493	-	-	103,493	95,000
Transfers out (note 3)	-	-	-	-	(143,771)
Change in net assets	(4,597,571)	(37,471)	30,544	(4,604,498)	66,915
Net assets at beginning of year	4,597,571	6,530,373	1,058,152	12,186,096	9,532,196
Net assets, end of year	\$ -	6,492,902	1,088,696	7,581,598	9,599,111

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

	Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	TDA	Kimball Towers	Morgan Towers		
Cash flows from operating activities:					
Cash received from customers/other funds	\$ -	922,659	1,115,446	2,038,105	9,386,289
Cash payments to suppliers	-	(762,738)	(555,105)	(1,317,843)	(6,000,572)
Cash payments for general and administrative	(78,096)	-	(160,906)	(239,002)	(2,116,561)
Net cash provided (used by) operating activities	(78,096)	159,921	399,435	481,260	1,269,156
Cash flows from noncapital financing activities:					
Cash received from other funds	-	-	-	-	119,292
Cash paid to other funds	-	-	-	-	(218,254)
Net cash provided (used by) noncapital financing activities	-	-	-	-	(98,962)
Cash flows from capital and related financing activities:					
Acquisition of capital assets	-	(59,605)	(4,224)	(63,829)	(293,441)
Principal payments of note payable	-	-	(168,586)	(168,586)	-
Interest paid	-	-	(191,470)	(191,470)	-
Net cash provided (used by) capital and related financing activities	-	(59,605)	(364,280)	(423,885)	(293,441)
Cash flows from investing activities:					
Interest income	-	7,344	20,272	27,616	-
Net cash provided (used by) investing activities	-	7,344	20,272	27,616	-
Net increase (decrease) in cash and cash equivalents	(78,096)	107,660	55,427	84,991	876,753
Cash and equivalents, beginning of year	78,096	1,199,207	675,645	1,952,948	12,309,124
Cash and equivalents, end of year	\$ -	1,306,867	731,072	2,037,939	13,185,877
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ -	(44,817)	201,742	156,925	115,686
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	187,350	248,956	436,306	345,000
Changes in current assets and liabilities:					
Accounts receivable	-	(492)	(520)	(1,012)	3,000
Inventories	-	-	-	-	(1,278)
Prepaid items and deposits	-	(2,460)	(2,114)	(4,574)	(41,781)
Accounts payable and accrued liabilities	(78,096)	20,340	(48,629)	(106,385)	392,363
Salaries payable	-	-	-	-	30,751
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Compensated absences	-	-	-	-	62,415
Self-insurance claims payable	-	-	-	-	363,000
Total adjustments	(78,096)	204,738	197,693	324,335	1,153,470
Net cash provided (used) by operating activities	\$ (78,096)	159,921	399,435	481,260	1,269,156
Noncash investing, capital and financing activities					
Capital contribution to governmental activities	\$ 2,482,403	-	-	2,482,403	-
Capital contribution to Metropolitan Transit System	2,218,150	-	-	2,218,150	-
	\$ 4,700,553	-	-	4,700,553	-

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	<u>Library Private- Purpose Trust</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and investments (note 2)	\$ 47,169	650,981	698,150
Interest receivable	<u>339</u>	<u>-</u>	<u>339</u>
Total assets	<u>47,508</u>	<u>650,981</u>	<u>698,489</u>
<u>LIABILITIES</u>			
Accounts payable	<u>-</u>	<u>650,981</u>	<u>650,981</u>
Total liabilities	<u>-</u>	<u>650,981</u>	<u>650,981</u>
<u>NET ASSETS</u>			
Held in trust for private purposes	<u>\$ 47,508</u>	<u>-</u>	<u>47,508</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, 2008

	<u>Library Private- Purpose Trust</u>
Additions:	
Investment income	\$ 1,813
Total additions	<u>1,813</u>
Net increase (decrease)	1,813
Net assets, beginning of year	<u>45,695</u>
Net assets, end of year	<u>\$ 47,508</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, 2008

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

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

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

Fund Financial Statements

Governmental Funds Financial Statements

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

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

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

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

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

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

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

The City reported the following types of major governmental funds:

General Fund

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

Section 8 Housing Assistance Special Revenue Fund

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

Other Special Revenue Fund

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

Nutrition Program Special Revenue Fund

This fund is used for operations of the Nutrition grant.

Sewer Service Special Revenue Fund

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

Community Development Commission Debt Service Fund

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

Redevelopment Capital Project Fund

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

Library Construction Project Capital Project Fund

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

Proprietary Fund Financial Statements

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

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

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

The City reported the following types of major proprietary funds:

TDA Fund

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

Kimball Towers

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

Morgan Towers

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

The City also reports the following fund types:

Internal Service Funds

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

Fiduciary Fund Financial Statements

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

C. Use of Restricted/Unrestricted Net Assets

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

D. Cash, Cash Equivalents and Investments

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

E. Restricted Cash and Investments

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

F. Interfund Transactions

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

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

G. Inventories and Prepaid Items

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

H. Land Held for Resale

Land held for resale is recorded at the lower of cost or 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, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 76,142,706
Restricted cash and investments with fiscal agents	6,038,540
Statement of Fiduciary Net Assets:	
Cash and investments	<u>698,150</u>
Total cash and investments	<u>\$ 82,879,396</u>

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 625
Deposits with financial institutions	3,503,115
Investments	<u>79,375,656</u>
Total cash and investments	<u>\$ 82,879,396</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</u> <u>Authorized by State Law</u>	<u>Authorized</u> <u>By Investment</u> <u>Policy</u>	<u>*Maximum</u> <u>Maturity</u>	<u>*Maximum</u> <u>Percentage</u> <u>Of Portfolio</u>	<u>*Maximum</u> <u>Investment</u> <u>in One Issuer</u>
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	5%	5%
Commercial Paper	Yes	180 days	15%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	15%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None
JPA Pools (other investment pools)	Yes	N/A	None	None

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
U.S. Agency Securities	\$ 9,328,961	-	-	9,328,961
Negotiable Certificates of Deposit	7,621,041	4,855,298	2,765,743	-
Local Agency Investment Fund	57,776,567	57,776,567	-	-
Held by Fiscal Agent:				
Commercial Paper	2,844,000	2,344,000	-	500,000
Money Market Funds	<u>1,805,087</u>	<u>1,805,087</u>	-	-
Total	<u>\$79,375,656</u>	<u>66,780,952</u>	<u>2,765,743</u>	<u>9,828,961</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>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
U.S. Agency Securities	\$ 9,328,961	AAA	9,328,961	-
Negotiable Certificates of Deposit	7,621,041	N/A	-	7,621,041
Local Agency Investment Fund	57,776,567	N/A	-	57,776,567
Held by Fiscal Agent:				
Commercial Paper	2,844,000	A	-	2,844,000
Money Market Funds	<u>1,805,087</u>	N/A	<u>1,805,087</u>	-
Total	<u>\$79,375,656</u>		<u>11,134,048</u>	<u>68,241,608</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Concentration of Credit Risk

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

\$2,344,000 of the cash and investments (including amounts held by fiscal agent) reported in the Community Development Commission Debt Service Fund (a major fund of the City) are held in the form of unrated commercial paper issued by General Electric that matures on July 31, 2008.

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, 2008, 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	\$9,328,961
Negotiable Certificates of Deposit	7,621,041

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investment in State Investment Pool

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

Restricted Cash and Investments of Community Development Commission Enterprise Fund

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

Morgan Towers:	
Replacement reserve	\$ 453,068
Residual receipts reserve	142,250
MIP and insurance impounds reserve	<u>15,777</u>
Total Morgan Towers	<u>\$ 611,095</u>
Kimball Towers:	
Residual receipts reserve	\$ 295,860
Other	<u>897,951</u>
Total Kimball Towers	<u>\$1,193,811</u>
Total restricted cash and investments	<u>\$1,804,906</u>

Morgan Towers

- Reserve for replacements of \$453,068 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 \$142,250 is an accumulation of surplus cash as calculated by HUD's Computation of Surplus Cash, Distributions and Residual Receipts, which can be expended only with HUD's approval.
- Reserve for MIP and insurance impounds of \$12,028 and \$3,749, respectively, totaling \$15,777 represent amounts held for the future payment of property and mortgage insurance.

Kimball Towers

- Residual receipts reserve of \$295,860 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 \$897,951 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, 2008 are as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	\$2,420,036
	Nutrition Program Special Revenue Fund	116,470
	Library Construction Capital Projects Fund	1,106,088
	Community Development Commission	
	Debt Service Fund	742,217
	Other Governmental Funds	14,026
	Internal Service Funds	<u>5,000</u>
Subtotal – General Fund		4,403,837
Other Special Revenue Fund	General Fund	371,447
	Other Special Revenue Funds	480
	Other Governmental Funds	<u>9,686</u>
Subtotal – Other Special Revenue Fund		381,613
Other Governmental Funds	Other Governmental Funds	458,059
	Other Special Revenue Fund	<u>321</u>
Subtotal – Other Governmental Funds		458,380
Redevelopment Capital Projects Fund	Section 8 Housing Assistance	
	Special Revenue Fund	883
	Nutrition Program Special Revenue Fund	<u>1,498,870</u>
Subtotal – Redevelopment Capital Projects Fund		<u>1,499,753</u>
		<u>\$ 6,743,583</u>

Interfund balances are primarily related to short-term borrowings to cover deficit cash balances at June 30, 2008.

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

(3) Interfund Transactions, (Continued)

Interfund Transfers

For the year ended June 30, 2008, interfund transfers were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 700,000 (a)
Other Governmental Funds	General Fund	1,305,023 (b)
Nutrition Program Special Revenue Fund	General Fund	375,912
Other Special Revenue Fund	General Fund	830,277
TDA Enterprise Fund	General Fund	103,493
Internal Service Funds	General Fund	95,000
Other Special Revenue Fund	Other Governmental Funds	11,958
Other Special Revenue Fund	Internal Service Fund	143,771
Community Development Commission Debt Service Fund	Other Governmental Funds	814,215 (c)
Redevelopment Capital Projects Fund	Community Development Commission Debt Service Fund	<u>8,915,568 (d)</u>
		<u>\$13,295,217</u>

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

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

(4) Contracts, Notes and Loans Receivable

As of June 30, 2008, the Contracts, Notes and Loans Receivable consisted of the following:

Community Development Commission Governmental Fund:	
Residential property improvement loans	\$6,474,958
First-time homebuyers loans	<u>1,237,068</u>
Total	<u>\$7,712,026</u>

(5) Capital Assets

The following is a summary of changes in the capital assets for governmental activities at June 30, 2008:

	Balance at <u>July 1, 2007*</u>	Additions	Deletions	Balance at <u>June 30, 2008</u>
Governmental-type activities:				
Depreciable:				
Buildings and improvements	\$ 42,995,823	1,348,144	-	44,343,967
Machinery and equipment	11,353,721	574,508	(17,503)	11,910,726
Infrastructure	<u>105,421,595</u>	<u>139,609</u>	<u>(34,284)</u>	<u>105,526,920</u>
Total cost of depreciable capital assets	<u>159,771,139</u>	<u>2,062,261</u>	<u>(51,787)</u>	<u>161,781,613</u>
Less accumulated depreciation:				
Buildings and improvements	(13,008,007)	(1,335,655)	-	(14,343,662)
Machinery and equipment	(6,856,928)	(818,343)	1,167	(7,674,104)
Infrastructure	<u>(46,442,270)</u>	<u>(2,438,306)</u>	<u>23,067</u>	<u>(48,857,509)</u>
Total accumulated depreciation	<u>(66,307,205)</u>	<u>(4,592,304)</u>	<u>24,234</u>	<u>(70,875,275)</u>
Net depreciable capital assets	93,463,934	(2,530,043)	(27,553)	90,906,338
Non-depreciable:				
Land	19,125,598	900,000	-	20,025,598
Rights of way	<u>4,245,088</u>	<u>-</u>	<u>-</u>	<u>4,245,088</u>
Total non-depreciable capital assets	<u>23,370,686</u>	<u>900,000</u>	<u>-</u>	<u>24,270,686</u>
Capital assets, net	<u>\$ 116,834,620</u>	<u>(1,630,043)</u>	<u>(27,553)</u>	<u>115,177,024</u>

* Beginning balances have been restated. See footnote 11 for additional information.

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

(5) Capital Assets, (Continued)

Depreciation expense for governmental activities for the year ended June 30, 2008 of \$4,592,304 was allocated as follows:

General Government	\$ 349,533
Community Development	1,440,234
Public Safety	849,051
Transportation	<u>1,953,486</u>
	<u>\$4,592,304</u>

The following is a summary of changes in the capital assets for business-type activities at June 30, 2008:

	Balance at <u>July 1, 2007</u>	Additions	Deletions	Balance at <u>June 30, 2008</u>
Business-type activities:				
Depreciable:				
Buildings and improvements	\$ 17,629,514	4,223	(1,997,630)	15,636,107
Machinery and equipment	<u>5,453,644</u>	<u>59,604</u>	<u>(5,051,095)</u>	<u>462,153</u>
Total depreciable capital assets	23,083,158	63,827	(7,048,725)	16,098,260
Less accumulated depreciation	<u>(11,082,019)</u>	<u>(436,306)</u>	<u>3,329,943</u>	<u>(8,188,382)</u>
Total depreciable assets, net	<u>12,001,139</u>	<u>(372,479)</u>	<u>(3,718,782)</u>	<u>7,909,878</u>
Non-depreciable assets:				
Land	<u>1,428,382</u>	<u>-</u>	<u>(900,000)</u>	<u>528,382</u>
Total non-depreciable capital assets	<u>1,428,382</u>	<u>-</u>	<u>(900,000)</u>	<u>528,382</u>
Capital assets, net	<u>\$13,429,521</u>	<u>(372,479)</u>	<u>(4,618,782)</u>	<u>8,438,260</u>

Depreciation expense for business-type activities for the year ended June 30, 2008 was allocated as follows:

Kimball Towers	\$ 187,350
Morgan Towers	<u>248,956</u>
Total depreciation expense	<u>\$436,306</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(6) Risk Management

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

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(6) Risk Management, (Continued)

At June 30, 2008, the City accrued \$4,508,000 of workers' compensation and general liability claims representing estimates of amounts to be paid for actual and incurred but not reported claims based upon past experience, modified for current trends and information. Allocated claim adjustment expenses are included in claim liabilities. While the ultimate amount of losses incurred through June 30, 2008 is dependent on future developments, based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. For the past three years, no settlements or claims payments have exceeded the amount of the applicable coverage. For the past two fiscal years, the changes in the City's liability for claims payable are summarized as follows:

	<u>Fiscal Year 2007-08</u>	<u>Fiscal Year 2006-07</u>
Unpaid claims, July 1	\$ 4,145,000	2,105,127
Incurred claims and adjustments	2,139,017	3,381,579
Claims paid	<u>(1,776,017)</u>	<u>(1,341,706)</u>
Total	<u>\$ 4,508,000</u>	<u>4,145,000</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt

Following is a summary of long-term debt transactions for the fiscal year ended June 30, 2008:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008	Classification	
					Amount Due Within One Year	Amount Due Beyond One Year
Governmental Activities:						
National City Joint Powers Financing Authority:						
Lease Revenue Refunding Bonds	\$ 4,220,000	-	(300,000)	3,920,000	315,000	3,605,000
Community Development Commission:						
1999 Tax Allocation Bonds	4,435,000	-	(110,000)	4,325,000	115,000	4,210,000
2004 Tax Allocation Bonds	5,395,000	-	(250,000)	5,145,000	260,000	4,885,000
2005 Series A and B Tax Allocation Bonds	34,055,000	-	(1,705,000)	32,350,000	1,765,000	30,585,000
General Obligation Bonds	5,720,000	-	(135,000)	5,585,000	145,000	5,440,000
HUD 108 Bond 2003 A	<u>6,380,000</u>	<u>-</u>	<u>(195,000)</u>	<u>6,185,000</u>	<u>210,000</u>	<u>5,975,000</u>
Total Bonds	60,205,000	-	(2,695,000)	57,510,000	2,810,000	54,700,000
Claims Payable	4,145,000	2,139,017	(1,776,017)	4,508,000	1,930,000	2,578,000
Compensated Absences	2,490,655	722,242	(101,836)	3,111,061	1,784,383	1,326,678
Capitalized Lease Obligations	<u>1,655,327</u>	<u>-</u>	<u>(282,387)</u>	<u>1,372,940</u>	<u>273,205</u>	<u>1,099,735</u>
Total Governmental Activities	68,495,982	2,861,259	(4,855,240)	66,502,001	6,797,588	59,704,413
Business-type Activities:						
Note Payable	<u>3,022,049</u>	<u>-</u>	<u>(168,586)</u>	<u>2,853,463</u>	<u>179,857</u>	<u>2,673,606</u>
Total Primary Government	<u>\$71,518,031</u>	<u>2,861,259</u>	<u>(5,023,826)</u>	<u>69,355,464</u>	<u>6,977,445</u>	<u>62,378,019</u>

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

The NCJPFA issued \$6,255,000 of refunding bonds on October 1, 1998 to provide funds for the advance refunding of the previously issued bonds. Interest on the bonds is payable semiannually on each April 1 and October 1, commencing April 1, 1999. The bonds are special obligations of NCJPFA secured by a pledge of revenues which consist of lease payments received by NCJPFA, as lessor, from the City, as lessee.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

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

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$3,920,000</u>	<u>993,579</u>	<u>4,913,579</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>
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>\$4,325,000</u>	<u>2,848,373</u>	<u>7,173,373</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>
2009	\$ 260,000	231,348	491,348
2010	265,000	223,534	488,534
2011	275,000	214,685	489,685
2012	285,000	204,880	489,880
2013	295,000	194,145	489,145
2014	305,000	182,440	487,440
2015	315,000	169,883	484,883
2016	330,000	156,413	486,413
2017	-	149,400	149,400
2018	-	149,400	149,400
2019	-	149,400	149,400
2020	-	149,400	149,400
2021	-	149,400	149,400
2022	-	149,400	149,400
2023	-	149,400	149,400
2024	-	149,400	149,400
2025	-	149,400	149,400
2026	-	149,400	149,400
2027	345,000	140,775	485,775
2028	360,000	123,150	483,150
2029	380,000	104,650	484,650
2030	400,000	84,150	484,150
2031	420,000	61,600	481,600
2032	445,000	37,813	482,813
2033	<u>465,000</u>	<u>12,788</u>	<u>477,788</u>
Total	<u>\$5,145,000</u>	<u>3,636,254</u>	<u>8,781,254</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>
2009	\$1,765,000	1,472,298	3,237,298
2010	1,840,000	1,401,698	3,241,698
2011	2,125,000	1,324,418	3,449,418
2012	3,060,000	1,233,043	4,293,043
2013	3,200,000	1,095,343	4,295,343
2014	3,345,000	948,143	4,293,143
2015	3,505,000	790,928	4,295,928
2016	3,670,000	622,688	4,292,688
2017	760,000	444,693	1,204,693
2018	790,000	415,813	1,205,813
2019	825,000	385,003	1,210,003
2020	855,000	352,003	1,207,003
2021	890,000	317,803	1,207,803
2022	570,000	277,753	847,753
2023	595,000	253,528	848,528
2024	780,000	227,943	1,007,943
2025	815,000	194,013	1,009,013
2026	855,000	153,263	1,008,263
2027	555,000	110,513	665,513
2028	435,000	81,375	516,375
2029	250,000	58,538	308,538
2030	200,000	45,413	245,413
2031	210,000	34,913	244,913
2032	220,000	23,888	243,888
2033	<u>235,000</u>	<u>12,338</u>	<u>247,338</u>
Total	<u>\$32,350,000</u>	<u>12,277,352</u>	<u>44,627,352</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>
2009	\$ 145,000	253,647	398,647
2010	155,000	244,497	399,497
2011	165,000	234,740	399,740
2012	175,000	224,658	399,658
2013	185,000	214,089	399,089
2014	200,000	204,870	404,870
2015	210,000	196,775	406,775
2016	220,000	188,280	408,280
2017	230,000	179,580	409,580
2018	240,000	169,830	409,830
2019	255,000	159,525	414,525
2020	265,000	148,673	413,673
2021	280,000	136,851	416,851
2022	295,000	124,235	419,235
2023	310,000	109,970	419,970
2024	330,000	95,571	425,571
2025	345,000	81,011	426,011
2026	365,000	64,635	429,635
2027	385,000	47,290	432,290
2028	405,000	28,475	433,475
2029	<u>425,000</u>	<u>9,282</u>	<u>434,282</u>
Total	<u>\$5,585,000</u>	<u>3,116,484</u>	<u>8,701,484</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>
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>\$6,185,000</u>	<u>3,186,229</u>	<u>9,371,229</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

Morgan Towers Note Payable

The note payable is secured by a deed of trust and is payable to GMAC. The original note was dated March 1, 1978 in the amount of \$5,125,000. Payments of principal and interest at 6.5% aggregating \$30,005 are made monthly with the final payment due August 1, 2019. The unpaid principal portion of the note at June 30, 2008 was \$2,853,463. The note is insured by HUD and is secured by substantially all property and equipment of the Morgan Towers Enterprise Fund.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 179,857	180,203	360,060
2010	191,927	168,133	360,060
2011	204,776	155,284	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>59,525</u>	<u>485</u>	<u>60,010</u>
Total	<u>\$2,853,463</u>	<u>1,167,207</u>	<u>4,020,670</u>

Defeasance of Debt

As of June 30, 2008, the outstanding balances of defeased issues are as follows:

Community Development Commission 2001 Tax Allocation Bonds	\$35,485,000
Community Development Commission 1998 Tax Allocation Bonds	15,205,000

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(8) City Defined Benefit Pension Plan (PERS)

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

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

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate indicated for the period is 26.870% of payroll for the safety plan and 16.606% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in the financial statements prepared as of June 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

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

	<u>City Miscellaneous Employees Group</u>	<u>Safety Employees Group</u>
Valuation Date	June 30, 2005	June 30, 2005
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	28 Years as of the Valuation Date	32 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market	15 Year Smoothed Market
Actuarial Assumptions		
Investment Rate of Return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%	3.00%
Payroll Growth	3.25%	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

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

Required Supplementary Information – City Miscellaneous Employees Group

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL As a % of Payroll
6/30/05	\$ 55,108,736	46,008,085	9,100,651	83.5%	9,887,252	92.0%
6/30/06	58,703,692	50,585,526	8,118,166	86.2%	8,975,788	90.4%
6/30/07	70,797,946	62,442,682	8,355,264	88.2%	11,132,479	75.1%

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
6/30/05	\$ 88,177,059	73,335,230	14,841,829	83.2%	9,156,066	162.1%
6/30/06	94,936,155	79,004,920	15,931,235	83.2%	8,795,057	181.1%
6/30/07	102,027,654	85,092,163	16,935,491	83.4%	9,431,560	179.6%

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/06	\$3,749,262	2,555,731	100%	-0-
6/30/07	3,279,137	2,249,428	100%	-0-
6/30/08	3,866,043	2,565,047	100%	-0-

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(9) Community Development Commission Defined Benefit Pension Plan (PERS)

Plan Description

The Commission contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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. Benefit provisions and all other requirements are established by state statute and the Commission's Resolution. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained by writing to: 400 P Street, Sacramento, California 95814.

Contributions

Participants are required to contribute 8% of their annual covered salary. The Commission makes the contributions required of the Commission's employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and Commission contract with employee bargaining groups.

For each of the fiscal years shown below, the Commission has contributed at the actuarially determined rate provided by PERS' actuaries. 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, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The Commission's covered payroll for PERS was \$1,394,311 for the year ended June 30, 2008, while the Commission's total payroll for all employees was \$1,414,275 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2007 to June 30, 2008.

Three-Year Trend Information

Annual Pension Cost

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	17.569%	\$337,857	100%	-0-
6/30/07	18.297%	303,606	100%	-0-
6/30/08	16.737%	345,583	100%	-0-

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(10) Commitments and Contingencies

A. Lawsuits in the Normal Course of Business

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

B. Federal and State Grant Programs

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

(11) Prior Period Adjustments

The accompanying financial statements include adjustments that resulted in the restatements of beginning fund balances/net assets. The following summarizes the effect of the prior period adjustments to beginning fund balance and related government-wide net assets as of July 1, 2007:

	General Fund	Community Development Commission Debt Service Fund	Other Governmental Funds	Government- Wide Statement of Net Assets
Net assets/ fund balance – beginning of year, as previously reported	\$17,086,279	5,626,852	24,302,256	141,783,056
To record Community Development Commission pass-through obligations that relate to prior years of which a portion was due to the City's General Fund	461,221	(513,364)	-	(52,143)
To remove capital asset and related accumulated depreciation balances that were previously recorded in error	-	-	-	(1,119,312)
To remove revenues that were previously recorded in error	-	-	(955,685)	(955,685)
To record revenues that relate to prior years	-	-	392,432	392,432
Net assets/ fund balance – beginning of year, as restated	<u>\$17,547,500</u>	<u>5,113,488</u>	<u>23,739,003</u>	<u>140,048,348</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(12) Accumulated Fund Deficits

The following funds had fund deficits at June 30, 2008:

Nutrition Program Special Revenue Fund	\$(1,383,732)
Library Construction Capital Project Fund	(992,217)

The City is in the process of identifying a repayment method of the Nutrition Center Special Revenue Fund. The deficit fund balance will remain on the books until an agreed upon method is approved by the City Council of the City of National City. The deficit balance in the Library Construction Capital Project Fund was due to the State withholding the contingency funds until the completion of their audit of the sources and uses of the grant. It is anticipated that the grant will be closed out during fiscal year 2008-2009 and the deficit fund balance will be eliminated.

(13) Expenditures in Excess of Appropriations

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2008:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Nutrition Program Special Revenue Fund	\$852,249	876,471	(24,222)
Home Loan Program Special Revenue Fund	-	188	(188)
Library Bond Debt Service Fund	397,190	398,388	(1,198)

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CITY OF NATIONAL CITY

Notes to Required Supplementary Information

For the year ended June 30, 2008

(1) Budgetary Information

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

The City Manager is authorized to transfer budgeted amounts within a fund. However, any revisions that increase the total budget of any fund must be approved by the City Council. All necessary supplemental appropriations were adopted by the City Council and are included in the reported data. For the fiscal year ended June 30, 2008, supplemental appropriations requiring City Council approval were insignificant. The legal level of control for appropriations is exercised at the fund level.

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

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

(2) Required Disclosures

The following funds had fund deficits at June 30, 2008:

Nutrition Program Special Revenue Fund	\$(1,383,732)
Library Construction Capital Project Fund	(992,217)

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2008:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Nutrition Program Special Revenue Fund	\$852,249	876,471	(24,222)
Home Loan Program Special Revenue Fund	-	188	(188)
Library Bond Debt Service Fund	397,190	398,388	(1,198)

CITY OF NATIONAL CITY
General Fund

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

For the year ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 33,078,092	33,078,092	33,638,924	560,832
Licenses and permits	764,267	764,267	799,452	35,185
Fines and forfeitures	1,187,597	1,187,597	1,084,647	(102,950)
Interest and rents	1,833,059	1,833,059	2,168,962	335,903
Intergovernmental	981,349	981,349	802,557	(178,792)
Charges for services	530,598	530,598	414,298	(116,300)
Other revenues	53,430	53,430	152,148	98,718
Total revenues	<u>38,428,392</u>	<u>38,428,392</u>	<u>39,060,988</u>	<u>632,596</u>
Expenditures:				
Current:				
General government	4,135,621	4,135,621	3,215,981	919,640
Public safety	26,741,210	26,741,210	25,393,406	1,347,804
Transportation	2,985,197	2,985,197	2,678,673	306,524
Community development	1,115,081	1,115,081	1,128,843	(13,762)
Culture and leisure	1,752,762	1,752,762	1,527,397	225,365
Capital outlay	2,104,656	2,104,656	364,946	1,739,710
Debt service:				
Principal	196,709	196,709	196,709	-
Interest and fiscal charges	66,596	66,596	66,596	-
Total expenditures	<u>39,097,832</u>	<u>39,097,832</u>	<u>34,572,551</u>	<u>4,525,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(669,440)</u>	<u>(669,440)</u>	<u>4,488,437</u>	<u>5,157,877</u>
Other financing sources (uses):				
Transfers in	700,000	700,000	700,000	-
Transfers out	(2,709,705)	(2,709,705)	(2,709,705)	-
Total other financing sources (uses)	<u>(2,009,705)</u>	<u>(2,009,705)</u>	<u>(2,009,705)</u>	<u>-</u>
Net change in fund balances	<u>(2,679,145)</u>	<u>(2,679,145)</u>	<u>2,478,732</u>	<u>5,157,877</u>
Fund balance, beginning of year, as restated	<u>17,547,500</u>	<u>17,547,500</u>	<u>17,547,500</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,868,355</u>	<u>14,868,355</u>	<u>20,026,232</u>	<u>5,157,877</u>

CITY OF NATIONAL CITY
Section 8 Housing Assistance Special Revenue Fund

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

For the year ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Intergovernmental	\$ 8,160,000	8,160,000	9,427,480	1,267,480
Other revenues	945,116	-	41,269	41,269
Total revenues	<u>9,105,116</u>	<u>8,160,000</u>	<u>9,468,749</u>	<u>1,308,749</u>
Expenditures:				
Current:				
Community development	8,145,954	8,145,954	8,115,750	30,204
Capital outlay	2,500	2,500	4,923	(2,423)
Total expenditures	<u>8,148,454</u>	<u>8,148,454</u>	<u>8,120,673</u>	<u>27,781</u>
Net change in fund balances	956,662	11,546	1,348,076	1,336,530
Fund balance (deficit), beginning of year	<u>(192,633)</u>	<u>(192,633)</u>	<u>(192,633)</u>	-
Fund balance (deficit), end of year	<u>\$ 764,029</u>	<u>(181,087)</u>	<u>1,155,443</u>	<u>1,336,530</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, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Licenses and permits	\$ 13,000	13,000	1,780	(11,220)
Fines and forfeitures	94,934	94,934	67,590	(27,344)
Interest and rents	52,535	52,535	77,864	25,329
Intergovernmental	10,252,321	10,252,321	7,646,053	(2,606,268)
Charges for services	604,306	604,306	606,785	2,479
Other revenues	454,090	454,090	317,708	(136,382)
Total revenues	11,471,186	11,471,186	8,717,780	(2,753,406)
Expenditures:				
Current:				
General government	2,076,594	2,076,594	2,137,334	(60,740)
Public safety	2,607,448	2,607,448	1,073,506	1,533,942
Community development	2,282,506	2,282,506	1,098,394	1,184,112
Health	226,697	226,697	131,326	95,371
Culture and leisure	3,144,150	3,144,150	2,221,899	922,251
Capital outlay	4,947,603	4,947,603	475,279	4,472,324
Debt service:				
Principal	195,000	195,000	195,000	-
Interest and fiscal charges	330,505	330,505	330,505	-
Total expenditures	15,810,503	15,810,503	7,663,243	8,147,260
Excess (deficiency) of revenues over (under) expenditures	(4,339,317)	(4,339,317)	1,054,537	5,393,854
Other financing sources:				
Transfers in	830,200	830,200	986,006	155,806
Total other financing sources	830,200	830,200	986,006	155,806
Net change in fund balances	(3,509,117)	(3,509,117)	2,040,543	5,549,660
Fund balance, beginning of year	4,812,570	4,812,570	4,812,570	-
Fund balance, end of year	\$ 1,303,453	1,303,453	6,853,113	5,549,660

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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 299,000	299,000	288,359	(10,641)
Other revenues	<u>218,006</u>	<u>218,006</u>	<u>222,445</u>	<u>4,439</u>
Total revenues	<u>517,006</u>	<u>517,006</u>	<u>510,804</u>	<u>(6,202)</u>
Expenditures:				
Current:				
Community development	<u>852,249</u>	<u>852,249</u>	<u>876,471</u>	<u>(24,222)</u>
Total expenditures	<u>852,249</u>	<u>852,249</u>	<u>876,471</u>	<u>(24,222)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(335,243)</u>	<u>(335,243)</u>	<u>(365,667)</u>	<u>(30,424)</u>
Other financing sources:				
Transfers in	<u>375,912</u>	<u>375,912</u>	<u>375,912</u>	<u>-</u>
Total other financing sources	<u>375,912</u>	<u>375,912</u>	<u>375,912</u>	<u>-</u>
Net change in fund balances	40,669	40,669	10,245	(30,424)
Fund balance (deficit), beginning of year	<u>(1,393,977)</u>	<u>(1,393,977)</u>	<u>(1,393,977)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (1,353,308)</u>	<u>(1,353,308)</u>	<u>(1,383,732)</u>	<u>(30,424)</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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 7,127,000	7,127,000	7,426,730	299,730
Other revenues	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Total revenues	<u>7,127,500</u>	<u>7,127,500</u>	<u>7,426,730</u>	<u>299,230</u>
Expenditures:				
Current:				
Health	<u>13,994,083</u>	<u>13,994,083</u>	<u>7,295,243</u>	<u>6,698,840</u>
Total expenditures	<u>13,994,083</u>	<u>13,994,083</u>	<u>7,295,243</u>	<u>6,698,840</u>
Net change in fund balances	(6,866,583)	(6,866,583)	131,487	6,998,070
Fund balance, beginning of year	<u>13,689,474</u>	<u>13,689,474</u>	<u>13,689,474</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,822,891</u>	<u>6,822,891</u>	<u>13,820,961</u>	<u>6,998,070</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.

Low and Moderate Income Housing Fund

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

NON-MAJOR GOVERNMENTAL FUNDS, (CONTINUED)

Asset Forfeiture Fund

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

Parking Authority Fund

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

DEBT SERVICE FUND:

National City Joint Powers Financing Authority Fund

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

Library Bond Debt Service Fund

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

CAPITAL PROTECTS FUNDS:

Proposition "A" Capital Projects Fund

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

STP Local/TransNet Highway Fund

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

State-Local Partnership Fund

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

Traffic Congestion Relief Fund

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

Fire Construction Project Capital Projects Fund

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

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CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2008

	Special Revenue Funds					
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Park and Recreation Capital Outlay
<u>ASSETS</u>						
Cash and investments	\$ 1,032,627	168,264	119,017	620,945	152,032	871,796
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	-	-	455	-	32,592
Property tax receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	1,095	-
Due from other funds	-	321	-	-	-	-
Due from other governmental entities	-	3,136	3,654	8,721	377,850	-
Land held for resale	-	-	-	-	-	-
Contracts, notes and loans receivable	-	-	-	-	-	-
Total assets	\$ 1,032,627	171,721	122,671	630,121	530,977	904,388
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ -	2,441	8,831	5,042	6,104	-
Salaries payable	-	30,535	23,272	-	3,516	-
Due to other funds	-	9,687	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	42,663	32,103	5,042	9,620	-
Fund balances:						
Reserved:						
Encumbrances	-	-	-	-	111,967	1,231
Land held for resale	-	-	-	-	-	-
Contracts, loans, notes receivable	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total reserved	-	-	-	-	111,967	1,231
Unreserved, designated:						
Continuing appropriations	-	-	-	-	227,348	113,000
Total reserved, designated	-	-	-	-	227,348	113,000
Unreserved, undesignated:						
Special revenue funds	1,032,627	129,058	90,568	625,079	182,042	790,157
Capital projects funds	-	-	-	-	-	-
Total fund balances	1,032,627	129,058	90,568	625,079	521,357	904,388
Total liabilities and fund balances	\$ 1,032,627	171,721	122,671	630,121	530,977	904,388

Community Development Block Grant	Special Revenue Funds					Debt Service
	Home Loan Program	HOME Program	Low and Moderate Income Housing Program	Asset Forfeiture	Parking Authority	Joint Powers Financing Authority
416,005	3,064,944	2,104,827	4,901,812	574,081	-	-
-	-	-	-	-	-	73
-	-	-	-	352	-	-
-	-	-	75,958	-	-	-
-	-	-	-	4,136	-	-
-	-	-	-	-	-	-
178,101	-	-	18,090	-	-	-
-	-	1,705,802	360,000	-	-	-
-	322,958	705,107	3,861,809	-	-	-
<u>594,106</u>	<u>3,387,902</u>	<u>4,515,736</u>	<u>9,217,669</u>	<u>578,569</u>	<u>-</u>	<u>73</u>
2,881	-	-	101,288	-	-	-
-	-	-	-	-	-	-
14,025	-	-	-	-	-	-
111,989	-	-	-	-	-	-
<u>128,895</u>	<u>-</u>	<u>-</u>	<u>101,288</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	177,164	-	-
-	-	1,705,802	360,000	-	-	-
-	322,958	705,107	3,861,809	-	-	-
-	-	-	-	-	-	73
<u>-</u>	<u>322,958</u>	<u>2,410,909</u>	<u>4,221,809</u>	<u>177,164</u>	<u>-</u>	<u>73</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
465,211	3,064,944	2,104,827	4,894,572	401,405	-	-
-	-	-	-	-	-	-
<u>465,211</u>	<u>3,387,902</u>	<u>4,515,736</u>	<u>9,116,381</u>	<u>578,569</u>	<u>-</u>	<u>73</u>
<u>594,106</u>	<u>3,387,902</u>	<u>4,515,736</u>	<u>9,217,669</u>	<u>578,569</u>	<u>-</u>	<u>73</u>

(Continued)

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Balance Sheet, Continued

June 30, 2008

	Debt Service		Capital Projects Funds				Total Other Governmental Funds
	Library Bonds	Proposition A	STP Local/TransNet Highway	State-Local Partnership	Traffic Congestion Relief	Fire Construction Project	
<u>ASSETS</u>							
Cash and investments	\$ 662,989	3,288,541	386,099	116,868	155,619	408,173	19,044,639
Restricted cash and investments with fiscal agent	-	-	-	-	-	-	73
Accounts receivable	-	-	-	-	-	-	33,399
Property tax receivable	-	-	-	-	-	-	75,958
Interest receivable	-	23,689	2,781	841	-	-	32,542
Due from other funds	-	397,285	60,774	-	-	-	458,380
Due from other governmental entities	463	-	-	-	-	-	590,015
Land held for resale	-	-	-	-	-	-	2,065,802
Contracts, notes and loans receivable	-	-	-	-	-	-	4,889,874
Total assets	\$ 663,452	3,709,515	449,654	117,709	155,619	408,173	27,190,682
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	13,573	20,500	-	20,000	-	180,660
Salaries payable	-	7,269	-	-	-	-	64,592
Due to other funds	-	60,774	397,285	-	-	-	481,771
Deferred revenue	-	4,513	-	95,493	-	-	211,995
Total liabilities	-	86,129	417,785	95,493	20,000	-	939,018
Fund balances:							
Reserved:							
Encumbrances	-	407,189	428,436	-	-	-	1,125,987
Land held for resale	-	-	-	-	-	-	2,065,802
Contracts, loans, notes receivable	-	-	-	-	-	-	4,889,874
Debt service	663,452	-	-	-	-	-	663,525
Total reserved	663,452	407,189	428,436	-	-	-	8,745,188
Unreserved, designated:							
Continuing appropriations	-	507,538	-	-	-	-	847,886
Total reserved, designated	-	507,538	-	-	-	-	847,886
Unreserved, undesignated:							
Special revenue funds	-	-	-	-	-	-	13,780,490
Capital projects funds	-	2,708,659	(396,567)	22,216	135,619	408,173	2,878,100
Total fund balances	663,452	3,623,386	31,869	22,216	135,619	408,173	26,251,664
Total liabilities and fund balances	\$ 663,452	3,709,515	449,654	117,709	155,619	408,173	27,190,682

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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, 2008

	Special Revenue Funds					
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Park and Recreation Capital Outlay
Revenues:						
Taxes	\$ -	659,872	776,094	88,634	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rents	-	-	-	-	32,104	269,267
Intergovernmental	-	6,158	-	-	1,137,214	-
Charges for services	-	-	-	23,473	-	-
Other revenues	-	-	-	-	-	-
Total revenues	-	666,030	776,094	112,107	1,169,318	269,267
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Transportation	-	-	-	-	770,818	-
Community development	-	-	-	-	-	-
Culture and leisure	-	1,531,700	983,863	-	-	12,000
Capital outlay	-	-	-	116,560	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	1,531,700	983,863	116,560	770,818	12,000
Excess (deficiency) of revenues over (under) expenditures	-	(865,670)	(207,769)	(4,453)	398,500	257,267
Other financing sources (uses):						
Transfers in	-	1,006,686	298,337	-	-	-
Transfers out	-	(11,958)	-	-	(700,000)	-
Total other financing sources (uses)	-	994,728	298,337	-	(700,000)	-
Net change in fund balances	-	129,058	90,568	(4,453)	(301,500)	257,267
Fund balances, beginning, of year, as restated	1,032,627	-	-	629,532	822,857	647,121
Fund balances, end of year	\$ 1,032,627	129,058	90,568	625,079	521,357	904,388

Community Development Block Grant	Home Loan Program	Special Revenue Funds				Parking Authority	Debt Service
		HOME Program	Low and Moderate Income Housing Program	Asset Forfeiture	Joint Powers Financing Authority		
-	-	-	2,941,607	-	-	-	
-	-	-	-	170,110	-	-	
-	-	-	7,947	22,181	-	1,143	
1,147,104	-	524,437	-	-	-	486,451	
-	-	-	-	-	-	-	
-	16,798	-	-	-	-	-	
<u>1,147,104</u>	<u>16,798</u>	<u>524,437</u>	<u>2,949,554</u>	<u>192,291</u>	<u>-</u>	<u>487,594</u>	
-	-	-	-	-	-	-	
-	-	-	-	25,134	-	-	
-	-	-	-	-	-	-	
1,073,965	188	3,528	280,252	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	41,613	-	-	
-	-	-	-	-	-	300,000	
-	-	-	-	-	-	187,799	
<u>1,073,965</u>	<u>188</u>	<u>3,528</u>	<u>280,252</u>	<u>66,747</u>	<u>-</u>	<u>487,799</u>	
<u>73,139</u>	<u>16,610</u>	<u>520,909</u>	<u>2,669,302</u>	<u>125,544</u>	<u>-</u>	<u>(205)</u>	
-	-	-	-	-	-	-	
-	-	-	(814,215)	-	-	-	
-	-	-	(814,215)	-	-	-	
73,139	16,610	520,909	1,855,087	125,544	-	(205)	
<u>392,072</u>	<u>3,371,292</u>	<u>3,994,827</u>	<u>7,261,294</u>	<u>453,025</u>	<u>-</u>	<u>278</u>	
<u>465,211</u>	<u>3,387,902</u>	<u>4,515,736</u>	<u>9,116,381</u>	<u>578,569</u>	<u>-</u>	<u>73</u>	

(Continued)

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

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

Year ended June 30, 2008

	Debt Service		Capital Projects Funds				Total Other Governmental Funds
	Library Bonds	Proposition A	STP Local/TransNet Highway	State-Local Partnership	Traffic Congestion Relief	Fire Construction Project	
Revenues:							
Taxes	\$ -	-	-	-	-	-	4,466,207
Fines and forfeitures	-	-	-	-	-	-	170,110
Interest and rents	-	121,400	35,318	4,493	-	7,384	501,237
Intergovernmental	-	357,194	96,005	-	-	-	3,754,563
Charges for services	-	-	-	-	-	-	23,473
Other revenues	<u>481,882</u>	-	-	-	-	-	<u>498,680</u>
Total revenues	<u>481,882</u>	<u>478,594</u>	<u>131,323</u>	<u>4,493</u>	<u>-</u>	<u>7,384</u>	<u>9,414,270</u>
Expenditures:							
Current:							
General government	1,198	-	-	-	-	-	1,198
Public safety	-	-	-	-	-	36,891	62,025
Transportation	-	-	-	-	306,807	-	1,077,625
Community development	-	-	-	-	-	-	1,357,933
Culture and leisure	-	-	-	-	-	-	2,527,563
Capital outlay	-	416,990	193,963	-	-	-	769,126
Debt service:							
Principal	135,000	-	-	-	-	-	435,000
Interest and fiscal charges	<u>262,190</u>	-	-	-	-	-	<u>449,989</u>
Total expenditures	<u>398,388</u>	<u>416,990</u>	<u>193,963</u>	<u>-</u>	<u>306,807</u>	<u>36,891</u>	<u>6,680,459</u>
Excess (deficiency) of revenues over (under) expenditures	<u>83,494</u>	<u>61,604</u>	<u>(62,640)</u>	<u>4,493</u>	<u>(306,807)</u>	<u>(29,507)</u>	<u>2,733,811</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,305,023
Transfers out	-	-	-	-	-	-	(1,526,173)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(221,150)</u>
Net change in fund balances	<u>83,494</u>	<u>61,604</u>	<u>(62,640)</u>	<u>4,493</u>	<u>(306,807)</u>	<u>(29,507)</u>	<u>2,512,661</u>
Fund balances, beginning, of year, as restated	<u>579,958</u>	<u>3,561,782</u>	<u>94,509</u>	<u>17,723</u>	<u>442,426</u>	<u>437,680</u>	<u>23,739,003</u>
Fund balances, end of year	<u>\$ 663,452</u>	<u>3,623,386</u>	<u>31,869</u>	<u>22,216</u>	<u>135,619</u>	<u>408,173</u>	<u>26,251,664</u>

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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Capital outlay	\$ -	-	-	-
Total expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>1,032,627</u>	<u>1,032,627</u>	<u>1,032,627</u>	-
Fund balance, end of year	<u>\$ 1,032,627</u>	<u>1,032,627</u>	<u>1,032,627</u>	-

CITY OF NATIONAL CITY
Library Special Revenue Fund

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

For the year ended June 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
Revenues:				
Taxes	\$ 744,104	744,104	659,872	(84,232)
Intergovernmental	<u>6,000</u>	<u>6,000</u>	<u>6,158</u>	<u>158</u>
Total revenues	<u>750,104</u>	<u>750,104</u>	<u>666,030</u>	<u>(84,074)</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,756,790</u>	<u>1,756,790</u>	<u>1,531,700</u>	<u>225,090</u>
Total expenditures	<u>1,756,790</u>	<u>1,756,790</u>	<u>1,531,700</u>	<u>225,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,006,686)</u>	<u>(1,006,686)</u>	<u>(865,670)</u>	<u>141,016</u>
Other financing sources (uses):				
Transfers in	1,006,686	1,006,686	1,006,686	-
Transfers out	<u>-</u>	<u>-</u>	<u>(11,958)</u>	<u>(11,958)</u>
Total other financing sources (uses)	<u>1,006,686</u>	<u>1,006,686</u>	<u>994,728</u>	<u>(11,958)</u>
Net change in fund balances	-	-	129,058	129,058
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>129,058</u>	<u>129,058</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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 787,034	787,034	776,094	(10,940)
Total revenues	<u>787,034</u>	<u>787,034</u>	<u>776,094</u>	<u>(10,940)</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,008,983</u>	<u>1,008,983</u>	<u>983,863</u>	<u>25,120</u>
Total expenditures	<u>1,008,983</u>	<u>1,008,983</u>	<u>983,863</u>	<u>25,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(221,949)</u>	<u>(221,949)</u>	<u>(207,769)</u>	<u>14,180</u>
Other financing sources:				
Transfers in	<u>298,337</u>	<u>298,337</u>	<u>298,337</u>	<u>-</u>
Total other financing sources	<u>298,337</u>	<u>298,337</u>	<u>298,337</u>	<u>-</u>
Net change in fund balances	76,388	76,388	90,568	14,180
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 76,388</u>	<u>76,388</u>	<u>90,568</u>	<u>14,180</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, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 100,000	100,000	88,634	(11,366)
Charges for services	<u>10,000</u>	<u>10,000</u>	<u>23,473</u>	<u>13,473</u>
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>112,107</u>	<u>2,107</u>
Expenditures:				
Capital outlay	<u>507,632</u>	<u>507,632</u>	<u>116,560</u>	<u>391,072</u>
Total expenditures	<u>507,632</u>	<u>507,632</u>	<u>116,560</u>	<u>391,072</u>
Net change in fund balances	(397,632)	(397,632)	(4,453)	393,179
Fund balance, beginning of year	<u>629,532</u>	<u>629,532</u>	<u>629,532</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 231,900</u></u>	<u><u>231,900</u></u>	<u><u>625,079</u></u>	<u><u>393,179</u></u>

CITY OF NATIONAL CITY
Gas Tax Special Revenue Fund

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

For the year ended June 30, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ 38,500	38,500	32,104	(6,396)
Intergovernmental	<u>1,183,500</u>	<u>1,183,500</u>	<u>1,137,214</u>	<u>(46,286)</u>
Total revenues	<u>1,222,000</u>	<u>1,222,000</u>	<u>1,169,318</u>	<u>(52,682)</u>
Expenditures:				
Current:				
Transportation	<u>1,861,605</u>	<u>1,861,605</u>	<u>770,818</u>	<u>1,090,787</u>
Total expenditures	<u>1,861,605</u>	<u>1,861,605</u>	<u>770,818</u>	<u>1,090,787</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(639,605)</u>	<u>(639,605)</u>	<u>398,500</u>	<u>1,038,105</u>
Other financing sources (uses):				
Transfers out	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
Net change in fund balances	(1,339,605)	(1,339,605)	(301,500)	1,038,105
Fund balance, beginning of year	<u>822,857</u>	<u>822,857</u>	<u>822,857</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (516,748)</u>	<u>(516,748)</u>	<u>521,357</u>	<u>1,038,105</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, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Interest and rents	\$ 150,000	150,000	269,267	119,267
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>269,267</u>	<u>119,267</u>
Expenditures:				
Current:				
Culture and leisure	126,231	126,231	12,000	114,231
Total expenditures	<u>126,231</u>	<u>126,231</u>	<u>12,000</u>	<u>114,231</u>
Net change in fund balances	23,769	23,769	257,267	233,498
Fund balance, beginning of year	<u>647,121</u>	<u>647,121</u>	<u>647,121</u>	-
Fund balance (deficit), end of year	<u>\$ 670,890</u>	<u>670,890</u>	<u>904,388</u>	<u>233,498</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, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Intergovernmental	\$ <u>1,135,220</u>	<u>1,135,220</u>	<u>1,147,104</u>	<u>11,884</u>
Total revenues	<u>1,135,220</u>	<u>1,135,220</u>	<u>1,147,104</u>	<u>11,884</u>
Expenditures:				
Current:				
Community development	<u>2,392,481</u>	<u>2,392,481</u>	<u>1,073,965</u>	<u>1,318,516</u>
Total expenditures	<u>2,392,481</u>	<u>2,392,481</u>	<u>1,073,965</u>	<u>1,318,516</u>
Net change in fund balances	(1,257,261)	(1,257,261)	73,139	1,330,400
Fund balance, beginning of year	<u>392,072</u>	<u>392,072</u>	<u>392,072</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (865,189)</u>	<u>(865,189)</u>	<u>465,211</u>	<u>1,330,400</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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Other revenues	\$ 17,000	-	16,798	16,798
Total revenues	<u>17,000</u>	<u>-</u>	<u>16,798</u>	<u>16,798</u>
Expenditures:				
Current:				
Community development	-	-	188	(188)
Total expenditures	<u>-</u>	<u>-</u>	<u>188</u>	<u>(188)</u>
Net change in fund balances	17,000	-	16,610	16,610
Fund balance, beginning of year	<u>3,371,292</u>	<u>3,371,292</u>	<u>3,371,292</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,388,292</u>	<u>3,371,292</u>	<u>3,387,902</u>	<u>16,610</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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 599,067	599,067	524,437	(74,630)
Total revenues	<u>599,067</u>	<u>599,067</u>	<u>524,437</u>	<u>(74,630)</u>
Expenditures:				
Current:				
Community development	<u>593,067</u>	<u>593,067</u>	<u>3,528</u>	<u>589,539</u>
Total expenditures	<u>593,067</u>	<u>593,067</u>	<u>3,528</u>	<u>589,539</u>
Net change in fund balances	6,000	6,000	520,909	514,909
Fund balance, beginning of year	<u>3,994,827</u>	<u>3,994,827</u>	<u>3,994,827</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,000,827</u>	<u>4,000,827</u>	<u>4,515,736</u>	<u>514,909</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, 2008

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	(Negative)
Revenues:				
Taxes	\$ 2,848,366	2,848,366	2,941,607	93,241
Interest and rents	<u>10,775</u>	<u>10,775</u>	<u>7,947</u>	<u>(2,828)</u>
Total revenues	<u>2,859,141</u>	<u>2,859,141</u>	<u>2,949,554</u>	<u>90,413</u>
Expenditures:				
Current:				
Community development	<u>852,500</u>	<u>852,500</u>	<u>280,252</u>	<u>572,248</u>
Total expenditures	<u>852,500</u>	<u>852,500</u>	<u>280,252</u>	<u>572,248</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,006,641</u>	<u>2,006,641</u>	<u>2,669,302</u>	<u>662,661</u>
Other financing sources (uses):				
Transfers out	<u>(832,964)</u>	<u>(832,964)</u>	<u>(814,215)</u>	<u>18,749</u>
Total other financing sources (uses)	<u>(832,964)</u>	<u>(832,964)</u>	<u>(814,215)</u>	<u>18,749</u>
Net change in fund balances	1,173,677	1,173,677	1,855,087	681,410
Fund balance, beginning of year	<u>7,261,294</u>	<u>7,261,294</u>	<u>7,261,294</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,434,971</u>	<u>8,434,971</u>	<u>9,116,381</u>	<u>681,410</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, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Fines and forfeitures	\$ 178,550	178,550	170,110	(8,440)
Interest and rents	<u>90,000</u>	<u>90,000</u>	<u>22,181</u>	<u>(67,819)</u>
Total revenues	<u>268,550</u>	<u>268,550</u>	<u>192,291</u>	<u>(76,259)</u>
Expenditures:				
Current:				
Public safety	53,295	53,295	25,134	28,161
Capital outlay	<u>214,566</u>	<u>214,566</u>	<u>41,613</u>	<u>172,953</u>
Total expenditures	<u>267,861</u>	<u>267,861</u>	<u>66,747</u>	<u>201,114</u>
Net change in fund balances	689	689	125,544	124,855
Fund balance, beginning of year	<u>453,025</u>	<u>453,025</u>	<u>453,025</u>	<u>-</u>
Fund balance, end of year	<u>\$ 453,714</u>	<u>453,714</u>	<u>578,569</u>	<u>124,855</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, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ 1,000	1,000	1,143	143
Intergovernmental	<u>488,000</u>	<u>488,000</u>	<u>486,451</u>	<u>(1,549)</u>
Total revenues	<u>489,000</u>	<u>489,000</u>	<u>487,594</u>	<u>(1,406)</u>
Expenditures:				
Debt service				
Principal	300,000	300,000	300,000	-
Interest and fiscal charges	<u>187,799</u>	<u>187,799</u>	<u>187,799</u>	<u>-</u>
Total expenditures	<u>487,799</u>	<u>487,799</u>	<u>487,799</u>	<u>-</u>
Net change in fund balances	1,201	1,201	(205)	(1,406)
Fund balance, beginning of year	<u>278</u>	<u>278</u>	<u>278</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,479</u>	<u>1,479</u>	<u>73</u>	<u>(1,406)</u>

CITY OF NATIONAL CITY
Library Bond Debt Service Fund

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

For the year ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other revenues	\$ 400,000	400,000	481,882	81,882
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>481,882</u>	<u>81,882</u>
Expenditures:				
Current:				
General government	-	-	1,198	(1,198)
Debt service				
Principal	135,000	135,000	135,000	-
Interest and fiscal charges	<u>262,190</u>	<u>262,190</u>	<u>262,190</u>	<u>-</u>
Total expenditures	<u>397,190</u>	<u>397,190</u>	<u>398,388</u>	<u>(1,198)</u>
Net change in fund balances	2,810	2,810	83,494	80,684
Fund balance, beginning of year	<u>579,958</u>	<u>579,958</u>	<u>579,958</u>	<u>-</u>
Fund balance, end of year	<u>\$ 582,768</u>	<u>582,768</u>	<u>663,452</u>	<u>80,684</u>

CITY OF NATIONAL CITY
Proposition A Capital Projects Fund

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

For the year ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Interest and rents	\$ 32,700	32,700	121,400	88,700
Intergovernmental	<u>384,000</u>	<u>384,000</u>	<u>357,194</u>	<u>(26,806)</u>
Total revenues	<u>416,700</u>	<u>416,700</u>	<u>478,594</u>	<u>61,894</u>
Expenditures:				
Capital outlay	<u>2,018,605</u>	<u>2,018,605</u>	<u>416,990</u>	<u>1,601,615</u>
Total expenditures	<u>2,018,605</u>	<u>2,018,605</u>	<u>416,990</u>	<u>1,601,615</u>
Net change in fund balances	(1,601,905)	(1,601,905)	61,604	1,663,509
Fund balance, beginning of year, as restated	<u>3,561,782</u>	<u>3,561,782</u>	<u>3,561,782</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,959,877</u>	<u>1,959,877</u>	<u>3,623,386</u>	<u>1,663,509</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, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Interest and rents	\$ -	-	35,318	35,318
Intergovernmental	-	-	96,005	96,005
Total revenues	-	-	131,323	131,323
Expenditures:				
Capital outlay	1,311,968	1,311,968	193,963	1,118,005
Total expenditures	1,311,968	1,311,968	193,963	1,118,005
Net change in fund balances	(1,311,968)	(1,311,968)	(62,640)	1,249,328
Fund balance, beginning of year, as restated	94,509	94,509	94,509	-
Fund balance (deficit), end of year	<u>\$ (1,217,459)</u>	<u>(1,217,459)</u>	<u>31,869</u>	<u>1,249,328</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, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	4,493	4,493
Total revenues	-	-	4,493	4,493
Net change in fund balances	-	-	4,493	4,493
Fund balance, beginning of year	17,723	17,723	17,723	-
Fund balance, end of year	<u>\$ 17,723</u>	<u>17,723</u>	<u>22,216</u>	<u>4,493</u>

CITY OF NATIONAL CITY
Traffic Congestion Relief Capital Projects Fund

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

For the year ended June 30, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 455,749	455,749	-	(455,749)
Total revenues	<u>455,749</u>	<u>455,749</u>	<u>-</u>	<u>(455,749)</u>
Expenditures:				
Current:				
Transportation	<u>707,613</u>	<u>707,613</u>	<u>306,807</u>	<u>400,806</u>
Total expenditures	<u>707,613</u>	<u>707,613</u>	<u>306,807</u>	<u>400,806</u>
Net change in fund balances	(251,864)	(251,864)	(306,807)	(54,943)
Fund balance, beginning of year	<u>442,426</u>	<u>442,426</u>	<u>442,426</u>	<u>-</u>
Fund balance, end of year	<u>\$ 190,562</u>	<u>190,562</u>	<u>135,619</u>	<u>(54,943)</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, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and rents	\$ -	-	7,384	7,384
Total revenues	-	-	7,384	7,384
Expenditures:				
Current:				
Public safety	313,359	313,359	36,891	276,468
Total expenditures	313,359	313,359	36,891	276,468
Net change in fund balances	(313,359)	(313,359)	(29,507)	283,852
Fund balance, beginning of year	437,680	437,680	437,680	-
Fund balance, end of year	<u>\$ 124,321</u>	<u>124,321</u>	<u>408,173</u>	<u>283,852</u>

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, 2008

	<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	\$ 320,086	6,474,885	276,793	999,680	2,153,428
Accounts receivable	-	2,000	-	72,231	-
Inventories	-	-	27,903	-	-
Prepaid items and deposits	-	-	-	47,000	-
Total current assets	<u>320,086</u>	<u>6,476,885</u>	<u>304,696</u>	<u>1,118,911</u>	<u>2,153,428</u>
Noncurrent assets:					
Capital assets:					
Depreciable assets, net of accumulated depreciation	-	-	-	62,304	182,998
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,304</u>	<u>182,998</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,304</u>	<u>182,998</u>
Total assets	<u>320,086</u>	<u>6,476,885</u>	<u>304,696</u>	<u>1,181,215</u>	<u>2,336,426</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	131,717	138,303	11,790	18,893	93,925
Salaries payable	20,084	3,642	6,342	4,294	-
Due to other funds	5,000	-	-	-	-
Compensated absences	42,604	8,973	25,413	-	-
Self-insurance claims payable - due within one year	-	1,930,000	-	-	-
Total current liabilities	<u>199,405</u>	<u>2,080,918</u>	<u>43,545</u>	<u>23,187</u>	<u>93,925</u>
Noncurrent liabilities:					
Self-insurance claims payable - due in more than one year	-	2,578,000	-	-	-
Total liabilities	<u>199,405</u>	<u>4,658,918</u>	<u>43,545</u>	<u>23,187</u>	<u>93,925</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	-	-	-	62,304	182,998
Unrestricted	<u>120,681</u>	<u>1,817,967</u>	<u>261,151</u>	<u>1,095,724</u>	<u>2,059,503</u>
Total net assets	<u>\$ 120,681</u>	<u>1,817,967</u>	<u>261,151</u>	<u>1,158,028</u>	<u>2,242,501</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>
789,947	638,999	621,264	709,263	201,532	13,185,877
-	-	-	-	-	74,231
-	-	-	-	-	27,903
-	-	-	-	-	47,000
<u>789,947</u>	<u>638,999</u>	<u>621,264</u>	<u>709,263</u>	<u>201,532</u>	<u>13,335,011</u>
<u>9,365</u>	<u>-</u>	<u>1,357,513</u>	<u>-</u>	<u>-</u>	<u>1,612,180</u>
<u>9,365</u>	<u>-</u>	<u>1,357,513</u>	<u>-</u>	<u>-</u>	<u>1,612,180</u>
<u>9,365</u>	<u>-</u>	<u>1,357,513</u>	<u>-</u>	<u>-</u>	<u>1,612,180</u>
<u>799,312</u>	<u>638,999</u>	<u>1,978,777</u>	<u>709,263</u>	<u>201,532</u>	<u>14,947,191</u>
18,851	10,589	67,682	97,118	140	589,008
2,706	15,445	10,862	-	-	63,375
-	-	-	-	-	5,000
-	77,222	28,485	-	-	182,697
-	-	-	-	-	1,930,000
<u>21,557</u>	<u>103,256</u>	<u>107,029</u>	<u>97,118</u>	<u>140</u>	<u>2,770,080</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,578,000</u>
<u>21,557</u>	<u>103,256</u>	<u>107,029</u>	<u>97,118</u>	<u>140</u>	<u>5,348,080</u>
9,365	-	1,357,513	-	-	1,612,180
<u>768,390</u>	<u>535,743</u>	<u>514,235</u>	<u>612,145</u>	<u>201,392</u>	<u>7,986,931</u>
<u>777,755</u>	<u>535,743</u>	<u>1,871,748</u>	<u>612,145</u>	<u>201,392</u>	<u>9,599,111</u>

CITY OF NATIONAL CITY

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2008

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Operating revenues:					
Services charges	\$ 2,099,052	2,730,536	432,950	761,615	425,624
Other revenues	-	53,646	-	-	-
Total operating revenues	<u>2,099,052</u>	<u>2,784,182</u>	<u>432,950</u>	<u>761,615</u>	<u>425,624</u>
Operating expenses:					
Personnel services	682,091	132,919	172,549	141,364	-
Maintenance and operations	1,699,493	2,720,139	176,771	433,761	218,651
Depreciation	-	-	-	43,301	23,036
Total operating expenses	<u>2,381,584</u>	<u>2,853,058</u>	<u>349,320</u>	<u>618,426</u>	<u>241,687</u>
Operating income (loss)	(282,532)	(68,876)	83,630	143,189	183,937
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in net assets	(282,532)	(68,876)	83,630	143,189	183,937
Net assets, beginning of year	<u>403,213</u>	<u>1,886,843</u>	<u>177,521</u>	<u>1,014,839</u>	<u>2,058,564</u>
Net assets, end of year	<u>\$ 120,681</u>	<u>1,817,967</u>	<u>261,151</u>	<u>1,158,028</u>	<u>2,242,501</u>

<u>Telecommunications Revolving</u>	<u>General Accounting Services</u>	<u>Motor Vehicle Services</u>	<u>Equipment Replacement Reserve</u>	<u>Unemployment Insurance Reserve</u>	<u>Total</u>
397,816	865,891	1,577,339	-	38,820	9,329,643
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,646</u>
<u>397,816</u>	<u>865,891</u>	<u>1,577,339</u>	<u>-</u>	<u>38,820</u>	<u>9,383,289</u>
84,775	571,251	424,778	-	-	2,209,727
246,701	184,786	896,715	107,855	28,004	6,712,876
<u>7,917</u>	<u>-</u>	<u>270,746</u>	<u>-</u>	<u>-</u>	<u>345,000</u>
<u>339,393</u>	<u>756,037</u>	<u>1,592,239</u>	<u>107,855</u>	<u>28,004</u>	<u>9,267,603</u>
58,423	109,854	(14,900)	(107,855)	10,816	115,686
-	-	95,000	-	-	95,000
<u>(143,771)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,771)</u>
(85,348)	109,854	80,100	(107,855)	10,816	66,915
<u>863,103</u>	<u>425,889</u>	<u>1,791,648</u>	<u>720,000</u>	<u>190,576</u>	<u>9,532,196</u>
<u>777,755</u>	<u>535,743</u>	<u>1,871,748</u>	<u>612,145</u>	<u>201,392</u>	<u>9,599,111</u>

CITY OF NATIONAL CITY
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2008

	Facilities Maintenance	Liability Insurance	General Services	Information Systems Maintenance	Office Equipment Depreciation
Cash flows from operating activities:					
Cash received from customers/other funds	2,104,052	2,782,182	432,950	761,615	425,624
Cash payments to suppliers	(1,617,511)	(2,248,372)	(177,461)	(463,237)	(136,849)
Cash payments for general and administrative	(660,976)	(126,084)	(168,556)	(139,187)	-
Net cash provided (used) by operating activities	<u>(174,435)</u>	<u>407,726</u>	<u>86,933</u>	<u>159,191</u>	<u>288,775</u>
Cash flows from capital and related financing activities:					
Acquisition or disposal of capital assets	-	-	-	-	(104,433)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,433)</u>
Cash flows from non-capital financing activities:					
Cash received from other funds	15,942	-	-	-	-
Cash paid to other funds	-	-	(1,957)	(32,478)	(35,783)
Net cash provided (used) by non-capital financing activities	<u>15,942</u>	<u>-</u>	<u>(1,957)</u>	<u>(32,478)</u>	<u>(35,783)</u>
Net increase (decrease) in cash and cash equivalents	(158,493)	407,726	84,976	126,713	148,559
Cash and investments:					
Beginning of year	478,579	6,067,159	191,817	872,967	2,004,869
End of year	<u>\$ 320,086</u>	<u>6,474,885</u>	<u>276,793</u>	<u>999,680</u>	<u>2,153,428</u>
Cash flows from operating activities:					
Operating income (loss)	<u>\$ (282,532)</u>	<u>(68,876)</u>	<u>83,630</u>	<u>143,189</u>	<u>183,937</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	43,301	23,036
Changes in current assets and liabilities:					
Accounts receivable	5,000	(2,000)	-	-	-
Inventories	-	-	(1,278)	-	-
Prepaid items and deposits	-	-	-	(41,781)	-
Accounts payable and accrued liabilities	81,982	108,767	588	12,305	81,802
Salaries payable	10,312	817	2,690	2,177	-
Compensated absences	10,803	6,018	1,303	-	-
Self-insurance claims payable	-	363,000	-	-	-
Total adjustments	<u>108,097</u>	<u>476,602</u>	<u>3,303</u>	<u>16,002</u>	<u>104,838</u>
Net cash provided (used) by operating activities	<u>\$ (174,435)</u>	<u>407,726</u>	<u>86,933</u>	<u>159,191</u>	<u>288,775</u>

Telecommunications Revolving	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Unemployment Insurance Reserve	Total
397,816	865,891	1,577,339	-	38,820	9,386,289
(232,786)	(174,706)	(911,049)	(10,737)	(27,864)	(6,000,572)
<u>(83,178)</u>	<u>(524,807)</u>	<u>(413,773)</u>	<u>-</u>	<u>-</u>	<u>(2,116,561)</u>
<u>81,852</u>	<u>166,378</u>	<u>252,517</u>	<u>(10,737)</u>	<u>10,956</u>	<u>1,269,156</u>
-	-	(189,008)	-	-	(293,441)
-	-	(189,008)	-	-	(293,441)
800	-	102,550	-	-	119,292
(148,036)	-	-	-	-	(218,254)
<u>(147,236)</u>	<u>-</u>	<u>102,550</u>	<u>-</u>	<u>-</u>	<u>(98,962)</u>
(65,384)	166,378	166,059	(10,737)	10,956	876,753
855,331	472,621	455,205	720,000	190,576	12,309,124
<u>789,947</u>	<u>638,999</u>	<u>621,264</u>	<u>709,263</u>	<u>201,532</u>	<u>13,185,877</u>
<u>58,423</u>	<u>109,854</u>	<u>(14,900)</u>	<u>(107,855)</u>	<u>10,816</u>	<u>115,686</u>
7,917	-	270,746	-	-	345,000
-	-	-	-	-	3,000
-	-	-	-	-	(1,278)
-	-	-	-	-	(41,781)
13,915	10,080	(14,334)	97,118	140	392,363
1,597	7,754	5,404	-	-	30,751
-	38,690	5,601	-	-	62,415
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,000</u>
<u>23,429</u>	<u>56,524</u>	<u>267,417</u>	<u>97,118</u>	<u>140</u>	<u>1,153,470</u>
<u>81,852</u>	<u>166,378</u>	<u>252,517</u>	<u>(10,737)</u>	<u>10,956</u>	<u>1,269,156</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, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>COBRA INSURANCE FUND</u>				
Assets:				
Cash and investments	\$ 3,990	105,209	105,409	3,790
Total assets	<u>\$ 3,990</u>	<u>105,209</u>	<u>105,409</u>	<u>3,790</u>
Liabilities:				
Accounts payable	\$ 3,990	210,741	210,941	3,790
Total liabilities	<u>\$ 3,990</u>	<u>210,741</u>	<u>210,941</u>	<u>3,790</u>
	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>MISCELLANEOUS DEPOSITS FUND</u>				
Assets:				
Cash and investments	\$ 834,500	177,584	364,893	647,191
Total assets	<u>\$ 834,500</u>	<u>177,584</u>	<u>364,893</u>	<u>647,191</u>
Liabilities:				
Accounts payable	\$ 834,500	507,419	694,728	647,191
Total liabilities	<u>\$ 834,500</u>	<u>507,419</u>	<u>694,728</u>	<u>647,191</u>
	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>TOTAL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 838,490	282,793	470,302	650,981
Total assets	<u>\$ 838,490</u>	<u>282,793</u>	<u>470,302</u>	<u>650,981</u>
Liabilities:				
Accounts payable	\$ 838,490	718,160	905,669	650,981
Total liabilities	<u>\$ 838,490</u>	<u>718,160</u>	<u>905,669</u>	<u>650,981</u>

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OTHER INFORMATION

CITY OF NATIONAL CITY
Net Assets by Component¹
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Governmental Activities:			
Invested in Capital assets, net of related debt	50,268,232	92,988,998	101,117,839
Restricted	26,694,109	49,185,546	44,125,574
Unrestricted	44,331,476	(19,947,768)	(18,088,821)
Total governmental activities net assets	<u>121,293,817</u>	<u>122,226,776</u>	<u>127,154,592</u>
Business-type Activities:			
Invested in Capital assets, net of related debt	12,481,289	11,844,051	11,204,491
Restricted	1,913,163	1,157,359	2,439,808
Unrestricted	(241,387)	1,142,236	-
Total business-type activities net assets	<u>14,153,065</u>	<u>14,143,646</u>	<u>13,644,299</u>
Primary Government:			
Invested in Capital assets, net of related debt	62,749,521	104,833,049	112,322,330
Restricted	28,607,272	50,342,905	46,565,382
Unrestricted	44,090,089	(18,805,532)	(18,088,821)
Total primary government net assets	<u>135,446,882</u>	<u>136,370,422</u>	<u>140,798,891</u>

Notes: ¹ The City of National City implemented GASB 34 for the period ended June 30, 2003.
Information prior to the implementation is not available.

Source: City of National City Comprehensive Annual Financial Reports.

Fiscal Year		
2006	2007	2008
93,916,816	95,083,039	90,395,315
37,597,633	41,250,048	53,081,951
(2,314,564)	5,449,969	7,376,407
<u>129,199,885</u>	<u>141,783,056</u>	<u>150,853,673</u>
10,854,822	10,407,472	5,584,797
2,134,043	1,778,624	1,996,801
-	-	-
<u>12,988,865</u>	<u>12,186,096</u>	<u>7,581,598</u>
104,771,638	105,490,511	95,980,112
39,731,676	43,028,672	55,078,752
(2,314,564)	5,449,969	7,376,407
<u>142,188,750</u>	<u>153,969,152</u>	<u>158,435,271</u>

CITY OF NATIONAL CITY
Changes in Net Assets^{1, 2}
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Expenses:			
Governmental Activities:			
General government	15,228,774	4,840,699	5,821,973
Public safety	21,707,108	20,691,526	29,517,769
Transportation	1,499,506	3,118,995	5,185,480
Community development	7,845,282	18,772,524	23,565,808
Health	5,683,202	6,776,503	6,776,548
Culture and leisure	4,054,931	5,321,896	6,261,480
Interest on long-term debt (unallocated)	948,690	2,401,283	4,809,381
Depreciation expense (unallocated)	3,418,754	-	-
Total governmental activities expenses	<u>60,386,247</u>	<u>61,923,426</u>	<u>81,938,439</u>
Business-type Activities:			
TDA	3,003,738	3,037,348	3,100,807
Community development commission	<u>1,618,597</u>	<u>1,694,815</u>	<u>1,816,212</u>
Total business-type activities expenses	<u>4,622,335</u>	<u>4,732,163</u>	<u>4,917,019</u>
Total primary government expenses	<u>65,008,582</u>	<u>66,655,589</u>	<u>86,855,458</u>
Program Revenue:			
Government Activities:			
Charges for services:			
General government	821,488	8,638,252	11,726,343
Public safety	2,159,250	1,294,738	552,384
Transportation	44,074	1,650	-
Community development	1,111,801	902,399	467,810
Health	4,733,821	1,225	-
Culture and leisure	278,139	637,165	559,500
Operating grants and contributions	12,666,340	21,815,537	30,438,839
Capital grants and contributions	<u>3,474,092</u>	<u>136,227</u>	<u>186,889</u>
Total governmental activities program revenue	<u>25,289,005</u>	<u>33,427,193</u>	<u>43,931,765</u>
Business-type Activities:			
Charges for services:			
TDA	1,210,576	1,321,281	1,170,795
Community development commission	1,806,538	1,819,435	1,843,918
Operating grants and contributions	1,362,066	1,365,549	1,307,972
Capital grants and contributions	-	-	52,137
Total business-type activities program revenue	<u>4,369,180</u>	<u>4,506,265</u>	<u>4,374,822</u>
Total primary government program revenue	<u>29,658,185</u>	<u>37,933,458</u>	<u>48,306,587</u>
Net Revenues (Expenses):			
Governmental activities	(35,097,242)	(28,496,233)	(38,006,674)
Business-type activities	(253,155)	(225,898)	(542,197)
Total Net Revenues (Expenses)	<u>(35,350,397)</u>	<u>(28,722,131)</u>	<u>(38,548,871)</u>

Notes: ¹ The City of National City implemented GASB 34 for the period ended June 30, 2003. Information prior to the implementation is not available.

² The National City transit operation (TDA) was discontinued during fiscal year 2007.

Source: City of National City Comprehensive Annual Financial Reports.

Fiscal Year		
2006	2007	2008
3,141,167	5,219,116	5,881,015
24,841,408	25,943,803	27,218,309
9,979,551	2,680,880	7,144,911
23,709,596	22,209,522	24,841,387
6,049,689	6,273,178	7,426,569
6,243,390	6,387,197	6,304,412
2,631,082	2,768,004	2,853,399
-	-	-
<u>76,595,883</u>	<u>71,481,700</u>	<u>81,670,002</u>
3,684,772	2,689,687	2,218,661
2,535,540	2,059,738	2,078,822
<u>6,220,312</u>	<u>4,749,425</u>	<u>4,297,483</u>
<u>82,816,195</u>	<u>76,231,125</u>	<u>85,967,485</u>
11,731,690	11,210,231	3,035,893
182,214	74,987	192,291
-	-	-
557,715	767,558	776,094
-	-	7,426,730
650,428	843,273	935,297
27,308,279	23,016,167	26,090,615
243,662	166,994	112,107
<u>40,673,988</u>	<u>36,079,210</u>	<u>38,569,027</u>
1,287,218	891,013	-
1,920,403	1,955,520	2,044,277
2,002,041	990,340	-
-	-	-
<u>5,209,662</u>	<u>3,836,873</u>	<u>2,044,277</u>
<u>45,883,650</u>	<u>39,916,083</u>	<u>40,613,304</u>
(35,921,895)	(35,402,490)	(43,100,975)
(1,010,650)	(912,552)	(2,253,206)
<u>(36,932,545)</u>	<u>(36,315,042)</u>	<u>(45,354,181)</u>

(Continued)

CITY OF NATIONAL CITY
Changes in Net Assets (Continued)^{1 2 3}
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
General Revenue and Other Changes in Net Assets:			
Governmental Activities:			
Taxes:			
Property taxes	10,020,098	8,091,564	10,634,257
Sales taxes	14,746,115	16,458,677	18,723,950
Franchise taxes	1,267,983	1,369,136	1,421,404
Motor vehicle license	3,443,936	2,950,346	4,488,802
Transient occupancy taxes	959,078	927,873	1,002,664
Other taxes	922,906	44,092	-
Investment earnings	1,381,560	1,294,564	1,239,038
Other misc	-	1,932,799	1,795,642
Rent	60,993	86,467	82,011
Transfers	-	-	-
Total governmental activities	<u>32,802,669</u>	<u>33,155,518</u>	<u>39,387,768</u>
Business-type Activities:			
Investment earnings	27,958	37,340	42,850
Other misc	-	9,684	-
Rent	-	-	-
Transfers	-	-	-
Total business-type activities	<u>27,958</u>	<u>47,024</u>	<u>42,850</u>
Total primary government	<u>32,830,627</u>	<u>33,202,542</u>	<u>39,430,618</u>
Changes in Net Assets:			
Governmental activities	(2,294,573)	4,659,285	1,381,094
Business-type activities	(225,197)	(178,874)	(499,347)
Total Primary Government	<u>(2,519,770)</u>	<u>4,480,411</u>	<u>881,747</u>

Notes: ¹ The City of National City implemented GASB 34 for the period ended June 30, 2003. Information prior to the implementation is not available.

² The National City transit operation (TDA) was discontinued during fiscal year 2007.

³ The City of National City implemented a one cent district tax during fiscal year 2007 causing an increase in sales tax revenue and investment earnings.

Source: City of National City Comprehensive Annual Financial Reports.

Fiscal Year		
2006	2007	2008
13,304,816	15,232,910	16,421,961
17,571,328	22,102,515	24,072,743
1,357,256	1,440,770	1,416,236
4,558,078	4,837,677	5,100,399
618,378	908,187	841,745
-	-	-
1,460,288	3,405,789	3,369,224
314,606	(27,714)	-
80,711	85,527	305,082
-	-	2,378,910
<u>39,265,461</u>	<u>47,985,661</u>	<u>53,906,300</u>
59,721	82,069	27,618
34,653	-	-
-	27,714	-
-	-	(2,378,910)
<u>94,374</u>	<u>109,783</u>	<u>(2,351,292)</u>
<u>39,359,835</u>	<u>48,095,444</u>	<u>51,555,008</u>
3,343,566	12,583,171	10,805,325
(916,276)	(802,769)	(4,604,498)
<u>2,427,290</u>	<u>11,780,402</u>	<u>6,200,827</u>

CITY OF NATIONAL CITY
Fund Balances of Government Funds¹
Last Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Reserved	83,397	1,101,354	1,126,090	1,171,748
Unreserved	7,439,565	8,056,981	11,457,153	11,620,584
Total general fund	<u>7,522,962</u>	<u>9,158,335</u>	<u>12,583,243</u>	<u>12,792,332</u>
All Other Governmental Funds:				
Reserved	13,241,484	46,548,352	19,446,936	21,676,313
Unreserved				
Designated	27,833,769	14,949,382	15,596,121	7,416,455
Undesignated:				
Special revenue funds	8,553,693	3,714,794	13,350,731	17,346,630
Capital projects funds	12,071,391	2,233,057	9,978,986	7,107,297
Debt service funds	-	-	-	-
Total all other governmental funds	<u>61,700,337</u>	<u>67,445,585</u>	<u>58,372,774</u>	<u>53,546,695</u>

Notes: ¹ The City of National City has elected to show only six years of data for this schedule.

Source: City of National City Comprehensive Annual Financial Reports.

Fiscal Year	
2007	2008
1,501,213	1,727,692
15,585,066	18,298,540
<u>17,086,279</u>	<u>20,026,232</u>
25,758,503	23,958,237
15,554,052	10,832,286
15,595,453	23,394,266
4,201,534	9,750,823
-	-
<u>61,109,542</u>	<u>67,935,612</u>

CITY OF NATIONAL CITY
 Changes in Fund Balances of Government Funds^{1, 2}
 Last Six Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Revenues:			
Taxes	\$ 27,753,702	\$ 30,511,964	\$ 36,831,882
Licenses and permits	246,354	297,937	895,617
Fines and forfeitures	992,882	1,125,965	1,234,563
Interest and rents	1,813,396	1,411,209	2,176,345
Intergovernmental	20,190,583	20,493,616	26,776,553
Charges for services	6,607,356	7,767,770	9,386,573
Other revenues	1,784,270	1,719,177	6,726,776
Total revenues	<u>59,388,543</u>	<u>63,327,638</u>	<u>84,028,309</u>
Expenditures:			
Current:			
General government	16,217,080	4,895,801	5,087,967
Public safety	18,391,488	21,008,075	29,230,210
Transportation	1,499,506	1,587,585	2,904,547
Community development	8,179,356	18,922,721	25,061,379
Health	5,683,202	6,776,503	6,776,548
Culture and leisure	4,070,165	5,321,896	6,261,480
Capital outlay	5,390,611	5,874,829	15,058,251
Debt service:			
Principal	715,000	745,000	985,000
Interest and fiscal charges	952,313	2,079,792	4,206,020
Total expenditures	<u>61,098,721</u>	<u>67,212,202</u>	<u>95,571,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,710,178)</u>	<u>(3,884,564)</u>	<u>(11,543,093)</u>
Other Financing Sources (uses)			
Proceeds from issuance of debt	6,000,000	12,760,000	37,780,000
Payment to bond escrow agent	-	-	(37,111,533)
Proceeds from lease	-	261,937	-
Proceeds from sale of land	-	1,997,101	-
Transfers in	2,180,736	9,774,100	18,113,443
Transfers out	<u>(2,249,687)</u>	<u>(9,749,297)</u>	<u>(16,433,443)</u>
Total other financing sources (uses)	<u>5,931,049</u>	<u>15,043,841</u>	<u>2,348,467</u>
Net change in fund balances	<u>\$ 4,220,871</u>	<u>\$ 11,159,277</u>	<u>\$ (9,194,626)</u>
Debt services as a percentage of noncapital expenditures			
	2.99%	4.61%	6.45%

Notes: ¹ The City of National City has elected to show only six years of data for this schedule.

² The City of National City implemented a one cent district tax during fiscal year 2007 causing an increase in sales tax revenue and investment earnings.

Source: City of National City Comprehensive Annual Financial Reports.

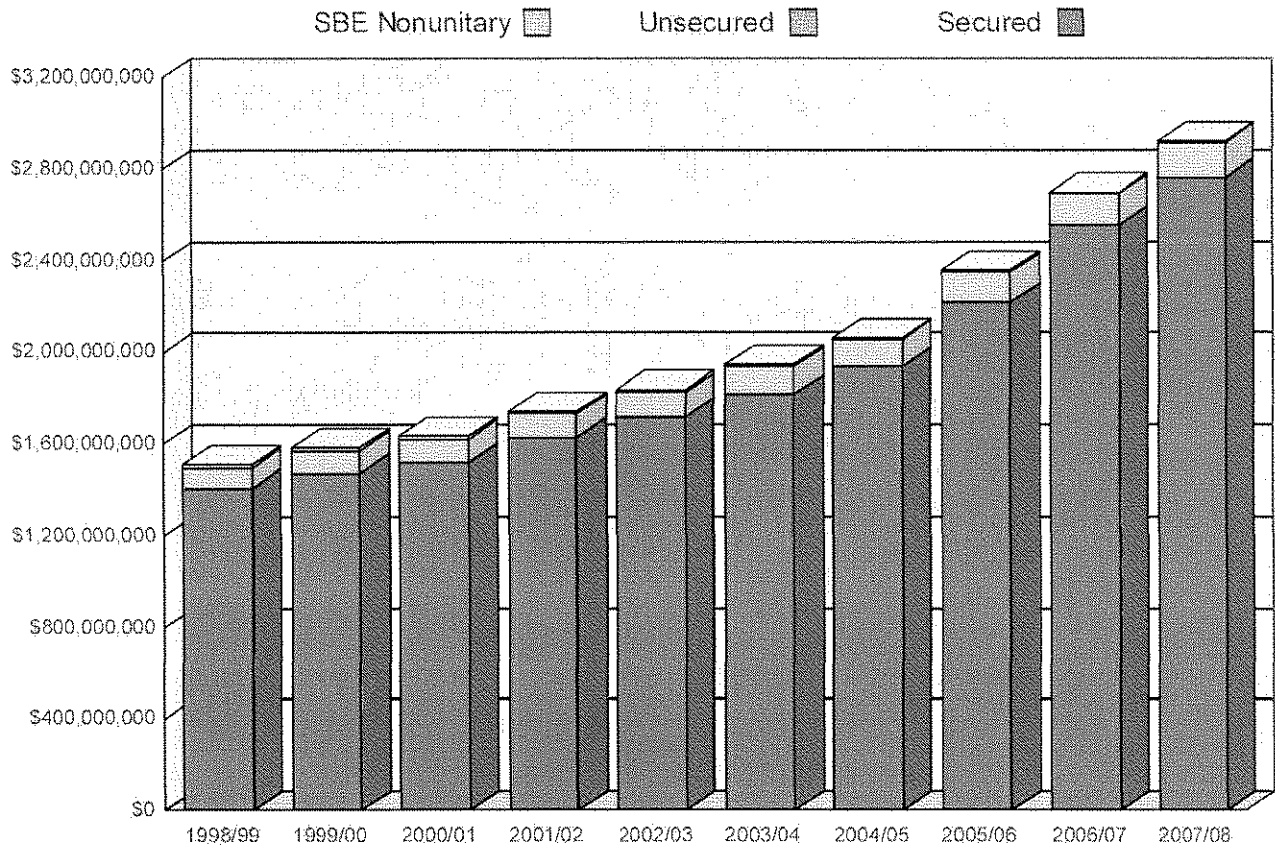
	Fiscal Year		
	2006	2007	2008
\$	39,138,480	\$ 46,477,691	\$ 49,871,559
	887,009	872,998	801,232
	1,237,069	939,083	1,322,347
	1,957,322	3,405,789	3,369,224
	24,345,988	23,863,565	24,377,473
	9,330,082	9,328,340	8,471,286
	2,662,154	2,358,768	2,680,389
	<u>79,558,104</u>	<u>87,246,234</u>	<u>90,893,510</u>
	5,395,508	4,723,185	5,354,513
	25,784,443	25,130,868	26,528,937
	3,369,380	3,236,793	3,756,298
	23,315,799	20,992,576	23,721,153
	6,049,689	6,273,178	7,426,569
	6,243,390	6,387,197	6,276,859
	10,957,597	2,074,818	1,636,398
	3,224,395	2,871,863	2,891,709
	3,014,431	2,898,962	2,864,933
	<u>87,354,632</u>	<u>74,589,440</u>	<u>80,457,369</u>
	<u>(7,796,528)</u>	<u>12,656,794</u>	<u>10,436,141</u>
	-	-	-
	-	-	-
	458,994	-	-
	-	-	-
	10,431,154	8,182,525	13,096,724
	<u>(7,931,154)</u>	<u>(8,982,525)</u>	<u>(13,151,446)</u>
	<u>2,958,994</u>	<u>(800,000)</u>	<u>(54,722)</u>
\$	<u>(4,837,534)</u>	<u>\$ 11,856,794</u>	<u>\$ 10,381,419</u>
	8.17%	7.96%	7.30%

THE CITY OF NATIONAL CITY

NET TAXABLE ASSESSED VALUE HISTORY

1998/99 - 2007/08 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
1998/99	\$1,408,968,721	\$89,894,518	\$11,081,186	\$1,509,944,425	
1999/00	\$1,473,957,556	\$99,805,455	\$11,028,471	\$1,584,791,482	4.96%
2000/01	\$1,520,610,497	\$100,902,500	\$11,076,114	\$1,632,589,111	3.02%
2001/02	\$1,629,026,695	\$103,166,141	\$11,138,470	\$1,743,331,306	6.78%
2002/03	\$1,717,466,753	\$107,821,517	\$10,884,643	\$1,836,172,913	5.33%
2003/04	\$1,817,068,430	\$119,327,613	\$11,768,070	\$1,948,164,113	6.10%
2004/05	\$1,935,789,448	\$121,108,202	\$6,177,516	\$2,063,075,166	5.90%
2005/06	\$2,216,203,180	\$132,107,219	\$6,064,199	\$2,354,374,598	14.12%
2006/07	\$2,555,225,505	\$136,024,998	\$5,931,260	\$2,697,181,763	14.56%
2007/08	\$2,764,040,932	\$153,808,274	\$4,039,249	\$2,921,888,455	8.33%



Data Source: San Diego County Assessor 1998/99 - 2007/08 Combined Tax Rolls

Prepared On 9/11/2008 By NEC

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

THE CITY OF NATIONAL CITY

ASSESSED VALUE OF TAXABLE PROPERTY

1998/99 - 2007/08 Taxable Property Values

Category	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Residential	736,730,985	753,615,172	788,288,010	858,837,592	910,651,363	977,435,596	1,082,365,711	1,247,573,721	1,516,836,558	1,695,513,273
Commercial	484,078,578	521,761,604	536,869,078	566,740,562	583,704,244	578,140,889	611,148,922	681,262,429	716,003,238	753,049,978
Industrial	156,488,207	164,325,077	161,263,160	174,185,831	184,467,053	163,821,784	184,112,180	231,158,363	266,216,839	281,388,141
Dry Farm	13,878									
Institutional	4,306,924	4,130,762	2,457,011	5,322,431	4,645,937	25,929,220	9,137,460	6,023,858	5,203,713	4,382,185
Recreational	2,797,942	2,845,756	2,506,723	2,416,278	4,778,264	3,082,189	3,116,237	3,235,814	3,416,845	5,054,970
Vacant Land	25,509,227	27,263,452	28,414,815	31,387,704	29,395,007	37,815,694	45,967,328	46,943,983	57,547,912	74,952,985
SBE Nonunitary	11,081,186	11,628,471	11,076,114	11,138,473	10,854,943	11,798,070	6,177,616	6,054,199	6,831,260	4,039,249
Unsecured	89,894,518	99,605,455	100,302,500	103,166,141	107,821,517	119,327,613	124,108,202	132,107,219	136,824,998	153,868,274
Unknown		11,700	11,700	356,276	604,896	943,052				
TOTALS	1,509,944,425	1,594,701,492	1,632,690,111	1,743,331,365	1,836,172,813	1,948,164,113	2,063,075,198	2,354,374,599	2,697,181,763	2,921,899,455
Total Direct Rate	0.47185%	0.48376%	0.49349%	0.49814%	0.51267%	0.52642%	0.54469%	0.56253%	0.57282%	0.58162%

Notes:
Exempt values are not included in Total.

In 1976 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor", limited to a maximum of 2%. With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: San Diego County Assessor 1998/99 - 2007/08 Combined Tax Rolls

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Prepared On 8/11/2008 By NEC

THE CITY OF NATIONAL CITY

DIRECT & OVERLAPPING PROPERTY TAX RATES

(RATE PER \$100 OF TAXABLE VALUE)

Agency	Last 10 Fiscal Years									
	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Basic Levy*	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cwa City Of National City - Debt Service	0.00107	0.00100	0.00091	0.00083	0.00075	0.00067	0.00000	0.00000	0.00000	0.00000
Gen Bond Chula Vista Elem School 1998C	0.00000	0.00000	0.00000	0.00584	0.00344	0.00292	0.00253	0.00203	0.00177	0.00163
Gen Bond Chula Vista Elem School 1998D	0.00000	0.00000	0.00000	0.00000	0.00588	0.00456	0.00369	0.00303	0.00264	0.00241
Gen Bond Chula Vista Elem School 1998E	0.00000	0.00000	0.00000	0.00000	0.00000	0.00531	0.00598	0.00304	0.00269	0.00250
Gen Bond Chula Vista Elem School 1998F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00574	0.00421	0.00343	0.00320
Gen Bond Chula Vista Elem School 1998G	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00530	0.00408	0.00353
Gen Bond Chula Vista Elem School 1999A	0.00000	0.02479	0.01506	0.01244	0.01191	0.01004	0.00846	0.00682	0.00318	0.00002
Gen Bond Chula Vista Elem School 2000B	0.00000	0.00000	0.01009	0.00568	0.00522	0.00440	0.00371	0.00295	0.00000	0.00000
Gen Bond Chula Vista Elem School 2005 Ref	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Hi Bond Sweetwater 2000A	0.00000	0.00000	0.00000	0.02527	0.02196	0.00947	0.01014	0.00826	0.00596	0.00494
Hi Bond Sweetwater 2000B	0.00000	0.00000	0.00000	0.00000	0.00000	0.01009	0.00804	0.00626	0.00537	0.00645
Hi Bond Sweetwater 2000C	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00800	0.00783	0.00871
High School Bond Sweetwater, Prop Q-Series 2007	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02701
Lower Sweetwater Fire Prot D Tax Rate Reduction	0.00000	-0.18563	0.00000	-0.16701	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Mwd D/S Remainder Of Sdcwa 1501999	0.00890	0.00890	0.00880	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450
National City Genl. Obligation Bonds 2002 Series A	0.00000	0.00000	0.00000	0.00000	0.00000	0.02275	0.02000	0.01770	0.01570	0.01430
San Diego Community Coll Bond-Prop N Series 2006	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01866
San Diego Community College Bond, 2003A	0.00000	0.00000	0.00000	0.00000	0.00000	0.01786	0.01901	0.01630	0.01272	0.00000
San Diego Community College Bond, 2003B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00865	0.00610	0.00874
San Diego Unified Co School Bldg Fund D/S	0.00001	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
San Diego Unified Lease/Purchase	0.09575	0.09575	0.09575	0.09575	0.09575	0.00000	0.00000	0.00000	0.00000	0.00000
Southwestern Community College Bond 2000	0.00000	0.00000	0.00000	0.01544	0.01304	0.00727	0.00710	0.00597	0.00511	0.00498
Southwestern Community College Bond 2000/2004	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00591	0.00000	0.00000	0.00000
Southwestern Community College Bond Refund 2005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00908	0.00894	0.00755
Unified Bond San Diego 1998F	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01522	0.00791	0.00261
Unified Bond San Diego 1998G	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01406	0.00260
Unified Bond San Diego 1999A	0.00000	0.00000	0.00000	0.00000	0.00000	0.01501	0.00854	0.00974	0.00799	0.00748
Unified Bond San Diego 2000B	0.00000	0.00000	0.00000	0.00000	0.00000	0.02244	0.01302	0.00785	0.00667	0.00567
Unified Bond San Diego 2001C	0.00000	0.00000	0.00000	0.00000	0.00000	0.02773	0.01529	0.00899	0.00763	0.00648
Unified Bond San Diego 2002D	0.00000	0.00000	0.00000	0.00000	0.00000	0.03057	0.02268	0.01272	0.00996	0.00868
Unified Bond San Diego 2003E	0.00000	0.00000	0.00000	0.00000	0.00000	0.02723	0.02138	0.01733	0.01429	0.01429
Unified Bond San Diego 2006 Series F-1 Refunding	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00670
Unified Bond San Diego 2006 Series G-1 Refunding	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00556
Total Direct & Overlapping Tax Rates	1.10573	0.94481	1.13061	1.00194	1.16465	1.19719	1.19087	1.18870	1.17054	1.18620
City's Share of 1% Levy Per Prop 13^	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate						0.02275	0.02000	0.01770	0.01570	0.01430
Redevelopment Rate**	1.00997	1.00990	1.00971	1.00853	1.00745	1.00677	1.00580	1.00520	1.00470	1.00450
Total Direct Rate*^	0.47186	0.48370	0.49349	0.49814	0.51297	0.52942	0.54468	0.56253	0.57282	0.58192

Notes:

*In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

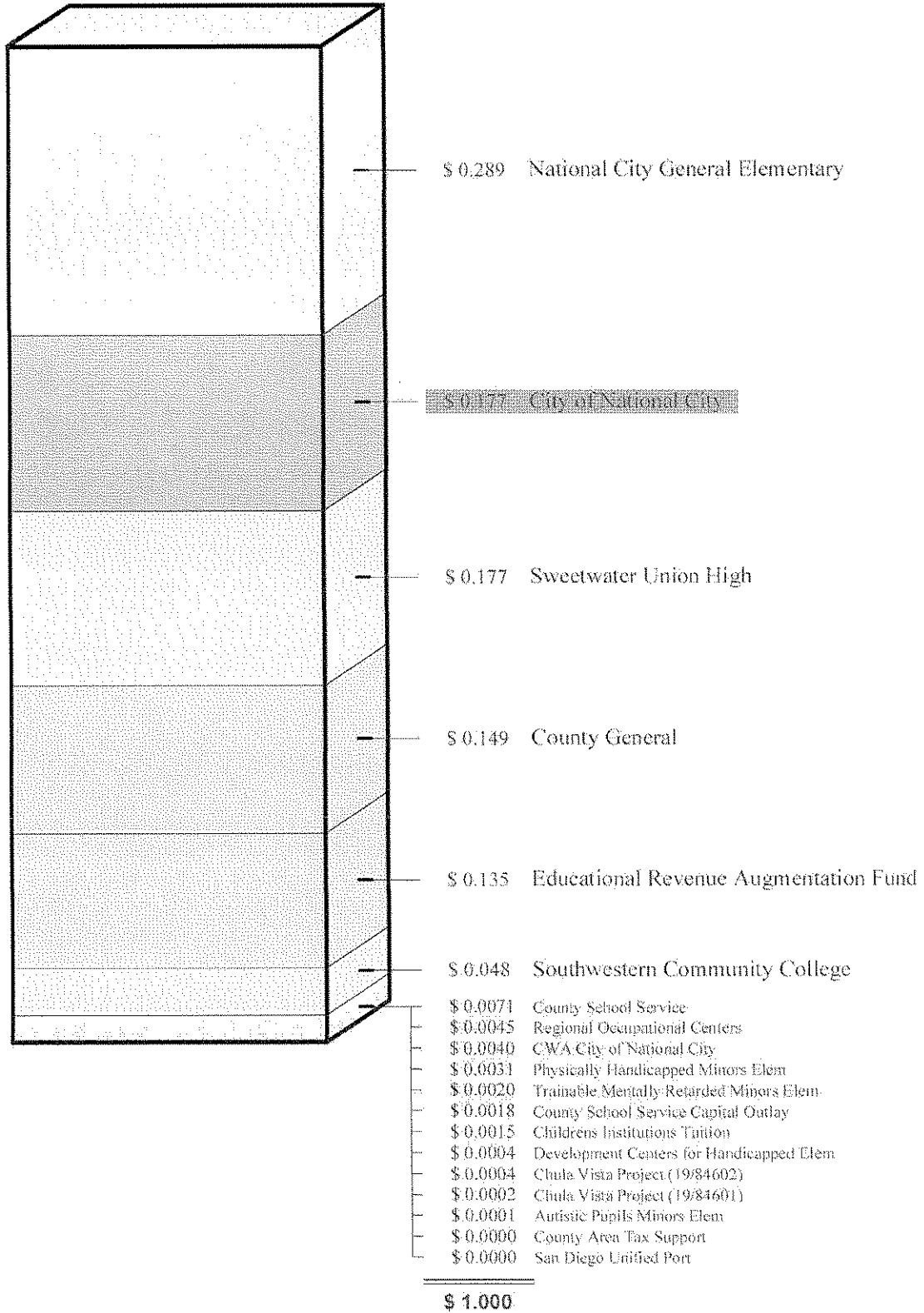
^City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.

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

*Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

THE CITY OF NATIONAL CITY

PROPERTY TAX DOLLAR BREAKDOWN



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

Source: HdL Coren & Cone, San Diego County Assessor 2007/08 Annual Tax Increment Tables

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THE CITY OF NATIONAL CITY 2007/08 TOP TEN PROPERTY TAXPAYERS

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Revenue	Parcels	Revenue	Revenue	Portion Of City	
1) Wells Fargo Bank	15	\$ 264,069.44 \$ 257,287.60	5	\$ 2,403.73 \$ 2,212.35	\$ 266,473.17 \$ 259,499.95	1.56% 1.52%	Commercial E. J. CHRISTMAN #1
2) Centermark Properties Inc.	1	\$ 249,786.59 \$ 0.00			\$ 249,786.59 \$ 0.00	1.46% 0.00%	Commercial TAX DISTRICT #1
3) Pasma Group	8	\$ 222,848.93 \$ 180,763.92	1	\$ 5,121.70 \$ 4,160.24	\$ 227,970.64 \$ 184,924.16	1.34% 1.08%	Industrial HARBOR DISTRICT
4) Sweetwater Associates Limited Partnership	22	\$ 212,459.29 \$ 210,104.25			\$ 212,459.29 \$ 210,104.25	1.25% 1.23%	Commercial SWEETWATER RDA
5) Dixieline Lumber Company	4	\$ 150,894.38 \$ 140,210.36	5	\$ 10,277.91 \$ 4,240.23	\$ 161,172.29 \$ 144,450.60	0.95% 0.85%	Commercial DOWNTOWN RDA
6) Sweetwater Square LLC LF Aardema Gra	4	\$ 157,395.98 \$ 148,860.78			\$ 157,395.98 \$ 148,860.78	0.92% 0.87%	Commercial DOWNTOWN RDA
7) CIP Venture	16	\$ 155,560.92 \$ 154,403.68			\$ 155,560.92 \$ 154,403.68	0.91% 0.91%	Industrial E. J. CHRISTMAN #1
8) Wal Mart Real Estate Business Trust	1	\$ 144,595.66 \$ 136,753.66			\$ 144,595.66 \$ 136,753.66	0.85% 0.80%	Commercial DOWNTOWN RDA
9) Costco Wholesale Corporation	1	\$ 46,934.38 \$ 39,225.50	3	\$ 67,451.22 \$ 54,789.05	\$ 114,385.60 \$ 94,014.55	0.67% 0.55%	Unsecured HARBOR DISTRICT
10) Sweetwater Plaza East LLC	7	\$ 99,561.21 \$ 95,819.59			\$ 99,561.21 \$ 95,819.59	0.58% 0.56%	Commercial DOWNTOWN AMEND #1
Top Ten Totals	79	\$ 1,704,106.77 \$ 1,363,429.35	14	\$ 85,254.57 \$ 65,401.88	\$ 1,789,361.34 \$ 1,428,831.22	10.49% 8.38%	
City Totals		\$ 16,025,780.34 \$ 13,131,457.09		\$ 1,026,610.88 \$ 893,235.75	\$ 17,052,391.22 \$ 14,024,692.84		

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

Source: HdL Coren & Cone, San Diego County Assessor 2007/08 Combined Tax Rolls

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THE CITY OF NATIONAL CITY 1998/99 TOP TEN PROPERTY TAXPAYERS

Owner	Secured		Unsecured		Combined		Primary Use & Primary Agency
	Parcels	Revenue	Parcels	Revenue	Revenue	Portion Of City	
1) Centermark Properties Inc.	1	\$ 225,402.84 \$ 0.00			\$ 225,402.84 \$ 0.00	3.12% 0.00%	Commercial TAX DISTRICT #1
2) G F Pinnacle Peak Limited Partnership	24	\$ 199,831.86 \$ 197,547.65			\$ 199,831.86 \$ 197,547.65	2.77% 2.74%	Commercial SWEETWATER RDA
3) Wells Fargo Bank	6	\$ 141,649.05 \$ 139,275.07	5	\$ 15,223.69 \$ 14,660.59	\$ 156,872.75 \$ 153,935.66	2.17% 2.13%	Commercial E. J. CHRISTMAN #1
4) C I P Venture	16	\$ 126,831.24 \$ 125,435.88			\$ 126,831.24 \$ 125,435.88	1.76% 1.74%	Industrial E. J. CHRISTMAN #1
5) Dixieline Lumber Company	7	\$ 117,310.36 \$ 87,820.83	1	\$ 157.36 \$ 140.47	\$ 117,467.71 \$ 87,961.30	1.63% 1.22%	Commercial DOWNTOWN RDA
6) Federal Employees Distributing Company	1	\$ 65,072.42 \$ 56,068.18			\$ 65,072.42 \$ 56,068.18	0.90% 0.78%	Commercial DOWNTOWN RDA
7) Sweetwater Square L.L.C.	4	\$ 63,340.75 \$ 54,602.01			\$ 63,340.75 \$ 54,602.01	0.88% 0.76%	Commercial DOWNTOWN RDA
8) Park Villas National City Limited Partnership	2	\$ 58,901.94 \$ 50,751.53			\$ 58,901.94 \$ 50,751.53	0.82% 0.70%	Residential DOWNTOWN RDA
9) National City Capital	3	\$ 58,786.84 \$ 50,652.35			\$ 58,786.84 \$ 50,652.35	0.82% 0.70%	Commercial DOWNTOWN RDA
10) AFL CIO Building Trades Corporation No. 2	2	\$ 53,839.89 \$ 46,389.92			\$ 53,839.89 \$ 46,389.92	0.75% 0.64%	Residential DOWNTOWN RDA
Top Ten Totals	66	\$ 1,110,967.18 \$ 808,543.42	6	\$ 15,381.05 \$ 14,801.07	\$ 1,126,348.23 \$ 823,344.49	15.62% 11.41%	
City Totals	\$ 6,703,295.32 \$ 4,903,531.55			\$ 509,648.32 \$ 413,919.11	\$ 7,212,943.64 \$ 5,317,450.66		

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

Source: Hdl, Corcon & Cone, San Diego County Assessor 1998/99 Combined Tax Rolls

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The City of National City
 Taxable Sales by Category
 Last Ten Calendar Years
 (in thousands of dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Apparel Stores	\$ 60,978	\$ 63,850	\$ 69,435	\$ 80,878	\$ 82,332	\$ 88,797	\$ 93,806	\$ 99,308	\$ 98,402	\$ 99,679
General Merchandise	140,008	129,568	112,554	103,400	92,641	117,456	153,594	157,800	150,587	145,601
Food Stores	22,742	21,898	22,414	23,546	24,850	23,164	23,095	23,922	24,009	24,977
Eating and Drinking Places	67,355	71,961	76,964	85,341	89,738	94,900	100,475	101,597	106,617	106,241
Building Materials	105,622	102,318	107,491	109,534	116,682	129,890	174,444	176,174	124,317	99,817
Auto Dealers and Supplies	385,550	444,698	505,252	558,826	599,595	623,785	675,351	688,133	650,932	582,829
Service Stations	33,824	38,029	50,383	55,835	54,877	61,579	72,078	74,105	79,489	81,823
Other Retail Stores	126,067	140,204	151,909	153,719	160,775	164,736	166,841	175,438	178,133	148,889
All Other Outlets	185,392	196,132	224,125	229,821	236,927	229,436	244,757	290,414	271,391	264,159
Total	\$ 1,127,539	\$ 1,208,659	\$ 1,320,527	\$ 1,400,900	\$ 1,458,417	\$ 1,533,743	\$ 1,704,442	\$ 1,786,890	\$ 1,683,877	\$ 1,554,015

Source: State of California Board of Equalization and The HdL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

City of National City
Pledged Revenue Coverage¹
Last Six Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenue						
Property Tax Gross Incremental Revenue ²	\$ 7,739,209	\$ 6,833,182	\$ 7,682,979	\$ 9,847,226	\$ 10,834,596	\$ 11,766,428
Debt Service Requirements						
Principal	470,000	745,000	815,000	2,795,000	2,000,000	2,065,000
Interest and fiscal charges	712,829	1,916,639	3,758,688	2,614,617	2,033,220	2,017,843
Pass - through payments	1,118,535	1,174,999	1,244,621	1,367,750	1,452,351	1,525,468
	\$ 2,301,364	\$ 3,836,638	\$ 5,818,309	\$ 6,777,567	\$ 5,485,571	\$ 5,608,311
Debt Coverage	3.36	1.78	1.32	1.45	1.98	2.10

Source: City of National City Comprehensive Annual Financial Reports.

Notes: ¹ The City of National City has elected to show only six years of data for this schedule.

² Amount excludes 20% set-aside.



CITY OVERVIEW PLANNING DEPARTMENT

July, 2008

Date of Incorporation: September 17, 1887

Population: 61,115

Area: 9.2 square miles
(Land Area: 7.3 square miles)

Location

National City is located 5 miles south of downtown San Diego, on San Diego Bay in southern San Diego County, and 10 miles north of Baja California, Mexico. The City is bordered by San Diego to the north and east, Chula Vista to the south, the unincorporated areas of Lincoln Acres and Bonita to the south and southeast, and San Diego Bay to the west.

The City is centrally located, within 20 minutes travel time of over 1.4 million people. This accessibility is comparable to Downtown San Diego's. (SANDAG 2007 population estimate)

Transportation Facilities and Services

Interstate Freeways: I-5 and I-805 cross the City from north to south, and State Route 54 traverses the southern edge of town.

Port and Rail Facilities: National City Marine Terminal - San Diego Unified Port District
Burlington Northern Santa Fe Railroad
San Diego & Arizona Eastern Railway

Public Transit: Metropolitan Transit System (bus service through the City and adjacent areas)
San Diego Trolley – two stations

Land Use and Development Pattern

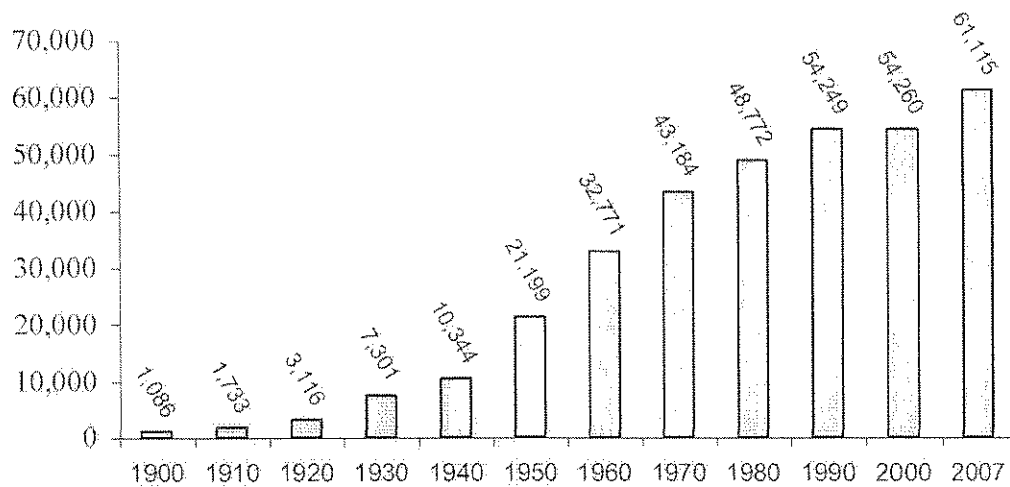
National City is nearly entirely developed with a mix of residential neighborhoods and industrial and commercial uses. Port facilities and adjacent industrial developments located at the City's bayfront are important to the region's economy. The "Mile of Cars" provides a specialized, regional use with easy access from Interstate 5 and the South Bay Freeway (Route 54). At the other end of the City is Plaza Bonita, the largest retail center in the South Bay.

The following are estimates of land use areas within the City. Percentages are based on net acreage, excluding streets, highways and other transportation facilities:

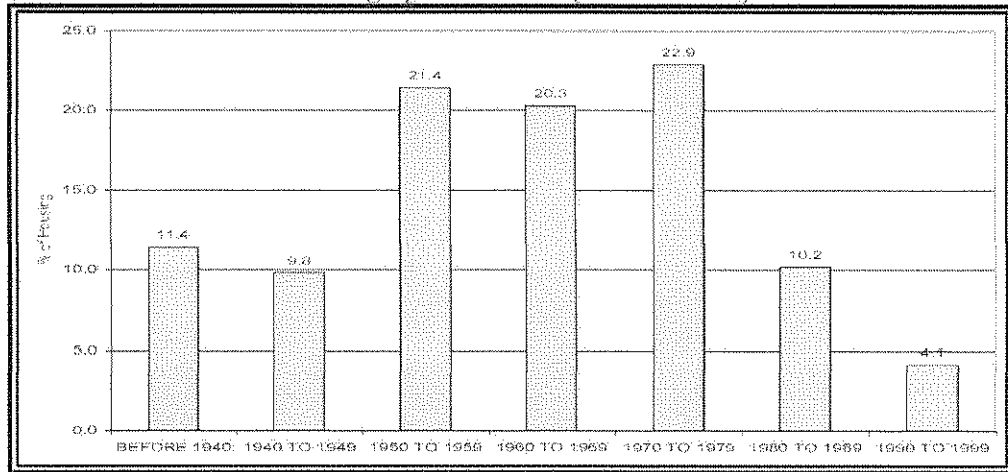
Land Use	% of Land Area
Residential	41%
Industrial	13%
Commercial	12%
Navy Lands	10%
Institutional	8%
Parks & Recreation	4%
Salt Flats	6%
Vacant	6%

The City is over one hundred years old. However, most of it was built between 1940 and 1970. This is reflected by its population growth and the age of its housing.

National City Historic Population Data



Housing by Year Built (2000 Census)



Total Housing Units: 15,721 (2008 State Dept. of Finance)
% vacant: 2.61 % (2008)
Average Household Size: 3.46 persons (2008)

Household Population: 53,040 (2008)
Group Quarters Population: 8,154 (2008)

Group quarters population is mostly those onboard military ships and also includes persons in residential care facilities or convalescent homes.

Owner Occupied Housing: 35%
Renter Occupied Housing: 65%
 (Sandag 2004)

Median Household Income (Sandag 2006): \$44,130

Median Resale Home Prices

	2007	2002	2000
Single-Family Homes:	\$398,000	\$218,000	\$155,000
Condominiums:	\$349,500	\$161,000	\$107,000

Average Apartment Rents

Unit Type	Studio	1 Bedroom	2 Bedroom	3+ Bedroom
Average Monthly Rent	\$515	\$521	\$639	\$1081

Source: San Diego County Apartment Association (Spring 2003)

Race and Ethnicity

	2007		2000		1990		1980	
	#	%	#	%	#	%	#	%
Hispanic	36,173	59%	32,053	59.1%	26,914	49.6%	18,708	38.4%
White	9,573	16%	7,653	14.1%	14,080	26.0%	19,680	40.4%
Asian & Pacific Islander	10,666	17%	10,551	19.4%	8,990	16.6%	6,146	12.6%
Black	3,417	6%	2,823	5.2%	4,265	7.9%	4,238	8.7%
Two or More Races*	1286	2%	1,180	2.2%	n/a	n/a	n/a	n/a
Total	61,115	100%	54,260	100%	54,249	100%	48,772	100%

Source: Census (1980-2000), Sandag (2007)

Age of National City Residents

	2007		2000		1990		1980	
	#	%	#	%	#	%	#	%
under 5	5176	8%	4,410	8%	4,850	9%	4,914	9%
5-14	8570	14%	9,482	17%	8,095	15%	6,902	13%
15-24	15379	25%	10,065	19%	12,444	23%	13,696	25%
25-34	9391	15%	8,115	15%	10,572	19%	8,842	16%
35-54	13006	21%	13,023	24%	9,865	18%	7,368	14%
55-64	3771	6%	3,176	6%	3,372	6%	3,169	6%
65-74	2750	5%	3,242	6%	2,945	5%	2,251	4%
75 +	3072	5%	2,747	5%	2,106	4%	1,630	3%
Total	61115	100%	54,260	100%	54,249	100%	48,772	100%
Median Age	26.4		28.7		26.5		24.3	

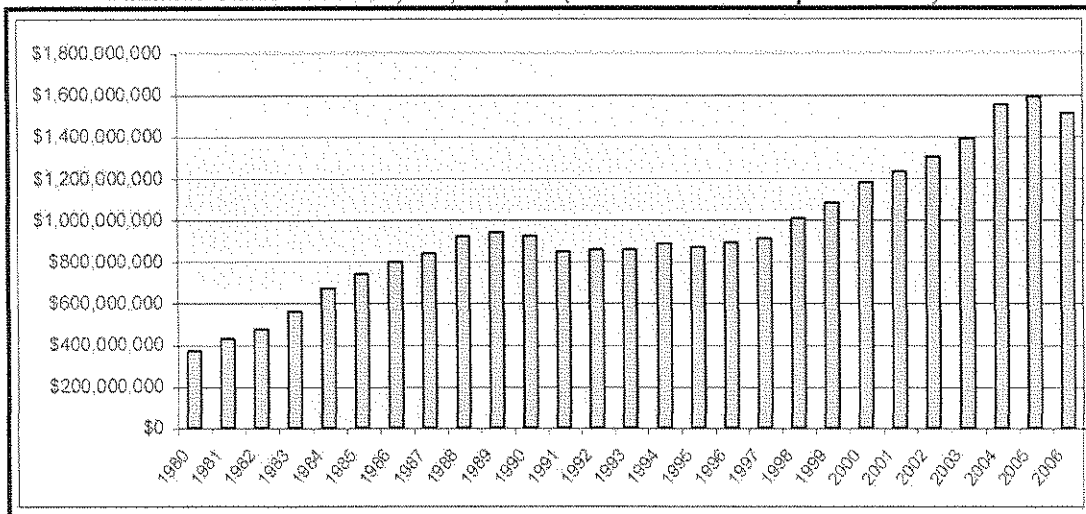
Source: Census (1980-2000), Sandag (2007)

Property Valuation (FY 2007-2008 San Diego County Assessor)

Total Assessed Property Value: \$2,835,664,364

Number of Assessed Parcels: 9,411

Taxable Sales 2006: \$1,510,206,000 (State Board of Equalization)



City Employment (Sandag 2004)

Civilian:	20,542
Military:	7,213
Total:	27,755

Major Employers in National City

<u>500+ Employees</u>	
Naval Station San Diego	Harbor Drive
Paradise Valley Hospital	2400 E. 4th Street
National School District	10 schools and District offices
<u>250-499 Employees</u>	
Sweetwater Union High School District	4 schools
City of National City	1243 National City Boulevard
Macy's	3000 Plaza Bonita Road
Mossy Nissan	2700 National City Boulevard
Dixieline Lumber, Truss Yard & Home Center	1400 W. 28 th , 2740 Tidelands & 3450 Highland
<u>100-249 Employees</u> (listed by address)	
Friendship Developmental Services	2300 E. 7th Street
Paradise Valley Manor & Health Care Center	2575 E. 8 th Street
Windsor Gardens Convalescent	220 E. 24th Street
Power Generation Consulting	221 33 rd Street
Pasha Services	1309 Bay Marina Drive
Knight & Carver Yacht Center	1313 Bay Marina Drive
Motivational Systems, Inc.	2200 Cleveland Avenue
Friendship Manor	902 S. Euclid Avenue
Pacific Defense Systems	1428 McKinley Avenue
Holiday Inn	700 National City Boulevard
Frank Toyota	2400 National City Boulevard
Perry Ford of National City	2050 National City Boulevard
Ron Baker Chevrolet	2301 National City Boulevard
McCune Chrysler Plymouth	2340 National City Boulevard
San Diego Dodge	2829 National City Boulevard
Westcott Mazda Kia	2800 National City Boulevard
Ball Automotive Group	1935 National City Boulevard
Mervyn's Department Store	2007 Highland Avenue
J. C. Penney Company, Inc.	3040 Plaza Bonita Road
Castle Manor Convalescent Center	541 V Avenue
Fs Alutiiqu	41 E12th St
Maniflow Money Exchange	1428 Highland Avenue

City of National City
Capital Assets by Function ¹
Last Six Calander Years

	2003	2004	2005	2006	2007	2008
Police						
Stations	1	1	1	1	1	1
Zone offices	0	0	0	0	0	1
Fire stations	2	2	2	2	2	2
Other public works						
Streets (miles)	n/a	n/a	n/a	n/a	101	n/a
Highways (miles)	6	6	6	6	6	6
Streetlights	n/a	n/a	n/a	n/a	1,673	n/a
Traffic signals	89	89	89	89	89	89
Parks and recreation						
Acreage	84	84	84	84	84	84
Playgrounds	4	4	4	4	4	4
Baseball/softball diamonds	7	7	7	7	7	7
Soccer/football fields	3	3	3	3	3	3
Community centers	5	5	5	5	5	5

Source: City of National City

Notes: ¹ The City of National City has elected to show only six years of data for this schedule.

n/a Not Available