

CITY OF NATIONAL CITY
Comprehensive Annual Financial Report
For the Year Ended June 30, 2010

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CITY OF NATIONAL CITY
National City, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2010

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Prepared by the Finance Department

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Finance Director

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INTRODUCTORY SECTION



December 23, 2010

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, 2010 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. State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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, 2010.

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, 2010, 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, 2010. 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.
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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

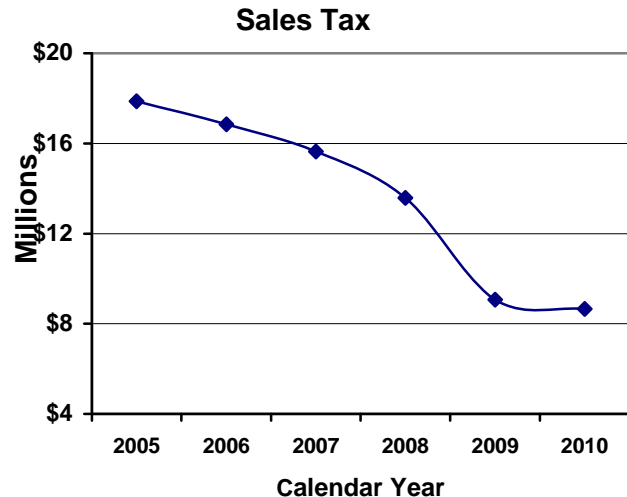
The City Manager is committed to the support of government programs that can expand the City's ability to reach-out to the community. The National City Neighborhood Councils were implemented in 2005 and has greatly enhanced the citizen interaction with the City Services. The following boards and commissions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

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

- Street Tree and Parkway Committee - reviews and makes recommendations relative to the planting, removal, or transplanting of trees upon public property.
- Traffic Safety Committee - reviews and makes recommendations concerning the safety of traffic.

LOCAL ECONOMY

The City of National City has an economic base composed of autos and transportation, general consumer goods, restaurants and hotels, fuel and service stations, business and industry, building and construction and food and drug stores. Due to the economic recession, the City's primary source of revenue, sales tax, has dropped from a high of over \$16 million in 2004 to under \$9 million in 2010.



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 June 2006, National City voters approved Proposition D (District Tax), a 1 cent increase in local sales tax that will be effective until 2016. It has been projected that the district tax would generate \$7-\$9 million annually. The revenues from the district tax temporarily fix the fundamental problem of more money going out than coming in. It also challenges National City to become proactive in building stable and diverse revenue sources within the next five to ten years to achieve financial sustainability. The last major revenue generating developments, Plaza Bonita Mall and the Mile of Cars, occurred over 20 years ago. Efficiency, vision and innovation are necessary to reverse the current stagnation.

LONG TERM FINANCIAL PLANNING

The City is currently working on a comprehensive update of its general plan. The general plan serves as a blueprint for growth and the associated impacts. National City is rich in infrastructure and has the foundation to grow through infill opportunities and increased mobility. The smart growth goals and principals established in the general plan will be implemented through a series of neighborhood action plans. These action plans will utilize

city resources and leverage them with grants and other funding sources to build healthier and safer neighborhoods.

The City's capital resources are prioritized and distributed through a five year capital improvement program. (C.I.P) Developing the C.I.P. will be done concurrently with the development of the general plan. All capital projects must be found consistent with the general plan to ensure a commitment to the long range plans set forth by the community.

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.

RISK MANAGEMENT

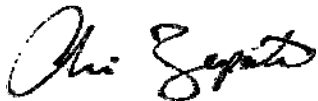
The City is self-insured for its general liability exposures up to \$250,000 per occurrence and for its Workers' Compensation up to \$500,000 per claim. As a member of the San Diego Pooled Insurance Program Authority (SANDPIPA), the City is insured for general liability between \$250,000 and \$2 million. 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.

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 Mayor
Alejandra Sotelo-Solis Vice Mayor
Jess Van Deventer Council Member
Rosalie Zarate Council Member
Vacant Council Member

City Treasurer

Mitch Beauchamp

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
Brenda Hodges Director of Community Services
Frank Parra Director of Emergency Services
Maryam Babaki Director of Engineering
Jeanette Ladrido, CPA Director of Finance
Stacey Stevenson Director of Human Resources
Joe Smith Director of Public Works
Dr. Adolfo Gonzales Police Chief



FINANCIAL AWARDS



The California Society of Municipal Finance Officers (CSMFO) presented the City of National City the Certificate of Award for Excellence in Operating Budgeting for Fiscal Year 2009-10.

The California Society of Municipal Finance Officers (CSMFO) presented the City of National City the Certificate of Award for Outstanding Financial Reporting for the Fiscal Year ending June 30, 2009.



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FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of National City, California (City), as of and for the year ended June 30, 2010, 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, 2010, 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.

To the Honorable Mayor and Members of the City Council
of the City of National City, California
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing 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 December 23, 2010 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
December 23, 2010



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, 2010. 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 2010 by \$169,455,369 (*net assets*). Of this amount, \$7,832,285 (*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 decreased by \$3,358,962 or -1.9%. Net assets of governmental activities decreased by \$2,575,545 and net assets of business type activities decreased by \$7,83,417.
- As of the close of fiscal year 2010, the City’s governmental funds reported combined ending fund balances of \$80,678,584, a decrease of \$3,640,189 in comparison with the prior year. Total fund balance is broken-up as follows:

**BALANCE SHEET
Governmental Funds**

Total Fund Balance \$80,678,584		
Reserves \$29,138,132 (36%)	Unreserved \$51,540,452 (64%)	
	Designated \$36,133,099 (45%)	Undesignated \$15,407,353 (19%)

- At the end of the current fiscal year, the contingency reserve fund balance for the General Fund was 8,616,444 or 24% of general fund expenditures. The prior year balance was \$7,200,000.
- The City’s total long-term debt had a net decrease of \$687,626. In FY 09-10, the City entered into a lease agreement with Municipal Finance Corporation to fund a City wide energy retrofit program. The total capitalized lease obligation was \$1,755,160.
- National City residents approved an additional 1% district tax in 2005. It has been projected to generate additional revenue of \$7 to \$9 million. Despite the nation-wide recession the City of National City was able to maintain fiscal sustainability during the fiscal year 2010 through the passing of Prop. D (Also called Prop. M on 2008 ballot), which implemented a 1% district tax rate. In fiscal year 2010, the district tax brought in \$7.9 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)

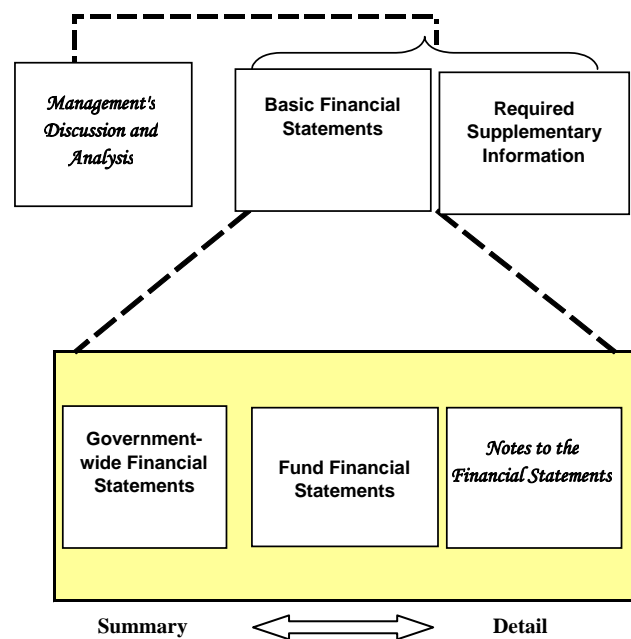
Government-Wide Financial Statements

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 7 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, Human Services Special Revenue Funds, Capital Project Funds, each of which are considered to be major funds. Data from the remaining not mentioned funds are combined into a single aggregate presentation. Individual fund data for these major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary Funds. The City of National City maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Kimball Towers and Morgan Towers. *Internal Service Fund* is an accounting device used to accumulate and allocate costs internally among the



MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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 \$162,838,989 at the close of the most recent fiscal year.



MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the City's net assets \$7,832,285 (5%) 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 \$169,455,369 in net assets, \$104,489,076 (62%) 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 \$57,134,008 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:

Summary of Net Assets (\$ thousands)

	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 111,785,361	\$ 104,686,916	\$ 1,960,276	\$ 2,397,137	\$ 113,745,637	\$ 107,084,053
Capital assets	120,874,728	121,154,824	7,629,909	8,027,839	128,504,637	129,182,663
Total assets	<u>232,660,089</u>	<u>225,841,740</u>	<u>9,590,185</u>	<u>10,424,976</u>	<u>242,250,274</u>	<u>236,266,716</u>
Long-term liabilities outstanding	63,348,301	63,854,003	2,917,546	2,673,586	66,265,847	66,527,589
Other liabilities	6,529,058	6,604,804	435,884	295,334	6,964,942	6,900,138
Total liabilities	<u>69,877,359</u>	<u>70,458,807</u>	<u>3,353,430</u>	<u>2,968,920</u>	<u>73,230,789</u>	<u>73,427,727</u>
Net assets:						
Invested in capital assets, net						
of related debt	99,340,829	98,809,386	5,148,247	5,354,253	104,489,076	104,163,639
Restricted	55,609,616	48,092,405	1,524,392	2,101,803	57,134,008	50,194,208
Unrestricted	7,832,285	8,481,142	-	-	7,832,285	8,481,142
Total net assets	<u>\$ 162,782,730</u>	<u>\$ 155,382,933</u>	<u>6,672,639</u>	<u>7,456,056</u>	<u>\$ 169,455,369</u>	<u>\$ 162,838,989</u>

As in the prior fiscal year, the City of National City reported positive balances in all three categories of net assets for the government as a whole and the separate governmental and business-type activities.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

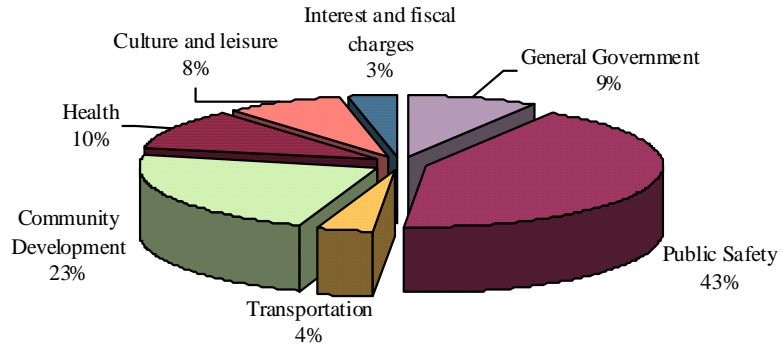
	Activities		Activities		Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 14,256,336	\$ 12,558,790	\$ 2,063,715	\$ 2,041,477	\$ 16,320,051	\$ 14,600,267
Operating grants and contributions	21,051,606	20,674,207	-	-	21,051,606	20,674,207
Capital grants and contributions	-	-	-	-	-	-
General Revenue:						
Property tax	9,983,799	15,827,505	-	-	9,983,799	15,827,505
Sales and Use tax	18,872,987	20,700,283	-	-	18,872,987	20,700,283
Franchise tax	1,941,081	1,737,134	-	-	1,941,081	1,737,134
Other taxes	5,907,602	6,000,666	-	-	5,907,602	6,000,666
Investment earnings	572,489	1,425,385	6,943	23,995	579,432	1,449,380
Other miscellaneous revenues	461,101	270,269	-	-	461,101	270,269
Rent	763,157	733,454	-	-	763,157	733,454
Transfers	-	-	-	-	-	-
Total Revenues	<u>73,810,158</u>	<u>79,927,693</u>	<u>2,070,658</u>	<u>2,065,472</u>	<u>75,880,816</u>	<u>81,993,165</u>
Expenses:						
General government	6,774,769	5,224,693	-	-	6,774,769	5,224,693
Public safety	32,426,770	29,670,520	-	-	32,426,770	29,670,520
Transportation	2,966,635	7,735,716	-	-	2,966,635	7,735,716
Community development	17,679,675	17,049,437	-	-	17,679,675	17,049,437
Health	7,775,510	5,963,766	-	-	7,775,510	5,963,766
Culture and leisure	6,238,223	6,928,456	-	-	6,238,223	6,928,456
Interest and fiscal charges	2,524,121	2,525,568	-	-	2,524,121	2,525,568
TDA	-	-	-	-	-	-
Community Development Commission	-	-	2,854,075	2,191,014	2,854,075	2,191,014
Total Expenses	<u>76,385,703</u>	<u>75,098,156</u>	<u>2,854,075</u>	<u>2,191,014</u>	<u>79,239,778</u>	<u>77,289,170</u>
Increase (decrease) in net assets before transfers	(2,575,545)	4,829,537	(783,417)	(125,542)	(3,358,962)	4,703,995
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	<u>(2,575,545)</u>	<u>4,829,537</u>	<u>(783,417)</u>	<u>(125,542)</u>	<u>(3,358,962)</u>	<u>4,703,995</u>
Net assets - Beginning of Year (note 11)	165,358,275	150,553,396	7,456,056	7,581,598	172,814,331	158,134,994
Net assets - End of Year	<u>\$ 162,782,730</u>	<u>\$ 155,382,933</u>	<u>\$ 6,672,639</u>	<u>\$ 7,456,056</u>	<u>\$ 169,455,369</u>	<u>\$ 162,838,989</u>

Governmental Activities

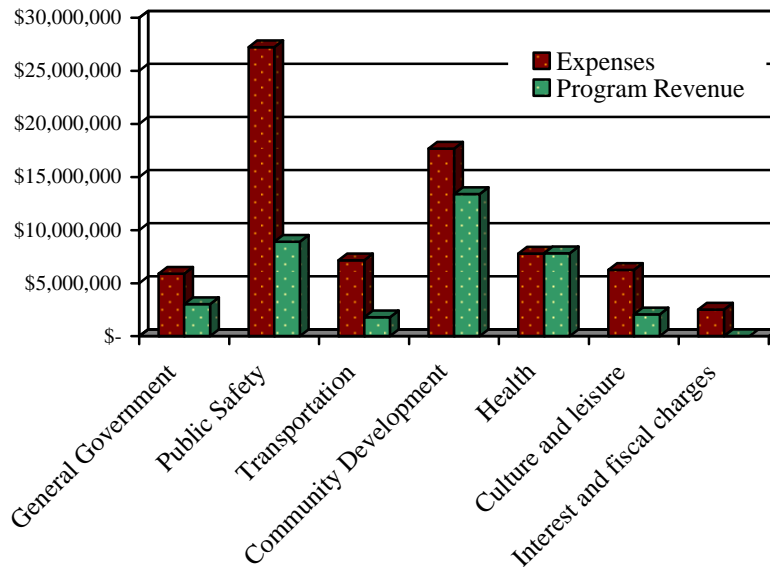
Governmental activities decreased the City of National City's net assets by \$2,575,545 causing a 1.5 percent decrease in the primary government's net assets. Key elements of this increase are as follows:

- Total governmental revenue decreased by \$6.1 million or 7.6 percent from fiscal year 2009. This change was a primarily attributable to decreases in property tax revenue (\$5.8 million) and sales tax (\$1.8 million).

Program Expenses - Governmental Activities

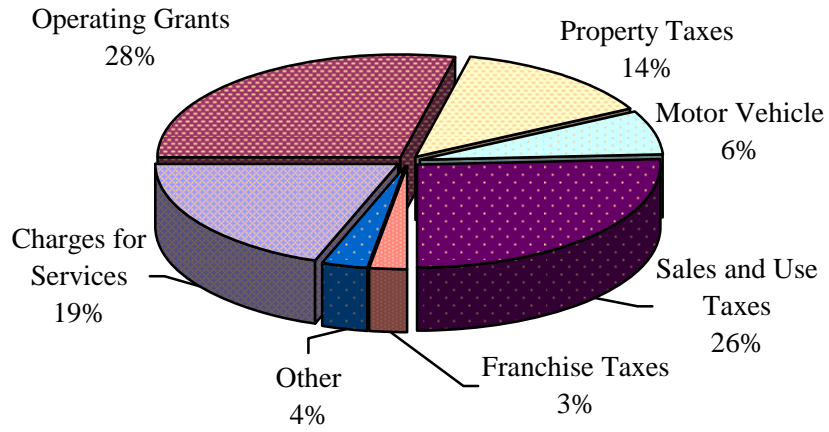


Expenses and Program Revenues- Governmental Activities



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.

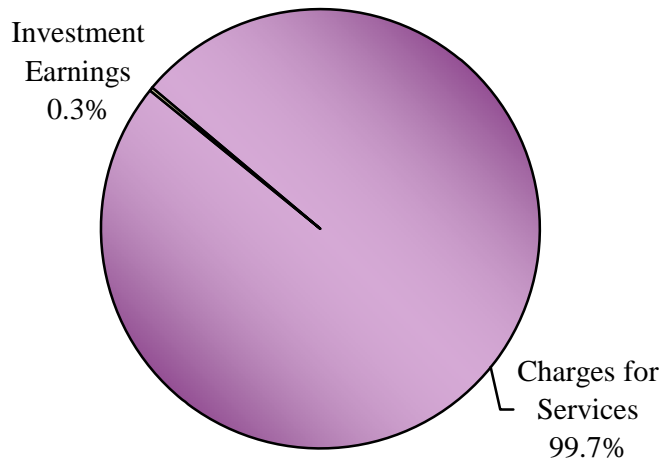
Revenue By Source - Governmental Activities



Business-type Activities

The City’s only current business type activity is the community development commission.

Revenue By Source - Business-Type Activities





MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

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

As of the fiscal year ended June 30, 2010, the City of National City's governmental funds reported combined ending fund balances of \$80,678,584, a decrease of \$3,640,189 in comparison with the prior year. Approximately 64 percent of the total fund balance amount, or \$51,540,452, constitutes unreserved fund balance, \$36,133,099 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 (\$1,085,633), 2) to pay debt service (\$7,534,181), for land held for resale (\$10,267,509), 4) for long term loans receivable (\$8,187,427) and 5) for advances from other funds (\$2,063,382).

The General Fund is the chief operating fund of the City. For the fiscal year ended June 30, 2010, unreserved fund balance of the General Fund was \$10,699,617 while total fund balance was \$11,826,025. 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 29 percent of total General Fund expenditures compared to 47 percent in the prior year. Total fund balance represents 32 percent of the General Fund expenditures while the prior year was at 50 percent.

The total fund balance of the City's General Fund decreased by \$6,614,663 or 56 percent, during the fiscal year ended June 30, 2010. Key factors in this increase are as follows:

- Overall revenues decreased by \$3.6 million or 10 percent from the prior year. This decrease is mainly attributed to lower than anticipated property tax and sales tax. Automobile sales and building material sales decreased from the prior year.



MANAGEMENT'S DISCUSSION AND ANALYSIS

- Interest and Rent Revenue decreased \$1,056,699. This decrease is mainly attributed to the decrease in interest revenue. Over 65% of the City's cash flow is invested in the State of California's Local Agency Investment Fund (LAIF). Over the past year, LAIF's annual yield in FY 08-09 was 2.224% and in FY 09-10 was .651%.

The Sewer Service Fund has an ending fund balance of \$16,073,658, of which \$87,809 is reserved for encumbrances and \$1,500,000 was advanced to another fund. The unreserved, designated fund balance consists of the following 1) \$5,406,132 in continuing appropriations, 2) \$3,184,801 for rate stabilization, 3) \$338,946 in contingency reserves and 4) \$2,727,746 for the State Water Resource Control Board requirements.

The Community Development Commission Debt Service Fund has a total fund balance of \$4,771,650. For the year ended June 30, 2010 \$826,093 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. The net change in fund balance during the current year in the debt service fund is 616,836 or 13 percent increase from the prior year fund balance of \$4,154,814.

Proprietary Funds

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

Total net assets for the Kimball Towers, and Morgan Towers Funds amounted to \$6,366,288 and \$1,089,768; respectively. The total net income (loss) for each fund before transfers was (\$126,614) and \$1,072; 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, 2010 total operating revenue for Kimball Towers and Morgan Towers amounted to \$887,828 and \$1,175,887; respectively. Kimball Towers operating expenses increased by \$361,104 or 26 percent from the prior year, while Morgan Towers operating expenses increased by \$301,154 or 24 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.



MANAGEMENT’S DISCUSSION AND ANALYSIS

Original revenue estimates for the fiscal year 2009-10 were based on a predicted economical recession. Actual total General Fund revenues were less than the final budgets estimated amount by \$972,745. The variance between actual and estimated revenue is mainly attributed to actual revenue produced by taxes. The district tax (Proposition D) continues to meet the projections of \$7-\$9 million in revenue however; sales tax has decreased significantly due to the slowing economy.

The General Fund actual total expenditures did not exceed final budgeted appropriations. The variance between actual total expenditures and the final appropriation was \$2.2 million or 6 percent. Negative variances occurred in the debt service in principal expenditures by 36,802.

Ending Fund Balance exceeded the final budget estimated ending fund balance by \$3,343,387 or 28.2 percent. General Fund actual end of year fund balance was \$ 11,826,025.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City’s capital assets for its governmental and business type activities as of June 30, 2010, amounted to \$120,874,728 (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, 2010 were as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 20,025,598	\$ 20,025,598	\$ 528,382	\$ 528,382	\$ 20,553,980	\$ 20,553,980
Right of way	4,245,088	4,245,088	-	-	4,245,088	4,245,088
Construction in progress	5,078,125	3,106,170	-	-	5,078,125	3,106,170
Buildings and improvements	44,343,967	44,343,967	15,684,584	15,654,166	60,028,551	59,998,133
Machinery and equipment	14,070,632	12,838,883	462,153	462,153	14,532,785	13,301,036
Infrastructure	111,876,502	110,333,302	-	-	111,876,502	110,333,302
Less accumulated depreciation	78,765,184	73,738,184	9,045,210	8,616,862	87,810,394	82,355,046
Total	<u>\$ 120,874,728</u>	<u>\$ 121,154,824</u>	<u>\$ 7,629,909</u>	<u>\$ 8,027,839</u>	<u>\$ 128,504,637</u>	<u>\$ 129,182,663</u>

Major capital asset activity during the year ended June 30, 2010 includes the following:

- Various street resurfacing projects
- Marina Gateway construction
- Safe Routes to School projects



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Long-Term Debt

At year-end the City had a total long-term debt of \$63,836,005, a decrease of \$2,665,996 from the prior year. These include \$3,605,000 of Lease revenue refunding bonds issued by National City Joint Powers Financing Authority (NCJPFA) and \$39,680,000 of tax allocation bonds applicable to Community Development Commission. The City of National City's general obligation bond is rated A- by Fitch and Standard & Poor's rating agencies.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
NCJPFA:						
Lease Revenue Refunding Bonds	\$ 2,935,000	\$ 3,605,000	\$ -	\$ -	\$ 2,935,000	\$ 3,605,000
Community Development Commission:						
1999 Tax Allocation Bonds	3,965,000	4,210,000	-	-	3,965,000	4,210,000
2004 Tax Allocation Bonds	4,345,000	4,885,000	-	-	4,345,000	4,885,000
2005 Series A and B Tax Allocation Bonds	26,620,000	30,585,000	-	-	26,620,000	30,585,000
General Obligation Bonds	5,120,000	5,440,000	-	-	5,120,000	5,440,000
HUD 108 Bond 2003 A	5,505,000	5,975,000	-	-	5,505,000	5,975,000
Total Bonds			-	-	-	-
Claims Payable	4,286,256	4,825,000	-	-	4,286,256	4,825,000
Compensated Absences	1,053,748	3,176,653	-	-	1,053,748	3,176,653
Other postemployment Benefits	53,795	34,624	-	-	53,795	34,624
Capitalized Lease Obligations	2,423,051	1,099,728	-	-	2,423,051	1,099,728
Notes Payable	-	-	2,276,886	2,673,586	2,276,886	2,673,586
Total	\$ 56,306,850	\$ 63,836,005	\$ 2,276,886	\$ 2,673,586	\$ 58,583,736	\$ 66,509,591

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 Director of Finance, 1243 National City Boulevard, National City, California, 91950-4397.

Basic Financial Statements

CITY OF NATIONAL CITY

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and investments (note 2)	\$ 70,996,470	84,989	71,081,459
Accounts receivable	3,914,955	490	3,915,445
Property tax receivable	256,947	-	256,947
Interest receivable	127,976	-	127,976
Due from other governmental entities	5,073,009	-	5,073,009
Total current assets	<u>80,369,357</u>	<u>85,479</u>	<u>80,454,836</u>
Noncurrent assets:			
Restricted assets:			
Restricted cash and investments with fiscal agents (note 2)	5,055,261	1,717,538	6,772,799
Inventories	14,649	-	14,649
Prepaid items and deposits	-	157,259	157,259
Land held for resale	10,267,509	-	10,267,509
Contracts, notes and loans receivable (note 4)	16,076,692	-	16,076,692
Subtotal	<u>31,414,111</u>	<u>1,874,797</u>	<u>33,288,908</u>
Capital assets (note 5):			
Non-depreciable	29,348,811	528,382	29,877,193
Depreciable, net	91,525,917	7,101,527	98,627,444
Total capital assets	<u>120,874,728</u>	<u>7,629,909</u>	<u>128,504,637</u>
Total noncurrent assets	<u>152,288,839</u>	<u>9,504,706</u>	<u>161,793,545</u>
Total assets	<u>232,658,196</u>	<u>9,590,185</u>	<u>242,248,381</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	4,581,120	322,295	4,903,415
Interest payable	298,727	-	298,727
Salaries payable	1,369,408	24,714	1,394,122
Deposits payable	279,803	88,875	368,678
Total current liabilities	<u>6,529,058</u>	<u>435,884</u>	<u>6,964,942</u>
Long-term liabilities (note 7):			
Due within one year	7,041,451	204,776	7,246,227
Due beyond one year	56,306,850	2,276,886	58,583,736
Total noncurrent liabilities	<u>63,348,301</u>	<u>2,481,662</u>	<u>65,829,963</u>
Total liabilities	<u>69,877,359</u>	<u>2,917,546</u>	<u>72,794,905</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	99,340,829	5,148,247	104,489,076
Restricted for:			
Community development	43,423,854	-	43,423,854
Public Safety	4,018,272	-	4,018,272
Transportation	1,694,415	-	1,694,415
Culture and leisure	5,394,040	-	5,394,040
Housing	1,079,035	1,524,392	2,603,427
Total restricted	<u>55,609,616</u>	<u>1,524,392</u>	<u>57,134,008</u>
Unrestricted	<u>7,832,285</u>	<u>-</u>	<u>7,832,285</u>
Total net assets	<u>\$ 162,782,730</u>	<u>6,672,639</u>	<u>169,455,369</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY

Statement of Activities

For the Year Ended June 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Program Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental activities:					
General government	\$ 6,774,769	3,624,978	54,383	-	3,679,361
Public safety	32,426,770	1,976,414	3,410,980	-	5,387,394
Transportation	2,966,635	-	2,967,617	-	2,967,617
Community development	17,679,675	625,194	12,757,100	-	13,382,294
Health	7,775,510	7,258,317	563,807	-	7,822,124
Culture and leisure	6,238,223	771,433	1,297,719	-	2,069,152
Interest and fiscal charges	<u>2,524,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>76,385,703</u>	<u>14,256,336</u>	<u>21,051,606</u>	<u>-</u>	<u>35,307,942</u>
Business-type activities:					
Community development commission	<u>2,854,075</u>	<u>2,063,715</u>	<u>-</u>	<u>-</u>	<u>2,063,715</u>
Total business-type activities	<u>2,854,075</u>	<u>2,063,715</u>	<u>-</u>	<u>-</u>	<u>2,063,715</u>
Total primary government	<u>\$ 79,239,778</u>	<u>16,320,051</u>	<u>21,051,606</u>	<u>-</u>	<u>37,371,657</u>

General revenue and transfers:

Taxes:

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

Total taxes

Investment earnings

Other miscellaneous revenues

Rent

Total general revenues

Change in net assets

Net assets at beginning of year, as restated (note 12)

Net assets - end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(3,095,408)	-	(3,095,408)
(27,039,376)	-	(27,039,376)
982	-	982
(4,297,381)	-	(4,297,381)
46,614	-	46,614
(4,169,071)	-	(4,169,071)
<u>(2,524,121)</u>	<u>-</u>	<u>(2,524,121)</u>
<u>(41,077,761)</u>	<u>-</u>	<u>(41,077,761)</u>
-	(790,360)	(790,360)
-	(790,360)	(790,360)
<u>(41,077,761)</u>	<u>(790,360)</u>	<u>(41,868,121)</u>
9,983,799	-	9,983,799
18,872,987	-	18,872,987
1,941,081	-	1,941,081
5,181,701	-	5,181,701
<u>725,901</u>	<u>-</u>	<u>725,901</u>
36,705,469	-	36,705,469
572,489	6,943	579,432
461,101	-	461,101
<u>763,157</u>	<u>-</u>	<u>763,157</u>
<u>38,502,216</u>	<u>6,943</u>	<u>38,509,159</u>
(2,575,545)	(783,417)	(3,358,962)
<u>165,358,275</u>	<u>7,456,056</u>	<u>172,814,331</u>
<u>\$ 162,782,730</u>	<u>6,672,639</u>	<u>169,455,369</u>

CITY OF NATIONAL CITY
Balance Sheet
Governmental Funds
June 30, 2010

	Special Revenue Funds			
	General Fund	Section 8 Housing Assistance	Other Special Revenue	Nutrition Program
ASSETS				
Cash and investments (note 2)	\$ 9,024,317	1,142,448	9,307,407	32,077
Restricted cash and investments with fiscal agents (note 2)	-	-	-	-
Accounts receivable	731,539	45,616	24,930	112,163
Property tax receivable	-	-	-	-
Interest receivable	64,196	-	3,463	-
Due from other funds (note 3)	1,636,843	106	-	-
Due from other governmental entities	2,919,636	-	1,123,885	-
Land held for resale	-	-	-	-
Contracts, notes and loans receivable (note 4)	-	-	-	-
Advances to other funds (note 3)	-	-	563,382	-
Total assets	<u>\$ 14,376,531</u>	<u>1,188,170</u>	<u>11,023,067</u>	<u>144,240</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 849,314	71,636	334,809	7,792
Salaries payable	975,789	21,615	135,271	52,531
Due to other funds (note 3)	-	15,884	938,116	-
Deposits payable	150,120	-	104,683	-
Deferred revenue	13,794	-	29,251	-
Advances from other funds (note 3)	563,382	-	-	-
Total liabilities	<u>2,552,399</u>	<u>109,135</u>	<u>1,542,130</u>	<u>60,323</u>
Fund balances (deficit):				
Reserved:				
Encumbrances	197,797	-	9,600	338
Advances from other funds	-	-	563,382	-
Land held for resale	-	-	-	-
Long-term loans receivable	-	-	-	-
Debt service	928,611	-	-	-
Total reserved	<u>1,126,408</u>	<u>-</u>	<u>572,982</u>	<u>338</u>
Unreserved, designated:				
Continuing appropriations	767,234	-	6,825,857	-
Employee accrued benefits	1,256,040	-	-	-
Other	59,899	-	-	-
Rate stabilization	-	-	-	-
Continuing CIPs	-	-	-	-
Contingencies	8,616,444	-	-	-
Total unreserved, designated	<u>10,699,617</u>	<u>-</u>	<u>6,825,857</u>	<u>-</u>
Unreserved, undesignated				
General fund	-	-	-	-
Special revenue funds	-	1,079,035	2,082,098	83,579
Capital projects funds	-	-	-	-
Total unreserved, undesignated	<u>-</u>	<u>1,079,035</u>	<u>2,082,098</u>	<u>83,579</u>
Total fund balances	<u>11,826,025</u>	<u>1,079,035</u>	<u>9,480,937</u>	<u>83,917</u>
Total liabilities and fund balances	<u>\$ 14,378,424</u>	<u>1,188,170</u>	<u>11,023,067</u>	<u>144,240</u>

See accompanying notes to the basic financial statements.

Special Revenue Funds		Debt Service	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
Sewer Service	Low and Moderate Income Housing Program	Community Development Commission	Redevelopment Fund		
14,491,934	7,598,805	3,635,561	1,697,859	9,909,699	56,840,107
-	-	2,677,291	35,619	1,094,028	3,806,938
54,357	-	-	2,571,068	301,000	3,840,673
-	49,691	198,766	8,167	323	256,947
26,107	12,544	6,117	2,869	12,680	127,976
-	-	-	15,884	124,561	1,777,394
53,156	-	-	2,796	973,536	5,073,009
-	360,000	-	9,032,509	875,000	10,267,509
-	12,757,954	-	298,287	3,020,451	16,076,692
1,500,000	-	-	-	-	2,063,382
<u>16,125,554</u>	<u>20,778,994</u>	<u>6,517,735</u>	<u>13,665,058</u>	<u>16,311,278</u>	<u>100,130,627</u>
35,293	12,346	1,746,085	553,494	558,957	4,169,726
16,603	2,790	-	52,361	60,592	1,317,552
-	-	-	106	823,288	1,777,394
-	-	-	25,000	-	279,803
-	7,889,265	-	62,500	1,851,269	9,846,079
-	-	-	739,966	760,034	2,063,382
<u>51,896</u>	<u>7,904,401</u>	<u>1,746,085</u>	<u>1,433,427</u>	<u>4,054,140</u>	<u>19,453,936</u>
87,809	802	-	650,129	139,158	1,085,633
1,500,000	-	-	-	-	2,063,382
-	360,000	-	9,032,509	875,000	10,267,509
-	4,868,689	-	298,287	3,020,451	8,187,427
-	-	4,771,650	-	1,833,920	7,534,181
<u>1,587,809</u>	<u>5,229,491</u>	<u>4,771,650</u>	<u>9,980,925</u>	<u>5,868,529</u>	<u>29,138,132</u>
5,406,132	149,763	-	615,738	5,684,499	19,449,223
-	-	-	-	-	1,256,040
2,727,746	-	-	-	-	2,787,645
3,184,801	-	-	-	-	3,184,801
-	-	-	-	-	-
338,946	-	-	500,000	-	9,455,390
<u>11,657,625</u>	<u>149,763</u>	<u>-</u>	<u>1,115,738</u>	<u>5,684,499</u>	<u>36,133,099</u>
-	-	-	-	-	-
2,828,224	7,495,339	-	-	2,083,263	15,651,538
-	-	-	1,134,968	(1,379,153)	(244,185)
<u>2,828,224</u>	<u>7,495,339</u>	<u>-</u>	<u>1,134,968</u>	<u>704,110</u>	<u>15,407,353</u>
<u>16,073,658</u>	<u>12,874,593</u>	<u>4,771,650</u>	<u>12,231,631</u>	<u>12,257,138</u>	<u>80,678,584</u>
<u>16,125,554</u>	<u>20,778,994</u>	<u>6,517,735</u>	<u>13,665,058</u>	<u>16,311,278</u>	<u>100,132,520</u>

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CITY OF NATIONAL CITY

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

June 30, 2010

Fund balances of governmental funds	\$ 80,678,584
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	192,379,031
- Accumulated depreciation	(73,361,538)
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.	(298,727)
Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in funds.	9,816,079
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.	9,099,883
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>(55,530,582)</u>
Net assets of governmental activities	<u>\$ 162,782,730</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Special Revenue Funds		
		Section 8 Housing Assistance	Other Special Revenue	Nutrition Program
Revenues:				
Taxes	\$ 29,007,351	-	-	-
Licenses and permits	551,517	-	4,200	-
Fines and forfeitures	1,219,418	-	92,560	-
Interest and rents	432,226	-	28,087	-
Intergovernmental	571,308	9,704,442	5,946,896	338,373
Charges for services	482,975	-	1,439,267	-
Other revenues	593,968	75	602,980	206,036
Total revenues	32,858,763	9,704,517	8,113,990	544,409
Expenditures:				
Current:				
General government	4,578,197	-	1,853,392	-
Public safety	28,402,451	-	2,274,135	-
Transportation	1,777,073	-	-	-
Community development	-	9,418,147	216,964	791,032
Health	-	-	128,004	-
Culture and leisure	1,828,785	-	1,645,287	-
Capital outlay	301,404	-	15,838	-
Debt service:				
Principal	261,174	-	-	-
Interest and fiscal charges	23,962	-	-	-
Total expenditures	37,173,046	9,418,147	6,133,620	791,032
Excess (deficiency) of revenues over (under) expenditures	(4,314,283)	286,370	1,980,370	(246,623)
Other financing sources (uses):				
Transfers in (note 3)	3,047,887	608,152	2,047,464	1,716,103
Transfers out (note 3)	(5,348,267)	-	(1,117,756)	-
Total other financing sources (uses)	(2,300,380)	608,152	929,708	1,716,103
Net change in fund balances	(6,614,663)	894,522	2,910,078	1,469,480
Fund balances (deficit), beginning of year, as restated (note 12)	18,440,688	184,513	6,570,859	(1,385,563)
Fund balances, end of year	\$ 11,826,025	1,079,035	9,480,937	83,917

See accompanying notes to the basic financial statements.

<u>Special Revenue Funds</u>		<u>Debt Service</u>	<u>Capital Project Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Sewer Service</u>	<u>Low and Moderate Income Housing Program</u>	<u>Community Development Commission</u>	<u>Redevelopment Fund</u>		
-	2,796,072	11,184,289	-	1,448,099	44,435,811
-	-	-	-	-	555,717
-	-	-	-	142,350	1,454,328
196,696	264,663	33,746	102,104	357,225	1,414,747
-	-	-	160,066	5,479,484	22,200,569
7,120,640	-	-	-	21,316	9,064,198
<u>1,265,131</u>	<u>-</u>	<u>-</u>	<u>368,251</u>	<u>428,855</u>	<u>3,465,296</u>
<u>8,582,467</u>	<u>3,060,735</u>	<u>11,218,035</u>	<u>630,421</u>	<u>7,877,329</u>	<u>82,590,666</u>
-	-	-	-	85,479	6,517,068
-	-	-	-	38,887	30,715,473
-	-	-	-	341,252	2,118,325
-	670,912	7,406,010	2,745,974	591,043	21,840,082
7,633,903	-	-	-	-	7,761,907
-	-	-	-	2,686,543	6,160,615
-	-	-	2,034,918	3,149,728	5,501,888
-	-	2,225,000	-	705,000	3,191,174
-	-	1,796,282	-	714,869	2,535,113
<u>7,633,903</u>	<u>670,912</u>	<u>11,427,292</u>	<u>4,780,892</u>	<u>8,312,801</u>	<u>86,341,645</u>
<u>948,564</u>	<u>2,389,823</u>	<u>(209,257)</u>	<u>(4,150,471)</u>	<u>(435,472)</u>	<u>(3,750,979)</u>
-	927,881	826,093	-	1,446,996	10,620,576
-	<u>(1,434,245)</u>	<u>-</u>	<u>(666,667)</u>	<u>(2,350,501)</u>	<u>(10,917,436)</u>
-	<u>(506,364)</u>	<u>826,093</u>	<u>(666,667)</u>	<u>(903,505)</u>	<u>(296,860)</u>
948,564	1,883,459	616,836	(4,817,138)	(1,338,977)	(4,047,839)
<u>15,125,094</u>	<u>10,991,134</u>	<u>4,154,814</u>	<u>17,048,769</u>	<u>13,596,115</u>	<u>84,726,423</u>
<u>16,073,658</u>	<u>12,874,593</u>	<u>4,771,650</u>	<u>12,231,631</u>	<u>12,257,138</u>	<u>80,678,584</u>

CITY OF NATIONAL CITY

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

For the Year Ended June 30, 2010

Changes in fund balances of governmental funds	\$ (4,047,839)
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.	(649,046)
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.	3,191,174
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.	10,992
To record as an expense the net change in compensated absences in the statement of activities.	142,897
To record as an expense the net change in other post employment benefits liability in the statement of activities.	(19,173)
Revenues in the government-wide statement of activities that did not provide current financial resources were not reported as revenues in the governmental funds.	(1,065,188)
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue (expense) of the internal service funds are reported with governmental activities.	<u>(139,362)</u>
Change in net assets of governmental activities	<u>\$ (2,575,545)</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Kimball Towers	Morgan Towers	Total	
<u>ASSETS</u>				
Current assets:				
Cash and investments (note 2)	\$ 75,886	9,103	84,989	14,156,363
Restricted cash and investments with fiscal agents (note 2)	1,044,470	673,068	1,717,538	1,248,323
Accounts receivable	490	-	490	74,282
Inventories	-	-	-	14,649
Prepaid items and deposits	76,979	80,280	157,259	-
Total current assets	<u>1,197,825</u>	<u>762,451</u>	<u>1,960,276</u>	<u>15,493,617</u>
Noncurrent assets:				
Capital assets (note 5):				
Nondepreciable assets	315,814	212,568	528,382	507,000
Depreciable assets, net of accumulated depreciation	4,565,917	2,535,610	7,101,527	1,350,235
Total capital assets, net	<u>4,881,731</u>	<u>2,748,178</u>	<u>7,629,909</u>	<u>1,857,235</u>
Total noncurrent assets	<u>4,881,731</u>	<u>2,748,178</u>	<u>7,629,909</u>	<u>1,857,235</u>
Total assets	<u>6,079,556</u>	<u>3,510,629</u>	<u>9,590,185</u>	<u>17,350,852</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	172,028	150,267	322,295	381,394
Salaries payable	-	24,714	24,714	51,856
Capital lesases payable - due within one year	-	-	-	21,381
Compensated absences - due within one year	-	-	-	178,559
Note payable - due within one year	-	204,776	204,776	-
Self-insurance claims payable - due within one year	-	-	-	1,597,744
Total current liabilities	<u>172,028</u>	<u>379,757</u>	<u>551,785</u>	<u>2,230,934</u>
Noncurrent liabilities (note 7):				
Tenant security deposit liability	43,977	44,898	88,875	-
Capital lesases payable - due in more than one year	-	-	-	1,733,779
Note payable - due in more than one year	-	2,276,886	2,276,886	-
Self-insurance claims payable - due in more than one year	-	-	-	4,286,256
Total noncurrent liabilities	<u>43,977</u>	<u>2,321,784</u>	<u>2,365,761</u>	<u>6,020,035</u>
Total liabilities	<u>216,005</u>	<u>2,701,541</u>	<u>2,917,546</u>	<u>8,250,969</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	4,881,731	266,516	5,148,247	1,857,235
Restricted for:				
Housing	981,820	542,572	1,524,392	-
Unrestricted	-	-	-	7,242,648
Total net assets	<u>\$ 5,863,551</u>	<u>809,088</u>	<u>6,672,639</u>	<u>9,099,883</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, 2010

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Kimball Towers	Morgan Towers	Total	
Operating revenues:				
Rental income	\$ 880,569	1,168,845	2,049,414	-
Service charges	-	-	-	9,411,591
Other revenues	7,259	7,042	14,301	429,232
 Total operating revenues	 <u>887,828</u>	 <u>1,175,887</u>	 <u>2,063,715</u>	 <u>9,840,823</u>
Operating expenses:				
Personnel services	-	-	-	2,091,642
Maintenance and operations	1,207,062	1,037,683	2,244,745	7,862,780
Depreciation	187,350	240,998	428,348	322,624
 Total operating expenses	 <u>1,394,412</u>	 <u>1,278,681</u>	 <u>2,673,093</u>	 <u>10,277,046</u>
 Operating income (loss)	 <u>(506,584)</u>	 <u>(102,794)</u>	 <u>(609,378)</u>	 <u>(436,223)</u>
Nonoperating revenues (expenses):				
Interest income	3,847	3,096	6,943	-
Interest expense	-	(180,982)	(180,982)	-
 Total nonoperating revenues (expenses)	 <u>3,847</u>	 <u>(177,886)</u>	 <u>(174,039)</u>	 <u>-</u>
 Income (loss) before transfers	 <u>(502,737)</u>	 <u>(280,680)</u>	 <u>(783,417)</u>	 <u>(436,223)</u>
Transfers in (note 3)	-	-	-	1,326,860
Transfers out (note 3)	-	-	-	(1,030,000)
 Change in net assets	 <u>(502,737)</u>	 <u>(280,680)</u>	 <u>(783,417)</u>	 <u>(139,363)</u>
 Net assets at beginning of year	 <u>6,366,288</u>	 <u>1,089,768</u>	 <u>7,456,056</u>	 <u>9,239,246</u>
 Net assets, end of year	 <u>\$ 5,863,551</u>	 <u>809,088</u>	 <u>6,672,639</u>	 <u>9,099,883</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Cash Flows
Proprietary Funds
For the year Ended June 30, 2010

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Kimball Towers	Morgan Towers	Total	
Cash flows from operating activities:				
Cash received from customers/other funds	\$ 884,039	1,174,031	2,058,070	9,409,575
Cash payments to suppliers	(1,188,477)	(771,250)	(1,959,727)	(7,072,908)
Cash payments for general and administrative	-	(176,029)	(176,029)	(2,086,291)
Cash received from (payments to) other	<u>7,259</u>	<u>7,042</u>	<u>14,301</u>	<u>418,455</u>
Net cash provided (used by) operating activities	<u>(297,179)</u>	<u>233,794</u>	<u>(63,385)</u>	<u>668,831</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	1,175,356
Cash paid to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,030,000)</u>
Net cash provided (used by) noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,356</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(30,417)	-	(30,417)	(691,574)
Issuance of lease payable	-	-	-	1,755,160
Principal payments of note payable	-	(191,924)	(191,924)	-
Interest paid	<u>-</u>	<u>(180,982)</u>	<u>(180,982)</u>	<u>-</u>
Net cash provided (used by) capital and related financing activities	<u>(30,417)</u>	<u>(372,906)</u>	<u>(403,323)</u>	<u>1,063,586</u>
Cash flows from investing activities:				
Interest income	<u>3,847</u>	<u>3,796</u>	<u>7,643</u>	<u>-</u>
Net cash provided (used by) investing activities	<u>3,847</u>	<u>3,796</u>	<u>7,643</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(323,749)	(135,316)	(459,065)	1,877,773
Cash and equivalents, beginning of year	<u>1,444,105</u>	<u>817,487</u>	<u>2,261,592</u>	<u>13,526,913</u>
Cash and equivalents, end of year	<u>\$1,120,356</u>	<u>682,171</u>	<u>1,802,527</u>	<u>15,404,686</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (506,584)	(102,794)	(609,378)	(436,223)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	187,350	240,998	428,348	322,624
Changes in current assets and liabilities:				
Accounts receivable	2,577	5,186	7,763	(2,016)
Inventories	-	-	-	6,399
Prepaid items and deposits	(29,868)	845	(29,023)	-
Accounts payable and accrued liabilities	49,346	82,165	131,511	(275,527)
Salaries payable	-	7,394	7,394	(463)
Compensated absences	-	-	-	(4,963)
Self-insurance claims payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,059,000</u>
Total adjustments	<u>209,405</u>	<u>336,588</u>	<u>545,993</u>	<u>1,105,054</u>
Net cash provided (used) by operating activities	<u>\$ (297,179)</u>	<u>233,794</u>	<u>(63,385)</u>	<u>668,831</u>

See accompanying notes to the basic financial statements.

CITY OF NATIONAL CITY
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Library Private- Purpose Trust</u>	<u>Agency Funds</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and investments (note 2)	\$ 49,380	684,375	733,755
Accounts receivable	-	1,768	1,768
Interest receivable	<u>90</u>	<u>-</u>	<u>90</u>
Total assets	<u>49,470</u>	<u>686,143</u>	<u>735,613</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	32,416	32,416
Deposits payable	<u>-</u>	<u>653,727</u>	<u>653,727</u>
Total liabilities	<u>-</u>	<u>686,143</u>	<u>686,143</u>
<u>NET ASSETS</u>			
Held in trust for private purposes	<u>\$ 49,470</u>	<u>-</u>	<u>49,470</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, 2010

	<u>Library Private- Purpose Trust</u>
Additions:	
Investment income	<u>\$ 583</u>
Total additions	<u>583</u>
Net increase (decrease)	583
Net assets, beginning of year	<u>48,887</u>
Net assets, end of year	<u>\$ 49,470</u>

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2010

(1) Summary of Significant Accounting Policies

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

A. *Reporting Entity*

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

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

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

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

Low and Moderate Income Housing Fund

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

Community Development Commission Debt Service Fund

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

Redevelopment Capital Project Fund

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

Proprietary Fund Financial Statements

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

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

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:

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, upon entering into a contract for sale, the estimated net realizable value. Fund balances are reserved in amounts equal to the carrying value of land and buildings held for resale, because such assets are not available to finance the City's current operations.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

I. Capital Assets

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

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

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

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

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

J. Interest Payable

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

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

K. Compensated Absences

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

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

L. Long-Term Debt

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

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

M. Fund Balances - 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, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 71,081,459
Restricted cash and investments with fiscal agents	6,772,799
Statement of Fiduciary Net Assets:	
Cash and investments	<u>733,755</u>
Total cash and investments	<u>\$ 78,588,013</u>

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	\$ 3,333
Deposits with financial institutions	6,350,676
Investments	<u>72,234,004</u>
Total cash and investments	<u>\$ 78,588,013</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

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

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

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
U.S. Agency Securities	\$ 6,908,807	-	-	6,908,807
Certificates of Deposit-CDARS	3,000,000	3,000,000	-	-
Certificates of Deposit	1,089,245	1,089,245	-	-
CalTrust	2,339,397	2,339,397	-	-
Local Agency Investment Fund	54,420,257	54,420,257	-	-
Commercial Paper	515,065	-	515,065	-
Held by Fiscal Agent:				
Money Market Funds	<u>3,961,233</u>	<u>3,961,233</u>	-	-
Total	<u>\$72,234,004</u>	<u>64,810,132</u>	<u>515,065</u>	<u>6,908,807</u>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AA+</u>	<u>AAA</u>	<u>Not Rated</u>
U.S. Agency Securities	\$ 6,908,807	AAA	-	6,908,807	-
Certificates of Deposit-CDARS	3,000,000	N/A	-	-	3,000,000
Certificates of Deposit	1,089,245	N/A	-	-	1,089,245
CalTrust	2,339,397	N/A	-	-	2,339,397
Local Agency Investment Fund	54,420,257	N/A	-	-	54,420,257
Commercial Paper	515,065	A	515,065	-	-
Held by Fiscal Agent					
Money Market Funds	<u>3,961,233</u>	N/A	-	-	<u>3,961,233</u>
Total	<u>\$72,234,004</u>		<u>515,065</u>	<u>6,908,807</u>	<u>64,810,132</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

Custodial Credit Risk

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

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

Investment in State Investment Pool

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

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(2) Cash and Investments, (Continued)

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	\$ 428,091
Residual receipts reserve	226,604
MIP and insurance impounds reserve	<u>18,373</u>
Total Morgan Towers	<u>\$ 673,068</u>
Kimball Towers:	
Residual receipts reserve	\$ 304,710
Other	<u>739,760</u>
Total Kimball Towers	<u>\$1,044,470</u>
Total restricted cash and investments	<u>\$1,717,538</u>

Morgan Towers

- Reserve for replacements of \$428,091 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 \$226,604 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 \$10,498 and \$7,875, respectively, totaling \$18,373 represent amounts held for the future payment of property and mortgage insurance.

Kimball Towers

- Residual receipts reserve of \$304,710 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 \$739,760 are 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, 2010 are as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Other Special Revenue Fund	\$ 938,116
	Nonmajor Other Governmental Funds	<u>698,727</u>
Subtotal – General Fund		<u>1,636,843</u>
Section 8 Housing Fund	Redevelopment Capital Projects Fund	<u>106</u>
Nonmajor Other Governmental Funds	Nonmajor Other Governmental Funds	<u>124,561</u>
Redevelopment Capital Projects Fund	Section 8 Housing Fund	<u>15,884</u>
		<u>\$1,777,394</u>

Interfund balances are primarily related to short-term borrowings to cover deficit cash balances at June 30, 2010.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Transactions, (Continued)

Interfund Transfers

For the year ended June 30, 2010, interfund transfers were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 924,507 (a)
Other Special Revenue Fund	General Fund	1,380,797 (b)
Nutrition Program Fund	General Fund	1,716,103 (c)
Internal Service Funds	General Fund	<u>1,326,860 (d)</u>
Total General Fund		<u>5,348,267</u>
General Fund	Other Special Revenue Funds	1,117,756 (e)
General Fund	Other Governmental Funds	900,131 (f)
Other Governmental Funds	Other Governmental Funds	<u>522,489 (g)</u>
Total Other Governmental Funds		<u>1,422,620</u>
General Fund	Internal Service Funds	1,030,000 (h)
Other Special Revenue Funds	Community Development Capital Projects Fund	666,667 (i)
Community Development Debt Service Fund	Community Development Low and Moderate Housing Fund	826,093 (j)
Community Development Low and Moderate Housing Fund	Other Governmental Funds	927,881 (k)
Community Development Section 8 Housing Fund	Community Development Low and Moderate Housing Fund	<u>608,152 (l)</u>
Total Community Development Low and Moderate Housing Fund		<u>1,434,245</u>
Total		<u>\$11,947,436</u>

Significant interfund transfers were primarily to: (a) to subsidize operations for the National City Library operations; (b) to provide funding for one time employee incentive payments and leave sellbacks; (c) to subsidize the nutrition center program in FY 10 in the amount of 177,765 and subsidize the prior year's deficit balance in the amount of 1,538,338 as approved by the City Council; (d) to subsidize the prior year funding for various library and community services programs; (e) to provide funding for various General Fund programs and services; (f) to provide funding for various General Fund programs and services; (g) to provide funding for various library and community services program; (h) to provide funding for various General Fund programs and services; (i) to provide funding for the General Plan Update; (j) to record the Low and Moderate Income Housing fund's share of the debt service payment related to the 1999 TAB and the 2005 TAB (18% of series A); (k) to use HUD program income to reimburse CDBG program costs; and (l) to subsidize Section 8 operations.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(3) Interfund Transactions, (Continued)

Interfund Advances

Long-term interfund receivables and payables as of June 30, 2010 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer Service Fund	Other Special Revenue Fund	\$ 760,034 (a)
	Community Development	
	Capital Project Fund	<u>739,966 (b)</u>
Total Sewer Service Fund		<u>1,500,000</u>
Other Special Revenue Fund	General Fund	<u>563,382 (c)</u>
		<u>\$2,063,382</u>

- (a) To borrow funding for the fiscal year 2010-11 street resurfacing improvements program: the loan establishes a 5 year re-payment agreement with the Tax Increment fund for the first three years at an interest rate of 0.75% per annum.
- (b) To borrow funding for the fiscal year 2010-11 street resurfacing improvements program: the loan establishes a 5 year re-payment agreement with the TransNet (Prop A) fund for the last two years at an interest rate of 0.75% per annum.
- (c) To borrow funding for the purchasing of a new fire truck: the loan established a 10 year re-payment agreement with the NCFD at an interest equal to 3.69% per annum.

(4) Contracts, Notes and Loans Receivable

As of June 30, 2010, the Contracts, Notes and Loans Receivable consisted of the following:

Community Development Commission Governmental Fund:	<u>Outstanding at June 30, 2010</u>
First time home buyer loans	<u>\$ 2,066,093</u>
Loans	
Copper Hills Apartments, LP	8,057,792
Plaza Manor	500,558
Single-Family Housing Rehabilitation Loan Program	223,349
Young Trust	230,000
Casa Familiar	1,576,900
Plaza City	<u>3,422,000</u>
Subtotal	<u>14,010,599</u>
Total	<u>\$16,076,692</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(4) Contracts, Notes and Loans Receivable, (Continued)

Copper Hills Apartments, LP – CDC Residual Receipts Note dated February 19, 1999 disclosed a loan of \$2,400,000 with 3% interest per annum for 55 years, funded by HOME and Low & Moderate Income Housing Funds. A second and junior to the CDC Residual Receipts Note was made on June 1, 1999 referred to as CDC Rehabilitation Note with 3% interest per annum for 55 years and funded by Low & Moderate Income Housing Fund. These loans were made to acquire, develop, rehabilitate and operate the multi-family apartments located at “Q” Avenue in National City, Ca. This project will contain 134 apartment dwelling units following rehabilitation and renovation.

Plaza Manor – CDC of the City of National City entered into a loan agreement with Plaza Manor Preservation, LP on December 18, 2001 in the amount of \$500,000 with 3% compound interest per annum and shall end on April 15, 2032. The borrower has acquired a property located in the City of National City with aid of the said loan and with the intention to operate a 372 unit project as a very low and low income housing project. Funding sources for this loan were HOME (48%) and Low & Moderate Income Housing Funds (52%).

Single-Family Housing Rehabilitation Loan Program – Prior to 2005, the CDC of the City of National City provided loans to eligible low-income homeowners to make repairs and basic home improvements that maintain the quality of their housing and created a positive effect in the surrounding neighborhood. Loans were offered at below-market interest rates utilizing federal HOME Investment Partnerships Program funds.

Young Trust – A Promissory Note secured by Deed of Trust was made on December 17, 2003 between CDC of the City of National City and Robert Dale Young and Deborah Mae Young in the amount of \$230,000 with interest of 5% per year. This loan is in reference to the California Community Redevelopment Law, where CDC appeals to redevelop a portion of the National City Redevelopment project, which is bounded by the location at Harrison Avenue, National City.

Casa Familiar – CDC of the City of National City entered in an Acquisition, Rehabilitation and Permanent Loan Agreement with Casa Familiar, Inc. on October 1, 2009 amounting to \$516,900 with 2% per annum from the date of the disbursement. Interest shall accrue, however, no payments shall be due under the CDC Note until July 1, 2011, and annually on July 1 of each year during the term of the CDC note, and Borrower shall make payments to the CDC in the manner provided in the CDC note until 55 years. This loan was intended to acquire, rehabilitate and permanently finance the property located at 304 East Fifth Street, National City, CA and is comprised entirely of HUD HOME funds all of which shall be used for HOME eligible purposes.

Plaza City – CDC of the City of National City entered into a Loan Agreement with Plaza City Apartments, LP on November 1, 2005 in the amount of \$2,700,000 with 3% interest per annum for 55 years. It was amended per Resolution No. 2006-202 dated September 19, 2006 which increased the loan amount by \$722,000 for a total of \$3,422,000. This loan will be used by the borrower to pay the balance of the purchase price and additional costs relating to the acquisition, demolition and development of certain real property located at 1535 Plaza Blvd., National City, CA.

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(5) Capital Assets

The following is a summary of changes in the capital assets for governmental activities at June 30, 2010:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Governmental-type activities:				
Depreciable:				
Buildings and improvements	\$ 44,343,967	-	-	44,343,967
Machinery and equipment	12,838,883	1,231,749	-	14,070,632
Infrastructure	<u>110,333,302</u>	<u>1,582,127</u>	<u>(38,927)</u>	<u>111,876,502</u>
Total cost of depreciable capital assets	<u>167,516,152</u>	<u>2,813,876</u>	<u>(38,927)</u>	<u>170,291,101</u>
Less accumulated depreciation:				
Buildings and improvements	(15,746,887)	(1,396,566)	-	(17,143,453)
Machinery and equipment	(8,488,584)	(909,418)	-	(9,398,002)
Infrastructure	<u>(49,502,713)</u>	<u>(2,689,071)</u>	<u>31,945</u>	<u>(52,223,729)</u>
Total accumulated depreciation	<u>(73,738,184)</u>	<u>(4,995,055)</u>	<u>31,945</u>	<u>(78,765,184)</u>
Net depreciable capital assets	93,777,968	(2,181,179)	(70,872)	91,525,917
Non-depreciable:				
Land	20,025,598	-	-	20,025,598
Rights of way	4,245,088	-	-	4,245,088
Construction in progress	<u>3,106,170</u>	<u>4,357,391</u>	<u>(2,385,436)</u>	<u>5,078,125</u>
Total non-depreciable capital assets	<u>27,376,856</u>	<u>4,357,391</u>	<u>(2,385,436)</u>	<u>29,348,811</u>
Capital assets, net	<u>\$121,154,824</u>	<u>2,176,212</u>	<u>(2,456,308)</u>	<u>120,874,728</u>

Depreciation expense for governmental activities for the year ended June 30, 2010 of \$4,995,055 was allocated as follows:

General Government	\$ 353,549
Community Development	1,524,047
Public Safety	881,660
Transportation	<u>2,235,799</u>
	<u>\$4,995,055</u>

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

(5) Capital Assets, (Continued)

The following is a summary of changes in the capital assets for business-type activities at June 30, 2010:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Business-type activities:				
Depreciable:				
Buildings and improvements	\$ 15,654,166	30,418	-	15,684,584
Machinery and equipment	<u>462,153</u>	<u>-</u>	<u>-</u>	<u>462,153</u>
Total depreciable capital assets	16,116,319	30,418	-	16,146,737
Less accumulated depreciation	<u>(8,616,862)</u>	<u>(428,348)</u>	<u>-</u>	<u>(9,045,210)</u>
Total depreciable assets, net	<u>7,499,457</u>	<u>(397,930)</u>	<u>-</u>	<u>7,101,527</u>
Non-depreciable assets:				
Land	<u>528,382</u>	<u>-</u>	<u>-</u>	<u>528,382</u>
Total non-depreciable capital assets	<u>528,382</u>	<u>-</u>	<u>-</u>	<u>528,382</u>
Capital assets, net	<u>\$8,027,839</u>	<u>(397,930)</u>	<u>-</u>	<u>7,629,909</u>

Depreciation expense for business-type activities for the year ended June 30, 2010 was allocated as follows:

Kimball Towers	\$ 187,350
Morgan Towers	<u>240,998</u>
Total depreciation expense	<u>\$428,348</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, 2010, the City accrued \$5,884,000 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, 2010 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 2009-10</u>	<u>Fiscal Year 2008-09</u>
Unpaid claims, July 1	\$ 4,825,000	4,508,000
Incurred claims and adjustments	1,832,888	2,051,528
Claims paid	<u>(773,888)</u>	<u>(1,734,528)</u>
Total	<u>\$ 5,884,000</u>	<u>4,825,000</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, 2010:

	Balance at <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2010</u>	<u>Classification</u>	
					<u>Amount Due Within One Year</u>	<u>Amount Due Beyond One Year</u>
Governmental Activities:						
National City Joint Powers Financing Authority:						
Lease Revenue						
Refunding Bonds	\$ 3,605,000	-	(325,000)	3,280,000	345,000	2,935,000
Community Development Commission:						
1999 Tax Allocation Bonds	4,210,000	-	(120,000)	4,090,000	125,000	3,965,000
2004 Tax Allocation Bonds	4,885,000	-	(265,000)	4,620,000	275,000	4,345,000
2005 Series A and B Tax Allocation Bonds	30,585,000	-	(1,840,000)	28,745,000	2,125,000	26,620,000
General Obligation Bonds	5,440,000	-	(155,000)	5,285,000	165,000	5,120,000
HUD 108 Bond 2003 A	<u>5,975,000</u>	<u>-</u>	<u>(225,000)</u>	<u>5,750,000</u>	<u>245,000</u>	<u>5,505,000</u>
Total Bonds	54,700,000	-	(2,930,000)	51,770,000	3,280,000	48,490,000
Claims Payable	4,825,000	1,832,888	(773,888)	5,884,000	1,597,744	4,286,256
Compensated Absences	3,176,651	2,276,019	(2,423,878)	3,028,792	1,975,044	1,053,748
Other postemployment Benefits	34,624	110,954	(91,783)	53,795	-	53,795
Capitalized Lease Obligations	<u>1,117,728</u>	<u>1,755,160</u>	<u>(261,174)</u>	<u>2,611,714</u>	<u>188,663</u>	<u>2,423,051</u>
Total Governmental Activities	63,854,003	5,975,021	(6,480,723)	63,348,301	7,041,451	56,306,850
Business-type Activities:						
Note Payable	<u>2,673,586</u>	<u>-</u>	<u>(191,924)</u>	<u>2,481,662</u>	<u>204,776</u>	<u>2,276,886</u>
Total Primary Government	<u>\$66,527,589</u>	<u>4,219,861</u>	<u>(6,672,647)</u>	<u>65,839,963</u>	<u>7,246,227</u>	<u>58,583,736</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

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.

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>
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>\$3,280,000</u>	<u>656,124</u>	<u>3,936,124</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>
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>\$4,090,000</u>	<u>2,423,881</u>	<u>6,513,881</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

Community Development Commission 2004 Tax Allocation Bonds

In June 2004, the Commission issued \$5,860,000 Tax Allocation Bonds to finance a portion of the cost to construct a fire station, library, and community art center. The bonds consist of \$3,045,000 in serial bonds, which mature from 2005-2015 in amounts ranging from \$220,000 to \$330,000, and \$1,085,000 in term bonds, which matures in fiscal year 2033. Interest is paid semi-annually on February 1 and August 1, at interest rates ranging from 1.50% to 5.50%.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	149,440	149,440
2018	-	149,440	149,440
2019	-	149,440	149,440
2020	-	149,440	149,440
2021	-	149,440	149,440
2022	-	149,440	149,440
2023	-	149,440	149,440
2024	-	149,440	149,440
2025	-	149,440	149,440
2026	-	149,440	149,440
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>\$4,620,000</u>	<u>3,181,772</u>	<u>7,801,772</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>
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>\$28,745,000</u>	<u>9,403,356</u>	<u>38,148,356</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>
2011	\$ 165,000	234,740	399,740
2012	175,000	224,658	399,658
2013	185,000	213,889	398,889
2014	200,000	204,870	404,870
2015	210,000	197,075	407,075
2016	220,000	188,580	408,580
2017	230,000	179,580	409,580
2018	240,000	170,030	410,030
2019	255,000	159,725	414,725
2020	265,000	148,673	413,673
2021	280,000	136,850	416,850
2022	295,000	124,235	419,235
2023	310,000	110,770	420,770
2024	330,000	96,370	426,370
2025	345,000	81,010	426,010
2026	365,000	64,635	429,635
2027	385,000	47,290	432,290
2028	405,000	29,022	434,022
2029	<u>425,000</u>	<u>9,828</u>	<u>434,828</u>
Total	<u>\$5,285,000</u>	<u>2,621,830</u>	<u>7,906,830</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>
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>\$5,750,000</u>	<u>2,564,946</u>	<u>8,314,946</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(7) Long-Term Debt, (Continued)

Morgan Towers Note Payable

The note payable is secured by a deed of trust and is payable to GMAC. The original note was dated March 1, 1978 in the amount of \$5,125,000. Payments of principal and interest at 6.5% aggregating \$30,005 are made monthly with the final payment due August 1, 2019. The unpaid principal portion of the note at June 30, 2010 was \$2,481,662. The note is insured by HUD and is secured by substantially all property and equipment of the Morgan Towers Enterprise Fund.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 204,777	155,283	360,060
2012	218,492	141,568	360,060
2013	233,124	126,936	360,060
2014	248,736	111,324	360,060
2015	265,395	94,665	360,060
2016	283,170	76,890	360,060
2017	302,136	57,924	360,060
2018	322,368	37,692	360,060
2019	343,957	16,103	360,060
2020	<u>59,507</u>	<u>503</u>	<u>60,010</u>
Total	<u>\$2,481,662</u>	<u>818,888</u>	<u>3,300,550</u>

Defeasance of Debt

As of June 30, 2010, the outstanding balance of defeased issues are as follows:

2001 Series A Tax Allocation Bonds (Series A & B)	\$34,105,000
1998 Tax Allocation Bonds	11,930,000

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, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate indicated for the period is 28.401% of payroll for the safety plan and 16.397% 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, 2010, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2009 to June 30, 2010.

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, 2007	June 30, 2007
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	25 Years as of the Valuation Date	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
6/30/07	\$70,797,946	62,442,682	8,355,264	88.2%	11,132,479	75.1%
6/30/08	75,995,058	67,252,370	8,742,688	88.5%	11,798,468	74.5%
6/30/09	82,507,216	70,686,597	11,820,619	85.7%	11,644,870	101.5%

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
6/30/07	\$102,027,654	85,092,163	16,935,491	83.4%	9,431,560	179.6%
6/30/08	112,532,571	91,454,242	21,078,329	81.3%	10,600,069	198.9%
6/30/09	122,308,588	95,876,636	26,431,952	78.4%	11,268,294	234.6%

Three-Year Trend Information

Annual Pension Cost (Employer Contribution)

Fiscal Year	Safety	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/08	3,866,043	2,565,047	100%	-0-
6/30/09	3,199,780	1,901,577	100%	-0-
6/30/10	3,461,800	1,871,038	100%	-0-

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(9) Other Postemployment Benefit Plan

Plan Description: The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits. After age 65, Medicare automatically becomes the primary provider of health coverage. The City's defined benefit plan becomes the secondary provider. Eligible retirees will have no noticeable change in health benefits or plan administration; however, there is a reduction in the City's cost of health coverage as the secondary provider. The City's defined benefit plan administrator establishes the cost of secondary provider rates annually. The City will pay 100% for eligible retirees' health coverage.

Eligibility: Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 5 years of service, and are eligible for a PERS pension. Membership of the plan consisted of the following at June 30, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	24
Active plan members	<u>357</u>
Total	<u>381</u>

City's Funding Policy: The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2009-10, the City contributed \$91,783 to the plan for current premiums.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(9) Other Postemployment Benefit Plan, (Continued)

Annual required contribution	\$110,954
Interest on net OPEB obligation	-
Adjustments to annual required contributions	-
Annual OPEB cost (expense)	<u>110,954</u>
Contributions made (including premiums paid)	<u>(91,783)</u>
Increase in net OPEB obligation	19,171
Net OPEB obligation-beginning of year	<u>34,624</u>
Net OPEB obligation-end of year	<u>\$ 53,795</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	N/A	N/A	N/A
6/30/09	\$110,954	68%	\$34,624
6/30/10	\$110,954	83%	\$53,795

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2010, was as follows:

Actuarial accrued liability (AAL)	\$1,058,356
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$1,058,356</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	23,196,000
UAAL as a percentage of covered payroll	4.6%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(9) Other Postemployment Benefit Plan, (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Frozen Entry Age Actuarial Cost Method. The actuarial assumptions included a 5% percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date. The UAAL is being amortized as a level percentage of projected payroll over 20 years. It is assumed the City's payroll will increase 3.25% per year.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (a-b)/c)
7/01/08	\$ -	\$1,058,356	\$1,058,356	0%	\$22,466,000	0.3%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(10) Commitments and Contingencies

A. *Lawsuits in the Normal Course of Business*

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

B. *Federal and State Grant Programs*

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

(11) Pledged Revenues

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purposes for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions in the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expenses where so required by the debt agreement) are indicated in the table below. These percentages also approximate the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue (net of expenses, where required)</u>	<u>Annual Debt Service Payments (of all debt secured by this revenue)</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Tax increment revenues	\$11,184,289	4,021,382	36%

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(12) Prior Period Adjustments

The accompanying financial statements include adjustments that resulted in the restatements of beginning fund balances/net assets. The following summarizes the effect of the prior period adjustments to beginning fund balance net assets as of July 1, 2009:

	Capital Project Fund Redevelopment <u>Fund</u>	Other Special Revenue Special Revenue <u>Fund</u>	Total Governmental <u>Funds</u>
Fund balance – beginning of year, as previously reported	\$16,213,769	14,023,465	84,318,773
To recognize revenues earned in prior year previously deferred	835,000	-	835,000
To adjust land held for resale for transactions not recorded in prior years	<u>-</u>	<u>(427,350)</u>	<u>(427,350)</u>
Fund balance – beginning of year, as restated	<u>\$17,048,769</u>	<u>13,596,115</u>	<u>84,726,423</u>

The following summarizes the effect of the prior period adjustments to beginning fund balance net assets as of July 1, 2009:

	Government- Wide Statement of Net <u>Assets</u>
Net assets – beginning of year, as previously reported	\$155,382,933
To record notes receivable previously unrecorded in prior years	<u>9,975,342</u>
Net assets – beginning of year, as restated	<u>\$165,358,275</u>

CITY OF NATIONAL CITY

Notes to the Basic Financial Statements

(Continued)

(13) Accumulated Fund Deficits

The following funds had fund deficits at June 30, 2010:

Library Special Revenue Fund	\$(172,139)
Parks Maintenance Special Revenue Fund	(40,941)
STP/Local Transnet Highway Special Revenue Fund	(333,206)
Traffic Congestion Relief Special Revenue Fund	(61,537)

The City is in the process of identifying a repayment method of the funds noted. The deficit fund balances will remain on the books until an agreed upon method is approved by the City Council of the City of National City.

(14) Expenditures in Excess of Appropriations

The following funds reported excess of expenditures over appropriations for the year ended June 30, 2010:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Section 8 Housing Assistance Special Revenue Fund	\$9,268,420	9,418,147	(149,727)
Joint Powers Financing Authority Debt Service Fund	486,798	486,807	(9)
Library Bond Debt Service Fund	399,500	402,578	(3,078)

CITY OF NATIONAL CITY

Notes to Required Supplementary Information

For the Year Ended June 30, 2010

(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, 2010, 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 reported excess of expenditures over appropriations for the year ended June 30, 2010:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Section 8 Housing Assistance Special Revenue Fund	\$9,268,420	9,418,147	(149,727)

CITY OF NATIONAL CITY
General Fund

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

For the Year Ended June 30, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 28,470,135	28,470,135	29,007,351	537,216
Licenses and permits	417,732	417,732	551,517	133,785
Fines and forfeitures	1,028,258	1,028,258	1,219,418	191,160
Interest and rents	697,100	697,100	432,226	(264,874)
Intergovernmental	576,400	576,400	571,308	(5,092)
Charges for services	441,280	441,280	482,975	41,695
Other revenues	255,113	255,113	593,968	338,855
Total revenues	31,886,018	31,886,018	32,858,763	972,745
Expenditures:				
Current:				
General government	5,164,879	5,164,879	4,578,197	586,682
Public safety	29,044,391	29,044,391	28,402,451	641,940
Transportation	1,887,479	1,887,479	1,777,073	110,406
Culture and leisure	1,950,722	1,950,722	1,828,785	121,937
Capital outlay	1,086,606	1,086,606	301,404	785,202
Debt service:				
Principal	224,372	224,372	261,174	(36,802)
Interest and fiscal charges	69,780	69,780	23,962	45,818
Total expenditures	39,428,229	39,428,229	37,173,046	2,255,183
Excess (deficiency) of revenues over (under) expenditures	(7,542,211)	(7,542,211)	(4,314,283)	3,227,928
Other financing sources (uses):				
Transfers in	3,132,428	3,132,428	3,047,887	(84,541)
Transfers out	(5,548,267)	(5,548,267)	(5,348,267)	200,000
Total other financing sources (uses)	(2,415,839)	(2,415,839)	(2,300,380)	115,459
Net change in fund balances	(9,958,050)	(9,958,050)	(6,614,663)	3,343,387
Fund balance, beginning of year	18,440,688	18,440,688	18,440,688	-
Fund balance, end of year	\$ 8,482,638	8,482,638	11,826,025	3,343,387

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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 7,459,000	8,659,000	9,704,442	1,045,442
Other revenues	<u> -</u>	<u> -</u>	<u> 75</u>	<u> 75</u>
Total revenues	<u>7,459,000</u>	<u>8,659,000</u>	<u>9,704,517</u>	<u>1,045,517</u>
Expenditures:				
Current:				
Community development	<u>8,696,220</u>	<u>9,268,420</u>	<u>9,418,147</u>	<u>(149,727)</u>
Total expenditures	<u>8,696,220</u>	<u>9,268,420</u>	<u>9,418,147</u>	<u>(149,727)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,237,220)</u>	<u>(609,420)</u>	<u>286,370</u>	<u>895,790</u>
Other financing sources (uses):				
Transfers in	<u>1,215,884</u>	<u>1,215,884</u>	<u>608,152</u>	<u>(607,732)</u>
Total other financing sources (uses)	<u>1,215,884</u>	<u>1,215,884</u>	<u>608,152</u>	<u>(607,732)</u>
Net change in fund balances	(21,336)	606,464	894,522	288,058
Fund balance, beginning of year	<u>184,513</u>	<u>184,513</u>	<u>184,513</u>	<u> -</u>
Fund balance, end of year	<u>\$ 163,177</u>	<u>790,977</u>	<u>1,079,035</u>	<u>288,058</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses and permits	\$ 12,594	12,594	4,200	(8,394)
Fines and forfeitures	95,327	95,327	92,560	(2,767)
Interest and rents	8,500	8,500	28,087	19,587
Intergovernmental	6,631,508	6,631,508	5,946,896	(684,612)
Charges for services	1,063,900	1,063,900	1,439,267	375,367
Other revenues	<u>503,304</u>	<u>503,304</u>	<u>602,980</u>	<u>99,676</u>
Total revenues	<u>8,315,133</u>	<u>8,315,133</u>	<u>8,113,990</u>	<u>(201,143)</u>
Expenditures:				
Current:				
General government	2,403,186	2,403,186	1,853,392	549,794
Public safety	4,073,885	4,073,885	2,274,135	1,799,750
Community development	447,263	447,263	216,964	230,299
Health	218,902	218,902	128,004	90,898
Culture and leisure	1,820,815	1,820,815	1,645,287	175,528
Capital outlay	<u>3,949,533</u>	<u>3,949,533</u>	<u>15,838</u>	<u>3,933,695</u>
Total expenditures	<u>12,913,584</u>	<u>12,913,584</u>	<u>6,133,620</u>	<u>6,779,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,598,451)</u>	<u>(4,598,451)</u>	<u>1,980,370</u>	<u>6,578,821</u>
Other financing sources:				
Transfers in	2,047,464	2,047,464	2,047,464	-
Transfers out	<u>(1,202,297)</u>	<u>(1,202,297)</u>	<u>(1,117,756)</u>	<u>84,541</u>
Total other financing sources	<u>845,167</u>	<u>845,167</u>	<u>929,708</u>	<u>84,541</u>
Net change in fund balances	(3,753,284)	(3,753,284)	2,910,078	6,663,362
Fund balance, beginning of year	<u>6,570,859</u>	<u>6,570,859</u>	<u>6,570,859</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,817,575</u>	<u>2,817,575</u>	<u>9,480,937</u>	<u>6,663,362</u>

CITY OF NATIONAL CITY
Nutrition Program Special Revenue Fund

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

For the Year Ended June 30, 2010

	<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	\$ 292,691	292,691	338,373	45,682
Other revenues	<u>184,718</u>	<u>184,718</u>	<u>206,036</u>	<u>21,318</u>
Total revenues	<u>477,409</u>	<u>477,409</u>	<u>544,409</u>	<u>67,000</u>
Expenditures:				
Current:				
Community development	<u>806,374</u>	<u>806,374</u>	<u>791,032</u>	<u>15,342</u>
Total expenditures	<u>806,374</u>	<u>806,374</u>	<u>791,032</u>	<u>15,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(328,965)</u>	<u>(328,965)</u>	<u>(246,623)</u>	<u>82,342</u>
Other financing sources:				
Transfers in	<u>1,916,103</u>	<u>1,916,103</u>	<u>1,716,103</u>	<u>(200,000)</u>
Total other financing sources	<u>1,916,103</u>	<u>1,916,103</u>	<u>1,716,103</u>	<u>(200,000)</u>
Net change in fund balances	1,587,138	1,587,138	1,469,480	(117,658)
Fund balance (deficit), beginning of year	<u>(1,385,563)</u>	<u>(1,385,563)</u>	<u>(1,385,563)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 201,575</u>	<u>201,575</u>	<u>83,917</u>	<u>(117,658)</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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ -	-	196,696	196,696
Charges for services	7,141,800	7,141,800	7,120,640	(21,160)
Other revenues	-	-	1,265,131	1,265,131
Total revenues	<u>7,141,800</u>	<u>7,141,800</u>	<u>8,582,467</u>	<u>1,440,667</u>
Expenditures:				
Current:				
Health	<u>13,530,033</u>	<u>13,530,033</u>	<u>7,633,903</u>	<u>5,896,130</u>
Total expenditures	<u>13,530,033</u>	<u>13,530,033</u>	<u>7,633,903</u>	<u>5,896,130</u>
Net change in fund balances	(6,388,233)	(6,388,233)	948,564	7,336,797
Fund balance, beginning of year	<u>15,125,094</u>	<u>15,125,094</u>	<u>15,125,094</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 8,736,861</u></u>	<u><u>8,736,861</u></u>	<u><u>16,073,658</u></u>	<u><u>7,336,797</u></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, 2010

	<u>Budget Amounts</u>		Actual Amounts	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes	\$ 2,808,046	2,808,046	2,796,072	(11,974)
Interest and rents	-	-	264,663	264,663
Other revenues	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Total revenues	<u>3,008,046</u>	<u>3,008,046</u>	<u>3,060,735</u>	<u>52,689</u>
Expenditures:				
Current:				
Community development	<u>878,132</u>	<u>878,132</u>	<u>670,912</u>	<u>207,220</u>
Total expenditures	<u>878,132</u>	<u>878,132</u>	<u>670,912</u>	<u>207,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,129,914</u>	<u>2,129,914</u>	<u>2,389,823</u>	<u>259,909</u>
Other financing sources (uses):				
Transfers in	-	-	927,881	927,881
Transfers out	<u>(2,042,002)</u>	<u>(2,042,002)</u>	<u>(1,434,245)</u>	<u>607,757</u>
Total other financing sources (uses)	<u>(2,042,002)</u>	<u>(2,042,002)</u>	<u>(506,364)</u>	<u>1,535,638</u>
Net change in fund balances	87,912	87,912	1,883,459	1,795,547
Fund balance, beginning of year	<u>10,991,134</u>	<u>10,991,134</u>	<u>10,991,134</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,079,046</u>	<u>11,079,046</u>	<u>12,874,593</u>	<u>1,795,547</u>

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

General Capital Outlay Fund

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

Library Fund

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

Parks Maintenance Fund

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

Library Capital Outlay Fund

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

Gas Tax Fund

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

Parks and Recreation Capital Outlay Fund

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

Community Development Block Grant Fund

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

HUD Program Income Fund

This fund is used to provide for the funding of CDBG program activities as approved by the City Council utilizing HUD program income.

Home Program Fund

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

Asset Forfeiture Fund

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

NON-MAJOR GOVERNMENTAL FUNDS, (CONTINUED)

DEBT SERVICE FUND:

National City Joint Powers Financing Authority Fund

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

Library Bond Debt Service Fund

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

CAPITAL PROTECTS FUNDS:

Library Construction Project Capital Projects Fund

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

Proposition “A” Capital Projects Fund

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

STP Local/TransNet Highway Fund

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

State-Local Partnership Fund

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

Traffic Congestion Relief Fund

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

Fire Construction Project Capital Projects Fund

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

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2010

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	\$ 1,023,418	-	-	749,192	623,444	1,279,815
Restricted cash and investments with fiscal agent	-	-	-	-	-	-
Accounts receivable	-	976	1,138	7,921	-	402
Property tax receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	1,056	-
Due from other funds	-	-	-	-	-	-
Due from other governmental entities	-	-	-	-	98,491	-
Land held for resale	-	-	-	-	-	-
Contracts, notes and loans receivable	-	-	-	-	-	-
Total assets	<u>\$ 1,023,418</u>	<u>976</u>	<u>1,138</u>	<u>757,113</u>	<u>722,991</u>	<u>1,280,217</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ -	3,322	4,995	-	5,977	-
Salaries payable	-	30,391	19,773	-	872	-
Due to other funds	-	139,402	17,311	-	-	-
Deferred revenue	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>173,115</u>	<u>42,079</u>	<u>-</u>	<u>6,849</u>	<u>-</u>
Fund balances:						
Reserved:						
Encumbrances	20,791	-	-	-	11,289	7,065
Land held for resale	-	-	-	-	-	-
Contracts, loans, notes receivable	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total reserved	<u>20,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,289</u>	<u>7,065</u>
Unreserved, designated:						
Continuing appropriations	<u>1,000,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>592,841</u>	<u>662,016</u>
Total reserved, designated	<u>1,000,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>592,841</u>	<u>662,016</u>
Unreserved, undesignated:						
Special revenue funds	1,891	(172,139)	(40,941)	757,113	112,012	611,136
Capital projects funds	-	-	-	-	-	-
Total fund balances (deficits)	<u>1,023,418</u>	<u>(172,139)</u>	<u>(40,941)</u>	<u>757,113</u>	<u>716,142</u>	<u>1,280,217</u>
Total liabilities and fund balances	<u>\$ 1,023,418</u>	<u>976</u>	<u>1,138</u>	<u>757,113</u>	<u>722,991</u>	<u>1,280,217</u>

Special Revenue Funds				Debt Service	
Community Development Block Grant	HUD Program Income	HOME Program	Asset Forfeiture	Joint Powers Financing Authority	Library Bonds
-	415,510	2,160,158	548,512	1	739,568
-	1,094,028	-	-	-	-
290,563	-	-	-	-	-
-	-	-	-	-	323
-	2,705	3,635	1,002	-	-
-	124,561	-	-	-	-
582,390	-	145,311	-	-	-
-	-	875,000	-	-	-
-	223,349	2,797,102	-	-	-
<u>872,953</u>	<u>1,860,153</u>	<u>5,981,206</u>	<u>549,514</u>	<u>1</u>	<u>739,891</u>
339,343	57,021	115,768	1,525	-	-
2,416	-	1,999	-	-	-
146,909	-	-	-	-	-
108,737	-	1,647,039	-	-	-
-	-	-	-	-	-
<u>597,405</u>	<u>57,021</u>	<u>1,764,806</u>	<u>1,525</u>	<u>-</u>	<u>-</u>
16,896	25,157	-	-	-	-
-	-	875,000	-	-	-
-	223,349	2,797,102	-	-	-
-	1,094,028	-	-	1	739,891
<u>16,896</u>	<u>1,342,534</u>	<u>3,672,102</u>	<u>-</u>	<u>1</u>	<u>739,891</u>
<u>479,318</u>	<u>-</u>	<u>500,000</u>	<u>18,028</u>	<u>-</u>	<u>-</u>
<u>479,318</u>	<u>-</u>	<u>500,000</u>	<u>18,028</u>	<u>-</u>	<u>-</u>
(220,666)	460,598	44,298	529,961	-	-
-	-	-	-	-	-
<u>275,548</u>	<u>1,803,132</u>	<u>4,216,400</u>	<u>547,989</u>	<u>1</u>	<u>739,891</u>
<u>872,953</u>	<u>1,860,153</u>	<u>5,981,206</u>	<u>549,514</u>	<u>1</u>	<u>739,891</u>

(Continued)

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Balance Sheet, Continued

June 30, 2010

	Capital Projects Funds						Total Other Governmental Funds
	Library Constuction Bonds	Proposition A	STP Local/ TransNet Highway	State- Local Partnership	Traffic Congestion Relief	Fire Construction Project	
<u>ASSETS</u>							
Cash and investments	\$ 137,770	2,091,851	-	122,344	-	18,116	9,909,699
Restricted cash and investments with fiscal agent	-	-	-	-	-	-	1,094,028
Accounts receivable	-	-	-	-	-	-	301,000
Property tax receivable	-	-	-	-	-	-	323
Interest receivable	250	3,809	-	223	-	-	12,680
Due from other funds	-	-	-	-	-	-	124,561
Due from other governmental entities	-	-	2,597	-	144,747	-	973,536
Land held for resale	-	-	-	-	-	-	875,000
Contracts, notes and loans receivable	-	-	-	-	-	-	3,020,451
Total assets	<u>\$ 138,020</u>	<u>2,095,660</u>	<u>2,597</u>	<u>122,567</u>	<u>144,747</u>	<u>18,116</u>	<u>16,311,278</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ -	8,585	22,421	-	-	-	558,957
Salaries payable	-	5,141	-	-	-	-	60,592
Due to other funds	-	-	313,382	-	206,284	-	823,288
Deferred revenue	-	-	-	95,493	-	-	1,851,269
Advances from other funds	-	760,034	-	-	-	-	760,034
Total liabilities	<u>-</u>	<u>773,760</u>	<u>335,803</u>	<u>95,493</u>	<u>206,284</u>	<u>-</u>	<u>4,054,140</u>
Fund balances:							
Reserved:							
Encumbrances	-	40,529	17,431	-	-	-	139,158
Land held for resale	-	-	-	-	-	-	875,000
Contracts, loans, notes receivable	-	-	-	-	-	-	3,020,451
Debt service	-	-	-	-	-	-	1,833,920
Total reserved	<u>-</u>	<u>40,529</u>	<u>17,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,868,529</u>
Unreserved, designated:							
Continuing appropriations	-	2,341,887	87,638	-	2,035	-	5,684,499
Total reserved, designated	<u>-</u>	<u>2,341,887</u>	<u>87,638</u>	<u>-</u>	<u>2,035</u>	<u>-</u>	<u>5,684,499</u>
Unreserved, undesignated:							
Special revenue funds	-	-	-	-	-	-	2,083,263
Capital projects funds	138,020	(1,060,516)	(438,275)	27,074	(63,572)	18,116	(1,379,153)
Total fund balances	<u>138,020</u>	<u>1,321,900</u>	<u>(333,206)</u>	<u>27,074</u>	<u>(61,537)</u>	<u>18,116</u>	<u>12,257,138</u>
Total liabilities and fund balances	<u>\$ 138,020</u>	<u>2,095,660</u>	<u>2,597</u>	<u>122,567</u>	<u>144,747</u>	<u>18,116</u>	<u>16,311,278</u>

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CITY OF NATIONAL CITY
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

	Special Revenue Funds					
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax	Park and Recreation Capital Outlay
Revenues:						
Taxes	\$ -	632,544	737,075	78,480	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest and rents	-	-	-	-	5,904	228,093
Intergovernmental	-	6,172	7,194	-	1,097,704	-
Charges for services	-	-	-	21,316	-	-
Other revenues	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>638,716</u>	<u>744,269</u>	<u>99,796</u>	<u>1,103,608</u>	<u>228,093</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Transportation	-	-	-	-	341,252	-
Community development	-	-	-	-	-	-
Culture and leisure	-	1,555,436	1,054,431	-	-	-
Capital outlay	4,209	-	-	20,868	-	19,607
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>4,209</u>	<u>1,555,436</u>	<u>1,054,431</u>	<u>20,868</u>	<u>341,252</u>	<u>19,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,209)</u>	<u>(916,720)</u>	<u>(310,162)</u>	<u>78,928</u>	<u>762,356</u>	<u>208,486</u>
Other financing sources (uses):						
Transfers in	-	688,326	236,181	-	-	-
Transfers out	-	-	-	-	(700,000)	-
Total other financing sources (uses)	<u>-</u>	<u>688,326</u>	<u>236,181</u>	<u>-</u>	<u>(700,000)</u>	<u>-</u>
Net change in fund balances	<u>(4,209)</u>	<u>(228,394)</u>	<u>(73,981)</u>	<u>78,928</u>	<u>62,356</u>	<u>208,486</u>
Fund balances, beginning of year, as restated	<u>1,027,627</u>	<u>56,255</u>	<u>33,040</u>	<u>678,185</u>	<u>653,786</u>	<u>1,071,731</u>
Fund balances (deficits), end of year	<u>\$ 1,023,418</u>	<u>(172,139)</u>	<u>(40,941)</u>	<u>757,113</u>	<u>716,142</u>	<u>1,280,217</u>

Special Revenue Funds				Debt Service	
Community Development Block Grant	HUD Program Income	HOME Program	Asset Forfeiture	Joint Powers Financing Authority	Library Bonds
-	-	-	-	-	-
-	-	-	142,350	-	-
-	18,565	79,788	3,461	11	-
817,696	-	631,387	-	486,796	-
-	-	-	-	-	-
-	396	-	-	-	428,459
<u>817,696</u>	<u>18,961</u>	<u>711,175</u>	<u>145,811</u>	<u>486,807</u>	<u>428,459</u>
82,401	-	-	-	-	3,078
-	-	-	38,887	-	-
-	-	-	-	-	-
218,991	86,924	285,128	-	-	-
76,676	-	-	-	-	-
253,729	-	-	-	-	-
225,000	-	-	-	325,000	155,000
170,776	137,786	-	-	161,807	244,500
<u>1,027,573</u>	<u>224,710</u>	<u>285,128</u>	<u>38,887</u>	<u>486,807</u>	<u>402,578</u>
<u>(209,877)</u>	<u>(205,749)</u>	<u>426,047</u>	<u>106,924</u>	<u>-</u>	<u>25,881</u>
522,489	-	-	-	-	-
-	(1,256,501)	-	-	-	-
<u>522,489</u>	<u>(1,256,501)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
312,612	(1,462,250)	426,047	106,924	-	25,881
<u>(37,064)</u>	<u>3,265,382</u>	<u>3,790,353</u>	<u>441,065</u>	<u>1</u>	<u>714,010</u>
<u>275,548</u>	<u>1,803,132</u>	<u>4,216,400</u>	<u>547,989</u>	<u>1</u>	<u>739,891</u>

(Continued)

CITY OF NATIONAL CITY
Nonmajor Governmental Funds

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

For the Year ended June 30, 2010

	Capital Projects Funds						Total Other Governmental Funds
	Library Construction Bonds	Proposition A	STP Local/ TransNet Highway	State- Local Partnership	Traffic Congestion Relief	Fire Construction Project	
	Revenues:						
Taxes	\$ -	-	-	-	-	-	1,448,099
Fines and forfeitures	-	-	-	-	-	-	142,350
Interest and rents	2,623	14,407	-	1,440	-	2,933	357,225
Intergovernmental	14,656	1,500,000	403,547	-	514,332	-	5,479,484
Charges for services	-	-	-	-	-	-	21,316
Other revenues	-	-	-	-	-	-	428,855
Total revenues	<u>17,279</u>	<u>1,514,407</u>	<u>403,547</u>	<u>1,440</u>	<u>514,332</u>	<u>2,933</u>	<u>7,877,329</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	85,479
Public safety	-	-	-	-	-	-	38,887
Transportation	-	-	-	-	-	-	341,252
Community development	-	-	-	-	-	-	591,043
Culture and leisure	-	-	-	-	-	-	2,686,543
Capital outlay	-	1,844,119	500,597	-	506,599	-	3,149,728
Debt service:							
Principal	-	-	-	-	-	-	705,000
Interest and fiscal charges	-	-	-	-	-	-	714,869
Total expenditures	<u>-</u>	<u>1,844,119</u>	<u>500,597</u>	<u>-</u>	<u>506,599</u>	<u>-</u>	<u>8,312,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,279</u>	<u>(329,712)</u>	<u>(97,050)</u>	<u>1,440</u>	<u>7,733</u>	<u>2,933</u>	<u>(435,472)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,446,996
Transfers out	-	-	-	-	-	(394,000)	(2,350,501)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(394,000)</u>	<u>(903,505)</u>
Net change in fund balances	<u>17,279</u>	<u>(329,712)</u>	<u>(97,050)</u>	<u>1,440</u>	<u>7,733</u>	<u>(391,067)</u>	<u>(1,338,977)</u>
Fund balances, beginning of year, as restated	<u>120,741</u>	<u>1,651,612</u>	<u>(236,156)</u>	<u>25,634</u>	<u>(69,270)</u>	<u>409,183</u>	<u>13,596,115</u>
Fund balances (deficits), end of year	<u>\$ 138,020</u>	<u>1,321,900</u>	<u>(333,206)</u>	<u>27,074</u>	<u>(61,537)</u>	<u>18,116</u>	<u>12,257,138</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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Capital outlay	\$ 1,019,945	1,019,945	4,209	1,015,736
Total expenditures	1,019,945	1,019,945	4,209	1,015,736
Net change in fund balances	(1,019,945)	(1,019,945)	(4,209)	1,015,736
Fund balance, beginning of year	1,027,627	1,027,627	1,027,627	-
Fund balance, end of year	\$ 7,682	7,682	1,023,418	1,015,736

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, 2010

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final		(Negative)
Revenues:				
Taxes	\$ 648,300	648,300	632,544	(15,756)
Intergovernmental	<u>6,600</u>	<u>6,600</u>	<u>6,172</u>	<u>(428)</u>
Total revenues	<u>654,900</u>	<u>654,900</u>	<u>638,716</u>	<u>(16,184)</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,671,465</u>	<u>1,671,465</u>	<u>1,555,436</u>	<u>116,029</u>
Total expenditures	<u>1,671,465</u>	<u>1,671,465</u>	<u>1,555,436</u>	<u>116,029</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,016,565)</u>	<u>(1,016,565)</u>	<u>(916,720)</u>	<u>99,845</u>
Other financing sources (uses):				
Transfers in	<u>688,326</u>	<u>688,326</u>	<u>688,326</u>	<u>-</u>
Total other financing sources (uses)	<u>688,326</u>	<u>688,326</u>	<u>688,326</u>	<u>-</u>
Net change in fund balances	(328,239)	(328,239)	(228,394)	99,845
Fund balance, beginning of year	<u>56,255</u>	<u>56,255</u>	<u>56,255</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (271,984)</u></u>	<u><u>(271,984)</u></u>	<u><u>(172,139)</u></u>	<u><u>99,845</u></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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues:				
Taxes	\$ 755,379	755,379	737,075	(18,304)
Intergovernmental	<u>7,700</u>	<u>7,700</u>	<u>7,194</u>	<u>(506)</u>
Total revenues	<u>763,079</u>	<u>763,079</u>	<u>744,269</u>	<u>(18,810)</u>
Expenditures:				
Current:				
Culture and leisure	<u>1,104,229</u>	<u>1,104,229</u>	<u>1,054,431</u>	<u>49,798</u>
Total expenditures	<u>1,104,229</u>	<u>1,104,229</u>	<u>1,054,431</u>	<u>49,798</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(341,150)</u>	<u>(341,150)</u>	<u>(310,162)</u>	<u>30,988</u>
Other financing sources:				
Transfers in	<u>236,181</u>	<u>236,181</u>	<u>236,181</u>	<u>-</u>
Total other financing sources	<u>236,181</u>	<u>236,181</u>	<u>236,181</u>	<u>-</u>
Net change in fund balances	(104,969)	(104,969)	(73,981)	30,988
Fund balance, beginning of year	<u>33,040</u>	<u>33,040</u>	<u>33,040</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (71,929)</u>	<u>(71,929)</u>	<u>(40,941)</u>	<u>30,988</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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 84,052	84,052	78,480	(5,572)
Charges for services	<u>18,200</u>	<u>18,200</u>	<u>21,316</u>	<u>3,116</u>
Total revenues	<u>102,252</u>	<u>102,252</u>	<u>99,796</u>	<u>(2,456)</u>
Expenditures:				
Capital outlay	<u>98,700</u>	<u>98,700</u>	<u>20,868</u>	<u>77,832</u>
Total expenditures	<u>98,700</u>	<u>98,700</u>	<u>20,868</u>	<u>77,832</u>
Net change in fund balances	3,552	3,552	78,928	75,376
Fund balance, beginning of year	<u>678,185</u>	<u>678,185</u>	<u>678,185</u>	<u>-</u>
Fund balance, end of year	<u>\$ 681,737</u>	<u>681,737</u>	<u>757,113</u>	<u>75,376</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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ 26,200	26,200	5,904	(20,296)
Intergovernmental	<u>1,032,500</u>	<u>1,032,500</u>	<u>1,097,704</u>	<u>65,204</u>
Total revenues	<u>1,058,700</u>	<u>1,058,700</u>	<u>1,103,608</u>	<u>44,908</u>
Expenditures:				
Current:				
Transportation	<u>943,484</u>	<u>943,484</u>	<u>341,252</u>	<u>602,232</u>
Total expenditures	<u>943,484</u>	<u>943,484</u>	<u>341,252</u>	<u>602,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>115,216</u>	<u>115,216</u>	<u>762,356</u>	<u>647,140</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	(584,784)	(584,784)	62,356	647,140
Fund balance, beginning of year	<u>653,786</u>	<u>653,786</u>	<u>653,786</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 69,002</u></u>	<u><u>69,002</u></u>	<u><u>716,142</u></u>	<u><u>647,140</u></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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 248,000	248,000	228,093	(19,907)
Total revenues	<u>248,000</u>	<u>248,000</u>	<u>228,093</u>	<u>(19,907)</u>
Expenditures:				
Current:				
Capital outlay	<u>682,988</u>	<u>682,988</u>	<u>19,607</u>	<u>663,381</u>
Total expenditures	<u>682,988</u>	<u>682,988</u>	<u>19,607</u>	<u>663,381</u>
Net change in fund balances	(434,988)	(434,988)	208,486	643,474
Fund balance, beginning of year	<u>1,071,731</u>	<u>1,071,731</u>	<u>1,071,731</u>	<u>-</u>
Fund balance, end of year	<u>\$ 636,743</u>	<u>636,743</u>	<u>1,280,217</u>	<u>643,474</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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 1,107,495	1,107,495	817,696	(289,799)
Total revenues	<u>1,107,495</u>	<u>1,107,495</u>	<u>817,696</u>	<u>(289,799)</u>
Expenditures:				
Current:				
General government	82,037	82,037	82,401	(364)
Community development	239,492	239,492	218,991	20,501
Culture and leisure	83,130	83,130	76,676	6,454
Capital outlay	863,439	863,439	253,729	609,710
Debt service:				
Principal	-	-	225,000	(225,000)
Interest and fiscal charges	1,776	1,776	170,776	(169,000)
Total expenditures	<u>1,269,874</u>	<u>1,269,874</u>	<u>1,027,573</u>	<u>242,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(162,379)</u>	<u>(162,379)</u>	<u>(209,877)</u>	<u>(47,498)</u>
Other financing sources (uses):				
Transfers in	-	-	522,489	522,489
Transfers out	<u>(241,334)</u>	<u>(241,334)</u>	<u>-</u>	<u>241,334</u>
Total other financing sources (uses)	<u>(241,334)</u>	<u>(241,334)</u>	<u>522,489</u>	<u>763,823</u>
Net change in fund balances	(403,713)	(403,713)	312,612	716,325
Fund balance (deficit), beginning of year	<u>(37,064)</u>	<u>(37,064)</u>	<u>(37,064)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (440,777)</u></u>	<u><u>(440,777)</u></u>	<u><u>275,548</u></u>	<u><u>716,325</u></u>

CITY OF NATIONAL CITY
HUD Program Income Special Revenue Fund

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

For the Year Ended June 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ -	-	18,565	18,565
Other revenues	-	-	396	396
Total revenues	<u>-</u>	<u>-</u>	<u>18,961</u>	<u>18,961</u>
Expenditures:				
Current:				
General government	33,937	33,937	-	33,937
Community development	1,031,883	1,031,883	86,924	944,959
Culture and leisure	19,256	19,256	-	19,256
Capital outlay	54,290	54,290	-	54,290
Debt service:				
Principal	795,067	795,067	-	795,067
Interest and fiscal charges	1,036,650	1,036,650	137,786	898,864
Total expenditures	<u>2,971,083</u>	<u>2,971,083</u>	<u>224,710</u>	<u>2,746,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,971,083)</u>	<u>(2,971,083)</u>	<u>(205,749)</u>	<u>2,765,334</u>
Other financing sources (uses):				
Transfers out	<u>(328,620)</u>	<u>(328,620)</u>	<u>(1,256,501)</u>	<u>(927,881)</u>
Total other financing sources (uses)	<u>(328,620)</u>	<u>(328,620)</u>	<u>(1,256,501)</u>	<u>(927,881)</u>
Net change in fund balances	(3,299,703)	(3,299,703)	(1,462,250)	1,837,453
Fund balance, beginning of year	<u>3,265,382</u>	<u>3,265,382</u>	<u>3,265,382</u>	<u>-</u>
Fund balance (deficit) , end of year	<u><u>\$ (34,321)</u></u>	<u><u>(34,321)</u></u>	<u><u>1,803,132</u></u>	<u><u>1,837,453</u></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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ -	-	79,788	79,788
Intergovernmental	<u>1,201,730</u>	<u>1,201,730</u>	<u>631,387</u>	<u>(570,343)</u>
Total revenues	<u>1,201,730</u>	<u>1,201,730</u>	<u>711,175</u>	<u>(490,555)</u>
Expenditures:				
Current:				
Community development	<u>1,099,882</u>	<u>1,099,882</u>	<u>285,128</u>	<u>814,754</u>
Total expenditures	<u>1,099,882</u>	<u>1,099,882</u>	<u>285,128</u>	<u>814,754</u>
Net change in fund balances	101,848	101,848	426,047	324,199
Fund balance, beginning of year, as restated	<u>3,790,353</u>	<u>3,790,353</u>	<u>3,790,353</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,892,201</u>	<u>3,892,201</u>	<u>4,216,400</u>	<u>324,199</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, 2010

	<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	\$ 119,058	119,058	142,350	23,292
Interest and rents	<u>15,400</u>	<u>15,400</u>	<u>3,461</u>	<u>(11,939)</u>
Total revenues	<u>134,458</u>	<u>134,458</u>	<u>145,811</u>	<u>11,353</u>
Expenditures:				
Current:				
Public safety	<u>44,865</u>	<u>44,865</u>	<u>38,887</u>	<u>5,978</u>
Total expenditures	<u>44,865</u>	<u>44,865</u>	<u>38,887</u>	<u>5,978</u>
Net change in fund balances	89,593	89,593	106,924	17,331
Fund balance, beginning of year	<u>441,065</u>	<u>441,065</u>	<u>441,065</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 530,658</u></u>	<u><u>530,658</u></u>	<u><u>547,989</u></u>	<u><u>17,331</u></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, 2010

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Interest and rents	\$ -	-	11	11
Intergovernmental	490,656	490,656	486,796	(3,860)
Total revenues	490,656	490,656	486,807	(3,849)
Expenditures:				
Debt service				
Principal	325,000	325,000	325,000	-
Interest and fiscal charges	161,798	161,798	161,807	(9)
Total expenditures	486,798	486,798	486,807	(9)
Net change in fund balances	3,858	3,858	-	(3,858)
Fund balance, beginning of year	1	1	1	-
Fund balance, end of year	\$ 3,859	3,859	1	(3,858)

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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Other revenues	\$ 488,900	488,900	428,459	(60,441)
Total revenues	<u>488,900</u>	<u>488,900</u>	<u>428,459</u>	<u>(60,441)</u>
Expenditures:				
Current:				
General government	-	-	3,078	(3,078)
Debt service				
Principal	155,000	155,000	155,000	-
Interest and fiscal charges	244,500	244,500	244,500	-
Total expenditures	<u>399,500</u>	<u>399,500</u>	<u>402,578</u>	<u>(3,078)</u>
Net change in fund balances	89,400	89,400	25,881	(63,519)
Fund balance, beginning of year	<u>714,010</u>	<u>714,010</u>	<u>714,010</u>	<u>-</u>
Fund balance, end of year	<u>\$ 803,410</u>	<u>803,410</u>	<u>739,891</u>	<u>(63,519)</u>

CITY OF NATIONAL CITY
Library Construction Capital Projects Fund

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

For the Year Ended June 30, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ 3,200	3,200	2,623	(577)
Intergovernmental	-	-	14,656	14,656
Total revenues	<u>3,200</u>	<u>3,200</u>	<u>17,279</u>	<u>14,079</u>
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,200	3,200	17,279	14,079
Fund balance, beginning of year	<u>120,741</u>	<u>120,741</u>	<u>120,741</u>	<u>-</u>
Fund balance, end of year	<u>\$ 123,941</u>	<u>123,941</u>	<u>138,020</u>	<u>14,079</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, 2010

	<u>Budget Amounts</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Interest and rents	\$ 72,511	72,511	14,407	(58,104)
Intergovernmental	<u>924,000</u>	<u>924,000</u>	<u>1,500,000</u>	<u>576,000</u>
Total revenues	<u>996,511</u>	<u>996,511</u>	<u>1,514,407</u>	<u>517,896</u>
Expenditures:				
Capital outlay	<u>4,490,643</u>	<u>4,490,643</u>	<u>1,844,119</u>	<u>2,646,524</u>
Total expenditures	<u>4,490,643</u>	<u>4,490,643</u>	<u>1,844,119</u>	<u>2,646,524</u>
Net change in fund balances	(3,494,132)	(3,494,132)	(329,712)	3,164,420
Fund balance, beginning of year	<u>1,651,612</u>	<u>1,651,612</u>	<u>1,651,612</u>	-
Fund balance, end of year	<u>\$ (1,842,520)</u>	<u>(1,842,520)</u>	<u>1,321,900</u>	<u>3,164,420</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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 20,852	20,852	-	(20,852)
Intergovernmental	<u>-</u>	<u>-</u>	<u>403,547</u>	<u>403,547</u>
Total revenues	<u>20,852</u>	<u>20,852</u>	<u>403,547</u>	<u>382,695</u>
Expenditures:				
Capital outlay	<u>599,742</u>	<u>599,742</u>	<u>500,597</u>	<u>99,145</u>
Total expenditures	<u>599,742</u>	<u>599,742</u>	<u>500,597</u>	<u>99,145</u>
Net change in fund balances	(578,890)	(578,890)	(97,050)	481,840
Fund balance (deficit), beginning of year	<u>(236,156)</u>	<u>(236,156)</u>	<u>(236,156)</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ (815,046)</u></u>	<u><u>(815,046)</u></u>	<u><u>(333,206)</u></u>	<u><u>481,840</u></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, 2010

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 2,671	2,671	1,440	(1,231)
Total revenues	<u>2,671</u>	<u>2,671</u>	<u>1,440</u>	<u>(1,231)</u>
Net change in fund balances	2,671	2,671	1,440	(1,231)
Fund balance, beginning of year	<u>25,634</u>	<u>25,634</u>	<u>25,634</u>	-
Fund balance, end of year	<u>\$ 28,305</u>	<u>28,305</u>	<u>27,074</u>	<u>(1,231)</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, 2010

	<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	\$ 578,823	578,823	514,332	(64,491)
Total revenues	<u>578,823</u>	<u>578,823</u>	<u>514,332</u>	<u>(64,491)</u>
Expenditures:				
Current:				
Capital outlay	<u>508,634</u>	<u>508,634</u>	<u>506,599</u>	<u>2,035</u>
Total expenditures	<u>508,634</u>	<u>508,634</u>	<u>506,599</u>	<u>2,035</u>
Net change in fund balances	70,189	70,189	7,733	(62,456)
Fund balance (deficit), beginning of year	<u>(69,270)</u>	<u>(69,270)</u>	<u>(69,270)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 919</u>	<u>919</u>	<u>(61,537)</u>	<u>(62,456)</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, 2010

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	(Negative)
Revenues:				
Interest and rents	\$ -	-	2,933	2,933
Total revenues	-	-	2,933	2,933
Expenditures:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	2,933	2,933
Other financing sources (uses):				
Transfers out	-	-	(394,000)	394,000
Total other financing sources (uses)	-	-	(394,000)	394,000
Net change in fund balances	-	-	(391,067)	396,933
Fund balance, beginning of year	409,183	409,183	409,183	-
Fund balance, end of year	\$ 409,183	409,183	18,116	396,933

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, 2010

	<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	\$ 752,771	7,066,242	491,045	1,085,711	1,877,507
Cash and investments with fiscal agents	1,248,323	-	-	-	-
Accounts receivable	-	918	1,133	72,231	-
Inventories	-	-	14,649	-	-
	<u>2,001,094</u>	<u>7,067,160</u>	<u>506,827</u>	<u>1,157,942</u>	<u>1,877,507</u>
Total current assets					
Noncurrent assets:					
Capital assets:					
Nondepreciable assets	507,000	-	-	-	-
Depreciable assets, net of accumulated depreciation	-	-	-	98,878	109,819
	<u>507,000</u>	<u>-</u>	<u>-</u>	<u>98,878</u>	<u>109,819</u>
Total capital assets	<u>507,000</u>	<u>-</u>	<u>-</u>	<u>98,878</u>	<u>109,819</u>
Total noncurrent assets	<u>507,000</u>	<u>-</u>	<u>-</u>	<u>98,878</u>	<u>109,819</u>
Total assets	<u>2,508,094</u>	<u>7,067,160</u>	<u>506,827</u>	<u>1,256,820</u>	<u>1,987,326</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and accrued liabilities	160,576	91,117	6,861	12,357	33,661
Salaries payable	18,639	1,029	3,830	2,076	-
Capital lesases payable - due within one year	21,381	-	-	-	-
Compensated absences	58,927	2,272	4,025	13,693	-
Self-insurance claims payable - due within one year	-	1,597,744	-	-	-
	<u>259,523</u>	<u>1,692,162</u>	<u>14,716</u>	<u>28,126</u>	<u>33,661</u>
Total current liabilities	<u>259,523</u>	<u>1,692,162</u>	<u>14,716</u>	<u>28,126</u>	<u>33,661</u>
Noncurrent liabilities:					
Capital lesases payable - due in more than one year	1,733,779	-	-	-	-
Self-insurance claims payable - due in more than one year	-	4,286,256	-	-	-
	<u>1,733,779</u>	<u>4,286,256</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,993,302</u>	<u>5,978,418</u>	<u>14,716</u>	<u>28,126</u>	<u>33,661</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	507,000	-	-	98,878	109,819
Unrestricted	7,792	1,088,742	492,111	1,129,816	1,843,846
	<u>514,792</u>	<u>1,088,742</u>	<u>492,111</u>	<u>1,228,694</u>	<u>1,953,665</u>
Total net assets	<u>\$ 514,792</u>	<u>1,088,742</u>	<u>492,111</u>	<u>1,228,694</u>	<u>1,953,665</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>
722,290	527,883	1,179,324	266,038	187,552	14,156,363
-	-	-	-	-	1,248,323
-	-	-	-	-	74,282
-	-	-	-	-	14,649
<u>722,290</u>	<u>527,883</u>	<u>1,179,324</u>	<u>266,038</u>	<u>187,552</u>	<u>15,493,617</u>
-	-	-	-	-	507,000
-	-	843,264	298,274	-	1,350,235
-	-	843,264	298,274	-	1,857,235
-	-	843,264	298,274	-	1,857,235
<u>722,290</u>	<u>527,883</u>	<u>2,022,588</u>	<u>564,312</u>	<u>187,552</u>	<u>17,350,852</u>
37,374	4,451	33,585	1,412	-	381,394
1,296	15,145	9,841	-	-	51,856
-	-	-	-	-	21,381
-	66,642	33,000	-	-	178,559
-	-	-	-	-	1,597,744
<u>38,670</u>	<u>86,238</u>	<u>76,426</u>	<u>1,412</u>	<u>-</u>	<u>2,230,934</u>
-	-	-	-	-	1,733,779
-	-	-	-	-	4,286,256
<u>38,670</u>	<u>86,238</u>	<u>76,426</u>	<u>1,412</u>	<u>-</u>	<u>8,250,969</u>
-	-	843,264	298,274	-	1,857,235
<u>683,620</u>	<u>441,645</u>	<u>1,102,898</u>	<u>264,626</u>	<u>187,552</u>	<u>7,242,648</u>
<u>683,620</u>	<u>441,645</u>	<u>1,946,162</u>	<u>562,900</u>	<u>187,552</u>	<u>9,099,883</u>

CITY OF NATIONAL CITY

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the Year Ended June 30, 2010

	<u>Facilities Maintenance</u>	<u>Liability Insurance</u>	<u>General Services</u>	<u>Information Systems Maintenance</u>	<u>Office Equipment Depreciation</u>
Operating revenues:					
Services charges	\$ 2,099,016	2,859,483	432,960	714,624	425,616
Other revenues	<u>163</u>	<u>408,116</u>	<u>-</u>	<u>10,777</u>	<u>-</u>
Total operating revenues	<u>2,099,179</u>	<u>3,267,599</u>	<u>432,960</u>	<u>725,401</u>	<u>425,616</u>
Operating expenses:					
Personnel services	728,462	78,398	101,387	119,876	-
Maintenance and operations	1,800,856	3,671,881	195,952	492,393	220,129
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,006</u>	<u>43,459</u>
Total operating expenses	<u>2,529,318</u>	<u>3,750,279</u>	<u>297,339</u>	<u>643,275</u>	<u>263,588</u>
Operating income (loss)	(430,139)	(482,680)	135,621	82,126	162,028
Transfers in	1,326,860	-	-	-	-
Transfers out	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
Change in net assets	896,721	(682,680)	135,621	82,126	(237,972)
Net assets, beginning of year	<u>(381,929)</u>	<u>1,771,422</u>	<u>356,490</u>	<u>1,146,568</u>	<u>2,191,637</u>
Net assets, end of year	<u>\$ 514,792</u>	<u>1,088,742</u>	<u>492,111</u>	<u>1,228,694</u>	<u>1,953,665</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>
397,812	865,908	1,577,352	-	38,820	9,411,591
<u>7,335</u>	<u>1,892</u>	<u>949</u>	<u>-</u>	<u>-</u>	<u>429,232</u>
<u>405,147</u>	<u>867,800</u>	<u>1,578,301</u>	<u>-</u>	<u>38,820</u>	<u>9,840,823</u>
57,531	570,626	435,362	-	-	2,091,642
291,311	210,808	906,939	16,943	55,568	7,862,780
<u>3,737</u>	<u>-</u>	<u>220,768</u>	<u>23,654</u>	<u>-</u>	<u>322,624</u>
<u>352,579</u>	<u>781,434</u>	<u>1,563,069</u>	<u>40,597</u>	<u>55,568</u>	<u>10,277,046</u>
52,568	86,366	15,232	(40,597)	(16,748)	(436,223)
-	-	-	-	-	1,326,860
<u>(200,000)</u>	<u>(230,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,030,000)</u>
(147,432)	(143,634)	15,232	(40,597)	(16,748)	(139,363)
<u>831,052</u>	<u>585,279</u>	<u>1,930,930</u>	<u>603,497</u>	<u>204,300</u>	<u>9,239,246</u>
<u>683,620</u>	<u>441,645</u>	<u>1,946,162</u>	<u>562,900</u>	<u>187,552</u>	<u>9,099,883</u>

CITY OF NATIONAL CITY
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010

	<u>Facilities Maintenance</u>	<u>Liability Insurance</u>	<u>General Services</u>	<u>Information Systems Maintenance</u>	<u>Office Equipment Depreciation</u>
Cash flows from operating activities:					
Cash received from customers/other funds	2,099,016	2,858,600	431,827	714,624	425,616
Cash payments to suppliers	(1,794,706)	(2,577,268)	(186,800)	(527,944)	(265,529)
Cash payments for general and administrative	(726,895)	(89,923)	(101,016)	(95,760)	-
Cash received from (payments to) other	<u>163</u>	<u>408,116</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>(422,422)</u>	<u>599,525</u>	<u>144,011</u>	<u>90,920</u>	<u>160,087</u>
Cash flows from capital and related financing activities:					
Acquisition or disposal of capital assets	(507,000)	-	-	(109,269)	-
Issuance of lease payable	<u>1,755,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>1,248,160</u>	<u>-</u>	<u>-</u>	<u>(109,269)</u>	<u>-</u>
Cash flows from non-capital financing activities:					
Cash received from other funds	1,175,356	-	-	-	-
Cash paid to other funds	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
Net cash provided (used) by non-capital financing activities	<u>1,175,356</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(400,000)</u>
Net increase (decrease) in cash and cash equivalents	2,001,094	399,525	144,011	(18,349)	(239,913)
Cash and investments:					
Beginning of year	-	<u>6,666,717</u>	<u>347,034</u>	<u>1,104,060</u>	<u>2,117,420</u>
End of year	<u>\$ 2,001,094</u>	<u>7,066,242</u>	<u>491,045</u>	<u>1,085,711</u>	<u>1,877,507</u>
Cash flows from operating activities:					
Operating income (loss)	<u>\$ (430,139)</u>	<u>(482,680)</u>	<u>135,621</u>	<u>82,126</u>	<u>162,028</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	-	-	-	31,006	43,459
Changes in current assets and liabilities:					
Accounts receivable	-	(883)	(1,133)	-	-
Inventories	-	-	6,399	-	-
Accounts payable and accrued liabilities	6,150	35,613	2,753	(35,551)	(45,400)
Salaries payable	1,983	(2,120)	159	(354)	-
Compensated absences	(416)	(9,405)	212	13,693	-
Self-insurance claims payable	<u>-</u>	<u>1,059,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>7,717</u>	<u>1,082,205</u>	<u>8,390</u>	<u>8,794</u>	<u>(1,941)</u>
Net cash provided (used) by operating activities	<u>\$ (422,422)</u>	<u>599,525</u>	<u>144,011</u>	<u>90,920</u>	<u>160,087</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>
397,812	865,908	1,577,352	-	38,820	9,409,575
(284,544)	(216,034)	(1,147,572)	(16,943)	(55,568)	(7,072,908)
(57,609)	(582,622)	(432,466)	-	-	(2,086,291)
<u>7,335</u>	<u>1,892</u>	<u>949</u>	<u>-</u>	<u>-</u>	<u>418,455</u>
<u>62,994</u>	<u>69,144</u>	<u>(1,737)</u>	<u>(16,943)</u>	<u>(16,748)</u>	<u>668,831</u>
-	-	(75,305)	-	-	(691,574)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,755,160</u>
-	-	(75,305)	-	-	1,063,586
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,175,356</u>
(200,000)	(230,000)	-	-	-	(1,030,000)
<u>(200,000)</u>	<u>(230,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,356</u>
(137,006)	(160,856)	(77,042)	(16,943)	(16,748)	1,877,773
<u>859,296</u>	<u>688,739</u>	<u>1,256,366</u>	<u>282,981</u>	<u>204,300</u>	<u>13,526,913</u>
<u>722,290</u>	<u>527,883</u>	<u>1,179,324</u>	<u>266,038</u>	<u>187,552</u>	<u>15,404,686</u>
<u>52,568</u>	<u>86,366</u>	<u>15,232</u>	<u>(40,597)</u>	<u>(16,748)</u>	<u>(436,223)</u>
3,737	-	220,768	23,654	-	322,624
-	-	-	-	-	(2,016)
-	-	-	-	-	6,399
6,767	(5,226)	(240,633)	-	-	(275,527)
(78)	171	(224)	-	-	(463)
-	(12,167)	3,120	-	-	(4,963)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,059,000</u>
<u>10,426</u>	<u>(17,222)</u>	<u>(16,969)</u>	<u>23,654</u>	<u>-</u>	<u>1,105,054</u>
<u>62,994</u>	<u>69,144</u>	<u>(1,737)</u>	<u>(16,943)</u>	<u>(16,748)</u>	<u>668,831</u>

FIDUCIARY FUNDS

AGENCY FUNDS:

Cobra Insurance Fund

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

Miscellaneous Deposits Fund

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

CITY OF NATIONAL CITY
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>COBRA INSURANCE FUND</u>				
Assets:				
Cash and investments	\$ 5,163	235,940	(210,455)	30,648
Accounts receivable	-	1,768	-	1,768
Total assets	\$ 5,163	237,708	(210,455)	32,416
Liabilities:				
Accounts payable	\$ 5,163	237,708	(210,455)	32,416
Total liabilities	\$ 5,163	237,708	(210,455)	32,416
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>MISCELLANEOUS DEPOSITS FUND</u>				
Assets:				
Cash and investments	\$ 593,376	188,436	(128,085)	653,727
Total assets	\$ 593,376	188,436	(128,085)	653,727
Liabilities:				
Accounts payable	\$ 593,376	188,436	(128,085)	653,727
Total liabilities	\$ 593,376	188,436	(128,085)	653,727
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>TOTAL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 598,539	424,376	(338,540)	684,375
Accounts receivable	-	1,768	-	1,768
Total assets	\$ 598,539	426,144	(338,540)	686,143
Liabilities:				
Accounts payable	\$ 5,163	237,708	(210,455)	32,416
Depostis payable	593,376	188,436	(128,085)	653,727
Total liabilities	\$ 598,539	426,144	(338,540)	686,143

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DESCRIPTION OF STATISTICAL SECTION

June 30, 2010

This part of the City of National City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> - these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	119 - 128
<u>Revenue Capacity</u> - these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	129 - 136
<u>Debt Capacity</u> - these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	137 - 144
<u>Demographic and Economic Information</u> - these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	145 - 146
<u>Operating Information</u> - these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	147 - 149

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities:				
Invested in Capital assets, net of related debt	50,268,232	92,988,998	101,117,839	93,916,816
Restricted	26,694,109	49,185,546	44,125,574	37,597,633
Unrestricted	44,331,476	(19,947,768)	(18,088,821)	(2,314,564)
Total governmental activities net assets	121,293,817	122,226,776	127,154,592	129,199,885
Business-type Activities:				
Invested in Capital assets, net of related debt	12,481,289	11,844,051	11,204,491	10,854,822
Restricted	1,913,163	1,157,359	2,439,808	2,134,043
Unrestricted	(241,387)	1,142,236	-	-
Total business-type activities net assets	14,153,065	14,143,646	13,644,299	12,988,865
Primary Government:				
Invested in Capital assets, net of related debt	62,749,521	104,833,049	112,322,330	104,771,638
Restricted	28,607,272	50,342,905	46,565,382	39,731,676
Unrestricted	44,090,089	(18,805,532)	(18,088,821)	(2,314,564)
Total primary government net assets	135,446,882	136,370,422	140,798,891	142,188,750

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

2007	2008	2009	2010
95,083,039	90,395,315	98,809,386	99,340,829
41,250,048	53,081,951	48,092,405	55,609,616
5,449,969	7,376,407	8,481,142	7,351,272
<u>141,783,056</u>	<u>150,853,673</u>	<u>155,382,933</u>	<u>162,301,717</u>
10,407,472	5,584,797	5,354,253	5,148,247
1,778,624	1,996,801	2,101,803	1,524,392
-	-	-	-
<u>12,186,096</u>	<u>7,581,598</u>	<u>7,456,056</u>	<u>6,672,639</u>
105,490,511	95,980,112	104,163,639	104,489,076
43,028,672	55,078,752	50,194,208	57,134,008
5,449,969	7,376,407	8,481,142	7,351,272
<u>153,969,152</u>	<u>158,435,271</u>	<u>162,838,989</u>	<u>168,974,356</u>

CITY OF NATIONAL CITY
Change in Net Assets^{1 2}
Last Eight 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	60,386,247	61,923,426	81,938,439
Business-type Activities:			
TDA	3,003,738	3,037,348	3,100,807
Community development commission	1,618,597	1,694,815	1,816,212
Total business-type activities expenses	4,622,335	4,732,163	4,917,019
Total primary government expenses	65,008,582	66,655,589	86,855,458
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	3,474,092	136,227	186,889
Total governmental activities program revenue	25,289,005	33,427,193	43,931,765
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	1,352,066	1,365,549	1,307,972
Capital grants and contributions	-	-	52,137
Total business-type activities program revenue	4,369,180	4,506,265	4,374,822
Total primary government program revenue	29,658,185	37,933,458	48,306,587
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)	(35,350,397)	(28,722,131)	(38,548,871)

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	2009	2010
3,141,167	5,219,116	5,881,015	5,224,693	6,774,769
24,841,408	25,943,803	27,218,309	29,670,520	32,426,770
9,979,551	2,680,880	7,144,911	7,735,716	2,966,635
23,709,596	22,209,522	24,841,387	17,049,437	17,693,511
6,049,689	6,273,178	7,426,569	5,963,766	7,775,510
6,243,390	6,387,197	6,304,412	6,928,456	6,238,223
2,631,082	2,768,004	2,853,399	2,525,568	2,524,121
-	-	-	-	-
<u>76,595,883</u>	<u>71,481,700</u>	<u>81,670,002</u>	<u>75,098,156</u>	<u>76,399,539</u>
3,684,772	2,689,687	2,218,661	-	-
2,535,540	2,059,738	2,078,822	2,191,014	2,854,075
6,220,312	4,749,425	4,297,483	2,191,014	2,854,075
<u>82,816,195</u>	<u>76,231,125</u>	<u>85,967,485</u>	<u>77,289,170</u>	<u>79,253,614</u>
11,731,690	11,210,231	3,035,893	2,331,329	3,624,978
182,214	74,987	192,291	1,820,369	1,976,414
-	-	-	-	-
557,715	767,558	776,094	631,769	625,194
-	-	7,426,730	7,355,009	7,258,317
650,428	843,273	935,297	420,314	771,433
27,308,279	23,016,167	26,090,615	20,674,207	21,051,606
243,662	166,994	112,107	-	-
<u>40,673,988</u>	<u>36,079,210</u>	<u>38,569,027</u>	<u>33,232,997</u>	<u>35,307,942</u>
1,287,218	891,013	-	-	-
1,920,403	1,955,520	2,044,277	2,041,477	2,063,715
2,002,041	990,340	-	-	-
-	-	-	-	-
<u>5,209,662</u>	<u>3,836,873</u>	<u>2,044,277</u>	<u>2,041,477</u>	<u>2,063,715</u>
<u>45,883,650</u>	<u>39,916,083</u>	<u>40,613,304</u>	<u>35,274,474</u>	<u>37,371,657</u>
(35,921,895)	(35,402,490)	(43,100,975)	(41,865,159)	(41,091,597)
<u>(1,010,650)</u>	<u>(912,552)</u>	<u>(2,253,206)</u>	<u>(149,537)</u>	<u>(790,360)</u>
<u>(36,932,545)</u>	<u>(36,315,042)</u>	<u>(45,354,181)</u>	<u>(42,014,696)</u>	<u>(41,881,957)</u>

CITY OF NATIONAL CITY
Changes in Net Assets (Continued)^{1 2 3}
Last Eight 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	<u>(225,197)</u>	<u>(178,874)</u>	<u>(499,347)</u>
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	2009	2010
13,304,816	15,232,910	16,421,961	15,827,505	9,983,799
17,571,328	22,102,515	24,072,743	20,700,283	18,872,987
1,357,256	1,440,770	1,416,236	1,737,134	1,941,081
4,558,078	4,837,677	5,100,399	5,370,617	5,181,701
618,378	908,187	841,745	630,049	725,901
-	-	-	-	-
1,460,288	3,405,789	3,369,224	1,425,385	572,489
314,606	(27,714)	-	270,269	461,101
80,711	85,527	305,082	733,454	763,157
-	-	2,378,910	-	-
<u>39,265,461</u>	<u>47,985,661</u>	<u>53,906,300</u>	<u>46,694,696</u>	<u>38,502,216</u>
59,721	82,069	27,618	23,995	6,943
34,653	-	-	-	-
-	27,714	-	-	-
-	-	(2,378,910)	-	-
<u>94,374</u>	<u>109,783</u>	<u>(2,351,292)</u>	<u>23,995</u>	<u>6,943</u>
<u>39,359,835</u>	<u>48,095,444</u>	<u>51,555,008</u>	<u>46,718,691</u>	<u>38,509,159</u>
3,343,566	12,583,171	10,805,325	4,829,537	(2,589,381)
(916,276)	(802,769)	(4,604,498)	(125,542)	(783,417)
<u>2,427,290</u>	<u>11,780,402</u>	<u>6,200,827</u>	<u>4,703,995</u>	<u>(3,372,798)</u>

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

	Fiscal Year		
	2003	2004	2005
General Fund:			
Reserved	83,397	1,101,354	1,126,090
Unreserved	7,439,565	8,056,981	11,457,153
Total general fund	<u>7,522,962</u>	<u>9,158,335</u>	<u>12,583,243</u>
All Other Governmental Funds:			
Reserved	13,241,484	46,548,352	19,446,936
Unreserved			
Designated	27,833,769	14,949,382	15,596,121
Undesignated:			
Special revenue funds	8,553,693	3,714,794	13,350,731
Capital projects funds	12,071,391	2,233,057	9,978,986
Debt service funds	-	-	-
Total all other governmental funds	<u>61,700,337</u>	<u>67,445,585</u>	<u>58,372,774</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				
2006	2007	2008	2009	2010
1,171,748	1,501,213	1,727,692	1,164,034	1,126,408
11,620,584	15,585,066	18,298,540	17,276,654	10,699,617
<u>12,792,332</u>	<u>17,086,279</u>	<u>20,026,232</u>	<u>18,440,688</u>	<u>11,826,025</u>
21,676,313	25,758,503	23,958,237	22,821,977	27,090,770
7,416,455	15,554,052	10,832,286	18,774,518	19,332,920
17,346,630	15,595,453	23,394,266	19,853,304	21,864,572
7,107,297	4,201,534	9,750,823	4,428,286	(394,314)
-	-	-	-	-
<u>53,546,695</u>	<u>61,109,542</u>	<u>67,935,612</u>	<u>65,878,085</u>	<u>67,893,948</u>

CITY OF NATIONAL CITY
Changes in Fund Balances of Government Funds^{1 2}
Last Eight 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	2009	2010
\$ 39,138,480	\$ 46,477,691	\$ 49,871,559	\$ 47,448,811	\$ 44,435,811
887,009	872,998	801,232	742,616	555,717
1,237,069	939,083	1,322,347	1,303,006	1,454,328
1,957,322	3,405,789	3,369,224	2,387,531	1,414,747
24,345,988	23,863,565	24,377,473	21,575,928	22,200,569
9,330,082	9,328,340	8,471,286	8,371,734	9,064,198
2,662,154	2,358,768	2,680,389	1,926,494	3,465,296
<u>79,558,104</u>	<u>87,246,234</u>	<u>90,893,510</u>	<u>83,756,120</u>	<u>82,590,666</u>
5,395,508	4,723,185	5,354,513	4,559,601	6,517,068
25,784,443	25,130,868	26,528,937	27,958,385	30,715,473
3,369,380	3,236,793	3,756,298	3,079,647	2,118,325
23,315,799	20,992,576	23,721,153	18,029,047	21,870,082
6,049,689	6,273,178	7,426,569	5,963,766	7,761,907
6,243,390	6,387,197	6,276,859	6,928,456	6,160,615
10,957,597	2,074,818	1,636,398	14,450,567	5,501,888
3,224,395	2,871,863	2,891,709	3,024,837	3,191,174
3,014,431	2,898,962	2,864,933	2,689,608	2,535,113
<u>87,354,632</u>	<u>74,589,440</u>	<u>80,457,369</u>	<u>86,683,914</u>	<u>86,371,645</u>
<u>(7,796,528)</u>	<u>12,656,794</u>	<u>10,436,141</u>	<u>(2,927,794)</u>	<u>(3,780,979)</u>
-	-	-	-	-
-	-	-	-	-
458,994	-	-	-	-
-	-	-	-	-
10,431,154	8,182,525	13,096,724	8,119,544	9,692,695
<u>(7,931,154)</u>	<u>(8,982,525)</u>	<u>(13,151,446)</u>	<u>(8,534,544)</u>	<u>(9,989,555)</u>
<u>2,958,994</u>	<u>(800,000)</u>	<u>(54,722)</u>	<u>(415,000)</u>	<u>(296,860)</u>
<u>\$ (4,837,534)</u>	<u>\$ 11,856,794</u>	<u>\$ 10,381,419</u>	<u>\$ (3,342,794)</u>	<u>\$ (4,077,839)</u>
8.17%	7.96%	7.30%	7.91%	7.08%

CITY OF NATIONAL CITY
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years

Category	Fiscal Year			
	2001	2002	2003	2004
Secured:				
Residential Property	\$ 788,688,010	\$ 858,637,562	\$ 910,661,353	\$ 977,435,596
Commercial Property	536,869,078	556,740,563	583,704,244	578,140,896
Industrial Property	161,263,160	174,165,831	184,467,093	193,821,784
Institutional Property	2,457,011	5,322,431	4,045,907	25,829,220
Irrigated Property	-	-	-	-
Recreational Property	2,906,723	2,416,278	4,778,254	3,082,188
Unknown	11,700	356,276	504,895	943,052
Vacant Land	28,414,815	31,387,754	29,305,007	37,815,694
Total Secured	1,520,610,497	1,629,026,695	1,717,466,753	1,817,068,430
Unsecured	100,902,500	103,159,838	107,821,517	119,327,613
SBE Nonunitary	11,076,114	11,138,470	10,884,643	11,768,070
Total Taxable Assessed Value	\$ 1,632,589,111	\$ 1,743,325,003	\$ 1,836,172,913	\$ 1,948,164,113
Total Direct Tax Rate	0.46454%	0.49717%	0.51221%	0.52091%

Source: HDL, San Diego County Assessor 1999/00- 2009/10 Combined Tax Rolls.

Note: Exempt values are not included in Total.

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 1,082,306,711	\$ 1,249,018,196	\$ 1,519,346,327	\$ 1,675,533,232	\$ 1,727,050,075	\$ 1,486,019,671
611,146,522	677,325,076	704,702,806	744,585,873	797,911,588	871,757,000
184,112,160	237,113,411	262,732,815	264,996,707	276,149,692	288,230,654
9,137,490	6,773,868	5,568,713	4,382,185	44,982,886	54,514,910
-	-	-	-	35,858	36,575
3,119,237	4,369,771	4,745,005	6,697,142	14,655,682	26,509,839
-	-	-	-	-	-
45,967,328	41,602,858	58,129,839	68,304,793	92,409,693	93,470,678
1,935,789,448	2,216,203,180	2,555,225,505	2,764,499,932	2,953,195,474	2,820,539,327
121,108,202	132,740,967	142,087,044	154,942,915	168,066,373	204,465,642
6,177,516	6,064,199	5,931,260	4,039,249	5,858,889	5,586,456
<u>\$ 2,063,075,166</u>	<u>\$ 2,355,008,346</u>	<u>\$ 2,703,243,809</u>	<u>\$ 2,923,482,096</u>	<u>\$ 3,127,120,736</u>	<u>\$ 3,030,591,425</u>
0.53714%	0.55593%	0.56773%	0.56773%	0.57066%	0.55977%

CITY OF NATIONAL CITY
Taxable Sales by Category
Last Ten Calendar Years
(in thousands of dollars)

	Fiscal Year			
	2000	2001	2002	2003
Apparel Stores	\$ 68,747	\$ 80,205	\$ 81,644	\$ 88,193
General Merchandise	111,743	102,599	91,623	116,240
Food Stores	22,414	23,546	24,853	23,164
Eating and Drinking Places	76,964	85,359	89,744	94,911
Building Materials	107,523	109,537	116,682	129,890
Auto Dealers and Supplies	505,252	559,094	599,535	625,127
Service Stations	50,383	55,835	54,877	61,579
Other Retail Stores	152,722	154,463	161,749	165,782
All Other Outlets	224,792	230,643	237,629	230,318
Total	\$ 1,320,540	\$ 1,401,281	\$ 1,458,336	\$ 1,535,204

Source: HDL, State of California Board of Equalization

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.

Fiscal Year

2004	2005	2006	2007	2008	2009
\$ 93,647	\$ 100,833	\$ 101,026	\$ 101,928	\$ 106,482	\$ 110,113
152,364	156,538	149,482	144,515	149,789	143,897
23,095	23,922	24,024	24,781	27,680	27,885
100,584	101,601	106,731	107,109	112,064	111,565
174,606	176,404	124,594	100,055	74,872	34,355
676,045	688,366	651,140	587,778	426,316	335,246
72,078	74,105	79,548	81,823	87,171	66,560
167,541	174,630	176,574	150,407	142,477	121,245
245,383	290,701	271,636	266,338	235,434	203,713
<u>\$ 1,705,343</u>	<u>\$ 1,787,100</u>	<u>\$ 1,684,755</u>	<u>\$ 1,564,734</u>	<u>\$ 1,362,285</u>	<u>\$ 1,154,579</u>

CITY OF NATIONAL CITY
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(Rate Per \$100 of Taxable Value)

Agency	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Chula Vista Elementary	0.02515	0.02396	0.02645	0.02723	0.02811	0.02738	0.02662	0.02029	0.01762	0.02507
Lower Sweetwater Fire Prot D Tax Rate Reduction	0.00000	-0.16701	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00880	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430
National City Gen. Obligation Bonds 2002 Series A	0.00000	0.00000	0.00000	0.02275	0.02000	0.01770	0.01570	0.01430	0.01300	0.01270
San Diego Community College	0.00000	0.00000	0.00000	0.01786	0.01901	0.02495	0.01782	0.02740	0.01212	0.02482
San Diego Unified	0.00000	0.00000	0.00000	0.09575	0.08676	0.07590	0.07149	0.06007	0.06184	0.06670
San Diego Unified Lease/Purchase	0.09575	0.09575	0.09575	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
San Diego Water Authority	0.00091	0.00083	0.00075	0.00067	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Southwestern Community College Bond 2000	0.00000	0.01544	0.01304	0.00727	0.01301	0.01505	0.01405	0.01253	0.01320	0.03442
Sweetwater High Bond	0.00000	0.02527	0.02196	0.01956	0.01818	0.02252	0.02016	0.04711	0.04621	0.05580
Total Direct & Overlapping² Tax Rates	1.13061	1.00194	1.16465	1.19719	1.19087	1.18870	1.17054	1.18620	1.16829	1.22381
City's Share of 1% Levy Per Prop 13 ³	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate	0.00000	0.00000	0.00000	0.02275	0.02000	0.01770	0.01570	0.01430	0.01300	0.01270
Redevelopment Rate	1.00971	1.00853	1.00745	1.00677	1.00580	1.00520	1.00470	1.00450	1.00430	1.00430
Total Direct Rate	0.49349	0.49814	0.51297	0.52942	0.54468	0.56253	0.57282	0.58192	0.57590	0.55977

Analysis of the Basic Tax Levy⁴

General Elementary National	0.28860
National City General Fund	0.17720
High Sweetwater Union	0.17660
County General	0.14930
Educational Revenue Augmentation Fund	0.13550
Southwestern Community College	0.04760
County School Service	0.00710
Regional Occupation Centers	0.00453
CWA City of National City	0.00401
Physically Handicapped Minors Elem. Comp.	0.00314
Trainable Mentally Retarded Minors Elem. Comp.	0.00203
County School Service - Capital Outlay	0.00179
Children's Institutions Tuition	0.00152
Development Centers For Handicapped EC56811 Elem.	0.00045
Chula Vista Project (19/84602)	0.00037
Chula Vista Project (19/84601)	0.00019
Autistic Pupils Minors Elementary Comp.	0.00010
Total	<u>\$ 1.0000</u>

¹In 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.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City'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. ERAF general fund tax shifts may not be included in tax ratio figures.

Source: HDL, San Diego County Assessor 1999/00- 2009/10 Combined Tax Rolls.

**CITY OF NATIONAL CITY
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Plaza Bonita LP	\$ 237,591,621	1	7.84%	—	—	—
PASHA Group	41,348,146	2	1.36%	—	—	—
MPT of Paradise Valley LP	40,306,136	3	1.33%	—	—	—
Costco Wholesale	31,579,508	4	1.04%	—	—	—
Pacific Castle Bay Plaza LLC	26,530,200	5	0.88%	—	—	—
Adventist Health System West	24,496,400	6	0.81%	—	—	—
Prime Healthcare Services Foundation	23,103,000	7	0.76%	—	—	—
Sweetwater Associates LP	22,890,307	8	0.76%	—	—	—
G.W. Williams Company	22,750,226	9	0.75%	—	—	—
Dexter Street LP - Joseph Grego Trust	22,150,000	10	0.73%	—	—	—
Centermark Properties Inc.	—	—	—	\$ 107,750,197	1	6.60%
Dixiline Lumber Company	—	—	—	24,784,990	2	1.52%
G F Pinnacle Peak Limited Partnership	—	—	—	21,408,880	3	1.31%
Wells Fargo Bank	—	—	—	19,427,537	4	1.19%
Plaza Bonita LLC	—	—	—	15,032,891	5	0.92%
PASHA Group	—	—	—	14,485,933	6	0.89%
C I P Venture	—	—	—	13,857,673	7	0.85%
National City Capital	—	—	—	12,238,459	8	0.75%
WDOP SUB I LP	—	—	—	12,009,686	9	0.74%
Sweetwater Square LLC LF AARDEMA	—	—	—	11,108,321	10	0.68%
Total	\$ 492,745,544		16.26%	\$ 252,104,567		15.45%

Source: HDL, San Diego County Assessor 2000/01- 2009/10 Combined Tax Rolls.

CITY OF NATIONAL CITY
Property Tax Levies and Collections
Last Eight Fiscal Years

	Fiscal Year			
	2003	2004	2005	2006
Current Year Tax Levy	2,083,370	2,163,020.93	2,211,147.75	2,415,266.09
Current Tax Collections	2,073,381	2,153,774.45	2,203,473.44	2,407,113.65
Percent of Levy Collected	99.52%	99.57%	99.65%	99.66%
Delinquent Tax Receivable	10,511.53	12,083.88	12,541.85	12,204.02
Delinquent Tax Collections	1,221.20	2,129.39	1,320.07	2,060.98
Total Tax Collections	2,074,602	2,155,904	2,204,794	2,409,175
Percent of Total Tax Collections To Tax Levy	99.58%	99.67%	99.71%	99.75%
Outstanding Delinquent Taxes	19,279.10	19,200.97	18,896.09	18,295.48
Percent of Delinquent Taxes To Tax Levy	0.93%	0.89%	0.85%	0.76%

Fiscal Year				
2007	2008	2009	2009	2010
2,678,831.84	2,855,586.70	3,119,017.93	3,119,017.93	3,133,983.84
2,670,617.78	2,843,810.13	3,102,793.31	3,102,793.31	3,104,248.21
99.69%	99.59%	99.48%	99.48%	99.05%
13,617.59	15,637.23	16,471.53	16,471.53	16,862.66
1,502.01	1,104.17	2,886.11	2,886.11	1,863.54
2,672,120	2,844,914	3,105,679	3,105,679	3,106,112
99.75%	99.63%	99.57%	99.57%	99.11%
20,329.64	26,309.63	29,810.04	29,810.04	44,734.75
0.76%	0.92%	0.96%	0.96%	1.43%

CITY OF NATIONAL CITY
Ratios of Outstanding Debt by Type
Last Eight Fiscal Years

	Fiscal Year		
	2003	2004	2005
Governmental Activities:			
NCJPFA Lease Revenue Refunding Bond	\$ 5,315,000	\$ 5,060,000	\$ 4,790,000
Tax Allocation Bonds	42,580,000	47,950,000	48,280,000
General Obligation Bonds	6,000,000	6,000,000	5,970,000
HUD 108 Bond 2003 A	-	6,900,000	6,730,000
Total Bonded Debt	<u>53,895,000</u>	<u>65,910,000</u>	<u>65,770,000</u>
Percent of Taxable Assessed Values	2.94%	3.38%	3.19%
Per Capita	\$ 969	\$ 1,207	\$ 1,181
Capital Lease Payable	-	261,937	1,727,591
Business-Type Activities:			
Notes Payable	<u>3,597,013</u>	<u>3,466,933</u>	<u>3,328,141</u>
Total Primary Government	<u><u>\$ 57,492,013</u></u>	<u><u>\$ 69,638,870</u></u>	<u><u>\$ 70,825,732</u></u>
Percent of Personal Income	4.91%	5.91%	5.89%
Per Capita	\$ 1,034	\$ 1,276	\$ 1,271

Fiscal Year				
2006	2007	2008	2009	2010
\$ 4,510,000	\$ 4,220,000	\$ 3,920,000	\$ 3,605,000	\$ 3,280,000
45,885,000	43,885,000	41,820,000	39,680,000	37,455,000
5,850,000	5,720,000	5,585,000	5,440,000	5,285,000
6,560,000	6,380,000	6,185,000	5,975,000	5,750,000
62,805,000	60,205,000	57,510,000	54,700,000	51,770,000
2.67%	2.23%	1.97%	1.75%	1.71%
\$ 1,124	\$ 1,074	\$ 1,021	\$ 964	\$ 896
1,927,190	1,655,327	1,372,940	1,117,728	856,554
3,180,054	3,022,049	2,853,463	2,481,662	2,853,463
\$ 67,912,244	\$ 64,882,376	\$ 61,736,403	\$ 58,299,390	\$ 55,480,017
5.39%	5.03%	4.82%	4.80%	n/a
\$ 1,216	\$ 1,157	\$ 1,096	\$ 1,028	\$ 960

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CITY OF NATIONAL CITY
Legal Debt Margin Information,
Last Eight Fiscal Years

	Fiscal Year		
	2003	2004	2005
Assessed Valuation	\$ 1,836,172,913	\$ 1,948,164,113	\$ 2,063,075,166
Conversion Percentage	25%	25%	25%
Adjusted Assessed Valuation	459,043,228	487,041,028	515,768,792
Debt Limit Percentage	15%	15%	15%
Debt Limit	68,856,484	73,056,154	77,365,319
Total Debt (due more than one year)	\$ 59,221,743	\$ 73,917,274	\$ 72,916,217
Less: Non Bonded Debt			
Claims Payable	-	(2,747,983)	(4,670,000)
Compensated Absences	(2,604,810)	(2,707,375)	(2,107,129)
Capitalized Lease Obligation	-	(208,775)	(154,034)
Notes Payable	(3,466,933)	(3,328,141)	(3,180,054)
Total Applicable to Limitation	<u>53,150,000</u>	<u>64,925,000</u>	<u>62,805,000</u>
Legal Debt Margin	<u>15,706,484</u>	<u>8,131,154</u>	<u>14,560,319</u>
Total debt applicable to the limit as a percentage of debt limit	77%	89%	81%

Fiscal Year					
2006	2007	2008	2009	2010	
\$ 2,355,008,346	\$ 2,703,243,809	\$ 2,923,482,096	\$ 3,127,120,736	\$ 3,030,591,425	
25%	25%	25%	25%	25%	
588,752,087	675,810,952	730,870,524	781,780,184	757,647,856	
15%	15%	15%	15%	15%	
88,312,813	101,371,643	109,630,579	117,267,028	113,647,178	
\$ 68,984,074	\$ 65,688,525	\$ 62,378,019	\$ 59,224,556	\$ 59,224,556	
(1,705,127)	(2,890,000)	(2,578,000)	(2,759,900)	(4,286,256)	
(2,396,563)	(1,062,113)	(1,326,678)	(1,356,431)	(1,053,748)	
(1,655,335)	(1,372,949)	(1,099,735)	(856,565)	(682,943)	
(3,022,049)	(2,853,463)	(2,673,606)	(2,481,662)	(2,276,886)	
60,205,000	57,510,000	54,700,000	51,769,998	50,924,723	
28,107,813	43,861,643	54,930,579	65,497,030	62,722,455	
68%	57%	50%	44%	45%	

CITY OF NATIONAL CITY
Pledged Revenue Coverage
Last Eight Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenue			
Property Tax Gross Incremental Revenue	\$ 7,739,209	\$ 6,833,182	\$ 7,682,979
Debt Service Requirements			
Principal	470,000	745,000	815,000
Interest and fiscal charges	712,829	1,916,639	3,758,688
Pass - through payments	<u>1,118,535</u>	<u>1,174,999</u>	<u>1,244,621</u>
	\$ 2,301,364	\$ 3,836,638	\$ 5,818,309
Debt Coverage	3.36	1.78	1.32

Source : City of National City Comprehensive Financial Annual Reports

Fiscal Year				
2006	2007	2008	2009	2010
\$ 9,847,226	\$ 10,834,596	\$ 11,766,428	\$ 11,790,224	\$ 11,184,289
2,795,000	2,000,000	2,065,000	2,140,000	2,225,000
2,614,817	2,033,220	2,017,843	1,883,148	1,806,370
1,367,750	1,452,351	1,525,468	1,553,258	7,395,921
\$ 6,777,567	\$ 5,485,571	\$ 5,608,311	\$ 5,576,406	\$ 11,427,291
1.45	1.98	2.10	2.11	0.98

CITY OF NATIONAL CITY
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Total Population	Pct. of S.D. County Population	from Previous Year	Median Age	Avg. Household Size	Educational Attainment		Pct. Below Poverty	Unemployment Rate	Personal Income (000s)*	Per Capita Personal Income*
						% High School Graduate	% Bachelor's Degree or Higher				
2001	54,463	1.9%	0.5%	28.6	3.49	n/a	n/a	n/a	8.4%	\$1,172,000	\$21,520
2002	54,743	1.9%	0.5%	28.4	3.51	n/a	n/a	n/a	10.3%	\$1,165,400	\$21,290
2003	55,608	1.9%	1.6%	28.6	3.53	n/a	n/a	n/a	10.4%	\$1,170,000	\$21,040
2004	54,592	1.8%	-1.8%	28.6	3.53	n/a	n/a	n/a	9.5%	\$1,178,300	\$21,580
2005	55,710	1.8%	2.0%	28.4	3.52	n/a	n/a	n/a	8.7%	\$1,201,700	\$21,570
2006	55,863	1.8%	0.3%	28.7	3.49	n/a	n/a	n/a	8.0%	\$1,258,800	\$22,530
2007	56,063	1.8%	0.4%	28.9	3.58	62%	9%	23.9%	9.1%	\$1,290,100	\$23,010
2008	56,320	1.8%	0.5%	29.0	3.59	66%	13%	23.0%	11.8%	\$1,279,800	\$22,720
2009	56,730	1.8%	0.7%	29.1	3.66	n/a	n/a	n/a	18.5%	\$1,214,000	\$21,400
2010	57,799	1.8%	1.9%	29.7	3.81	n/a	n/a	n/a	n/a	n/a	n/a

Sources: SANDAG, Current Estimates (Aug. 2010); California Department of Finance; California Employment Development Department; U.S. Census Bureau, Census 2000 and American Community Survey; U.S. Bureau of Economic Analysis

Notes:

*Dollar values are inflation-adjusted to 2009

City of National City
Full-time Equivalent City Government Employees by Function/Program,
Last Eight Fiscal Years

Function/Program	Fiscal Year							
	2003 ¹	2004 ¹	2005 ²	2006	2007	2008	2009	2010**
General Government								
City Clerk	2.03	2.03	3.03	3.03	3.16	3.16	3.16	3.16
City Manager	5.00	5.00	7.50	7.00	7.50	7.50	7.50	7.50
Risk Management	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
Management Information Systems	3.00	3.00	3.00	6.00	4.00	4.00	4.00	4.00
Finance	15.25	15.25	16.75	13.75	17.00	17.00	17.00	17.00
Purchasing	2.48	2.48	2.48	2.48	2.48	3.48	3.48	2.48
City Attorney	3.00	3.00	3.00	3.00	3.50	3.50	3.50	3.50
Human Resources	3.00	4.25	4.50	5.50	6.25	4.80	4.80	5.30
Community Development*	17.25	17.75	18.00	25.75	—	—	—	—
Planning	8.07	8.07	9.00	6.50	6.50	7.50	7.70	5.10
Building	8.50	8.15	13.63	15.00	4.00	4.00	4.00	4.40
Engineering	—	—	11.95	12.50	14.95	14.95	14.70	14.70
Redevelopment*	—	—	—	—	4.00	4.00	7.00	5.20
Advanced Planning/Economic Development*	—	—	—	—	1.00	5.50	2.40	2.75
Housing & Grants*	—	—	—	—	11.00	11.00	11.58	17.85
Neighborhood Services*	—	—	—	—	11.00	12.00	11.00	6.00
Public Works	48.43	47.45	51.27	51.27	51.25	51.00	50.00	51.00
Community Services	32.94	32.84	19.84	23.08	23.00	23.00	23.00	22.50
Nutrition Center	—	—	—	—	15.00	15.00	12.25	11.25
Library	20.81	19.56	19.56	21.41	25.91	25.91	31.18	28.51
Public Safety								
Police	126.86	128.34	128.84	134.84	134.36	139.36	139.36	139.36
Fire	47.25	48.25	48.25	48.25	48.25	48.25	48.25	48.25
Transit ³	45.00	43.00	43.00	43.00	—	—	—	—

¹ Public Works & Engineering were considered one Department during FY 2003 and 2004.

² Parks Division is no longer included in the Community Services Department. It became a division of Public Works during FY 2005.

³ National City Transit is no longer managed by the City and is now operated by Metropolitan Transit System (MTS).

* Prior to FY 2007 Redevelopment, Advanced Planning/Economic Development, Housing & Grants and Neighborhood Services were budgeted through the Community Development Commission.

**The information listed above includes frozen positions that are currently vacant and unfunded. The City of National City had 27.50 FTE frozen for FY 2010.

Sources: Based on annual City Budgeted personnel.

N/A: Not available.

**CITY OF NATIONAL CITY
Principal Employers,
Current Year and Ten Years Ago**

<u>Employer</u>	2010			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
National School District	462	1	2.35%	N/A	2	N/A
Sweetwater Union High School District	400	2	2.04%	N/A	4	N/A
Walmart	400	3	2.04%	N/A		N/A
NMS Management	300	4	1.53%	—		—
Dixiline Pro Build	285	5	1.45%	—		—
National City	275	6	1.40%	N/A	6	N/A
Ball Automotive Group	250	7	1.27%	—	7	—
Macy's	250	8	1.27%	N/A		N/A
Motivational Systems Inc	245	9	1.25%	—		—
Mossy Nissan National City	200	10	1.02%	—	5	—
Paradise Valley Hospital			—	N/A	1	N/A
General Motors Acceptance Corp			—	N/A	3	N/A
National City Ford			—	N/A	8	N/A
McCune Chrysler Plymouth			—	N/A	9	N/A
Ron Baker Chevrolet Isuzu			—	N/A	10	N/A

Sources: National City Finance Department, Dun & Bradstreet, Selectory.com

City of National City
Operating Indicators by Function/Program,
Last Eight Fiscal Years

<u>Function/Program</u>	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Police								
Physical arrests	N/A	N/A	N/A	N/A	3,000	3,100	3,834	3,456
Parking violations	N/A	N/A	N/A	N/A	5,341	5,003	4,956	9,843
Traffic violations	N/A	N/A	N/A	N/A	1,941	2,450	3,154	3,491
Fire								
Emergency responses	4,868	5,667	5,532	5,342	5,402	5,497	5,394	5,165
Fires extinguished	173	227	178	184	170	158	118	140
Inspections	N/A	N/A	1,779	1,638	2,099	N/A	N/A	N/A
Other public works								
Street resurfacing (miles)	N/A	N/A	N/A	N/A	N/A	N/A	17	25
Parks and recreation								
Athletic field permits issued b	N/A	N/A	N/A	N/A	24	24	24	17
Community center admissions	N/A	N/A	N/A	N/A	49,767	49,803	49,825	65,609
Library								
Volumes in collection	172,258	180,925	144,952	170,915	185,722	194,383	200,516	207,100
Total volumes borrowed	216,166	292,766	272,840	214,837	273,646	312,591	316,075	285,527
Wastewater								
Average daily sewage treatment (million gallons per day)	N/A	N/A	N/A	N/A	5.211	5.211	5.211	4.482

Sources: Various City Departments.

N/A: Not available.

City of National City
Capital Asset Statistics by Function/Program,
Last Eight Calendar Years

<u>Function/Program</u>	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Police								
Stations	1	1	1	1	1	1	1	1
Zone offices	0	0	0	0	0	1	1	1
Patrol units	N/A	N/A	N/A	N/A	N/A	38	38	38
Fire stations	2	2	2	2	2	2	2	2
Other public works								
Streets (miles)	N/A	101	101	101	101	101	101	101
Highways (miles) a	6	6	6	6	6	6	6	6
Streetlights	N/A	N/A	N/A	N/A	1,673	1,723	1,725	1,730
Traffic signals	89	89	89	89	89	89	89	88
Parks and recreation								
Acreage	84	84	84	84	84	84	84	84
Playgrounds	4	4	4	4	4	4	4	4
Baseball/softball diamonds b	7	7	7	7	7	7	7	7
Soccer/football fields b	3	33	3	3	3	3	3	3
Community centers	5	5	5	5	5	5	5	5
Wastewater								
Sanitary sewers (miles)	N/A	100	100	100	100	100	100	97
Storm sewers (miles)	N/A	25.3	25.3	25.3	25.3	25.3	25.3	25.3
Treatment capacity (million gallons per day)	5.04	5.01	5.02	5.02	4.83	4.52	4.48	7.10

Sources: Various City Departments.

N/A: Not available.