

<h2 style="margin: 0;">PHA 5-Year and Annual Plan</h2>	<p style="margin: 0;">U.S. Department of Housing and Urban Development Office of Public and Indian Housing</p>	<p style="margin: 0; text-align: center;">OMB No. 2577-0226 Expires 4/30/2011</p>
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1.0	PHA Information PHA Name: _____ PHA Code: _____ PHA Type: <input type="checkbox"/> Small <input type="checkbox"/> High Performing <input type="checkbox"/> Standard <input type="checkbox"/> HCV (Section 8) PHA Fiscal Year Beginning: (MM/YYYY): _____				
2.0	Inventory (based on ACC units at time of FY beginning in 1.0 above) Number of PH units: _____ Number of HCV units: _____				
3.0	Submission Type <input type="checkbox"/> 5-Year and Annual Plan <input type="checkbox"/> Annual Plan Only <input type="checkbox"/> 5-Year Plan Only				
4.0	PHA Consortia <input type="checkbox"/> PHA Consortia: (Check box if submitting a joint Plan and complete table below.)				
	Participating PHAs	PHA Code	Program(s) Included in the Consortia	Programs Not in the Consortia	No. of Units in Each Program
	PHA 1:				PH HCV
	PHA 2:				
	PHA 3:				
5.0	5-Year Plan. Complete items 5.1 and 5.2 only at 5-Year Plan update.				
5.1	Mission. State the PHA's Mission for serving the needs of low-income, very low-income, and extremely low income families in the PHA's jurisdiction for the next five years:				
5.2	Goals and Objectives. Identify the PHA's quantifiable goals and objectives that will enable the PHA to serve the needs of low-income and very low-income, and extremely low-income families for the next five years. Include a report on the progress the PHA has made in meeting the goals and objectives described in the previous 5-Year Plan.				
6.0	PHA Plan Update (a) Identify all PHA Plan elements that have been revised by the PHA since its last Annual Plan submission: (b) Identify the specific location(s) where the public may obtain copies of the 5-Year and Annual PHA Plan. For a complete list of PHA Plan elements, see Section 6.0 of the instructions.				
7.0	Hope VI, Mixed Finance Modernization or Development, Demolition and/or Disposition, Conversion of Public Housing, Homeownership Programs, and Project-based Vouchers. <i>Include statements related to these programs as applicable.</i>				
8.0	Capital Improvements. Please complete Parts 8.1 through 8.3, as applicable.				
8.1	Capital Fund Program Annual Statement/Performance and Evaluation Report. As part of the PHA 5-Year and Annual Plan, annually complete and submit the <i>Capital Fund Program Annual Statement/Performance and Evaluation Report</i> , form HUD-50075.1, for each current and open CFP grant and CFFP financing.				
8.2	Capital Fund Program Five-Year Action Plan. As part of the submission of the Annual Plan, PHAs must complete and submit the <i>Capital Fund Program Five-Year Action Plan</i> , form HUD-50075.2, and subsequent annual updates (on a rolling basis, e.g., drop current year, and add latest year for a five year period). Large capital items must be included in the Five-Year Action Plan.				
8.3	Capital Fund Financing Program (CFFP). <input type="checkbox"/> Check if the PHA proposes to use any portion of its Capital Fund Program (CFP)/Replacement Housing Factor (RHF) to repay debt incurred to finance capital improvements.				

9.0	<p>Housing Needs. Based on information provided by the applicable Consolidated Plan, information provided by HUD, and other generally available data, make a reasonable effort to identify the housing needs of the low-income, very low-income, and extremely low-income families who reside in the jurisdiction served by the PHA, including elderly families, families with disabilities, and households of various races and ethnic groups, and other families who are on the public housing and Section 8 tenant-based assistance waiting lists. The identification of housing needs must address issues of affordability, supply, quality, accessibility, size of units, and location.</p>
9.1	<p>Strategy for Addressing Housing Needs. Provide a brief description of the PHA’s strategy for addressing the housing needs of families in the jurisdiction and on the waiting list in the upcoming year. Note: Small, Section 8 only, and High Performing PHAs complete only for Annual Plan submission with the 5-Year Plan.</p>
10.0	<p>Additional Information. Describe the following, as well as any additional information HUD has requested.</p> <p>(a) Progress in Meeting Mission and Goals. Provide a brief statement of the PHA’s progress in meeting the mission and goals described in the 5-Year Plan.</p> <p>(b) Significant Amendment and Substantial Deviation/Modification. Provide the PHA’s definition of “significant amendment” and “substantial deviation/modification”</p>
11.0	<p>Required Submission for HUD Field Office Review. In addition to the PHA Plan template (HUD-50075), PHAs must submit the following documents. Items (a) through (g) may be submitted with signature by mail or electronically with scanned signatures, but electronic submission is encouraged. Items (h) through (i) must be attached electronically with the PHA Plan. Note: Faxed copies of these documents will not be accepted by the Field Office.</p> <p>(a) Form HUD-50077, <i>PHA Certifications of Compliance with the PHA Plans and Related Regulations</i> (which includes all certifications relating to Civil Rights)</p> <p>(b) Form HUD-50070, <i>Certification for a Drug-Free Workplace</i> (PHAs receiving CFP grants only)</p> <p>(c) Form HUD-50071, <i>Certification of Payments to Influence Federal Transactions</i> (PHAs receiving CFP grants only)</p> <p>(d) Form SF-LLL, <i>Disclosure of Lobbying Activities</i> (PHAs receiving CFP grants only)</p> <p>(e) Form SF-LLL-A, <i>Disclosure of Lobbying Activities Continuation Sheet</i> (PHAs receiving CFP grants only)</p> <p>(f) Resident Advisory Board (RAB) comments. Comments received from the RAB must be submitted by the PHA as an attachment to the PHA Plan. PHAs must also include a narrative describing their analysis of the recommendations and the decisions made on these recommendations.</p> <p>(g) Challenged Elements</p> <p>(h) Form HUD-50075.1, <i>Capital Fund Program Annual Statement/Performance and Evaluation Report</i> (PHAs receiving CFP grants only)</p> <p>(i) Form HUD-50075.2, <i>Capital Fund Program Five-Year Action Plan</i> (PHAs receiving CFP grants only)</p>

This information collection is authorized by Section 511 of the Quality Housing and Work Responsibility Act, which added a new section 5A to the U.S. Housing Act of 1937, as amended, which introduced 5-Year and Annual PHA Plans. The 5-Year and Annual PHA plans provide a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission and strategies for serving the needs of low-income and very low-income families. This form is to be used by all PHA types for submission of the 5-Year and Annual Plans to HUD. Public reporting burden for this information collection is estimated to average 12.68 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

Privacy Act Notice. The United States Department of Housing and Urban Development is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Responses to the collection of information are required to obtain a benefit or to retain a benefit. The information requested does not lend itself to confidentiality

Instructions form HUD-50075

Applicability. This form is to be used by all Public Housing Agencies (PHAs) with Fiscal Year beginning April 1, 2008 for the submission of their 5-Year and Annual Plan in accordance with 24 CFR Part 903. The previous version may be used only through April 30, 2008.

1.0 PHA Information

Include the full PHA name, PHA code, PHA type, and PHA Fiscal Year Beginning (MM/YYYY).

2.0 Inventory

Under each program, enter the number of Annual Contributions Contract (ACC) Public Housing (PH) and Section 8 units (HCV).

3.0 Submission Type

Indicate whether this submission is for an Annual and Five Year Plan, Annual Plan only, or 5-Year Plan only.

4.0 PHA Consortia

Check box if submitting a Joint PHA Plan and complete the table.

5.0 Five-Year Plan

Identify the PHA's Mission, Goals and/or Objectives (24 CFR 903.6). Complete only at 5-Year update.

5.1 Mission. A statement of the mission of the public housing agency for serving the needs of low-income, very low-income, and extremely low-income families in the jurisdiction of the PHA during the years covered under the plan.

5.2 Goals and Objectives. Identify quantifiable goals and objectives that will enable the PHA to serve the needs of low income, very low-income, and extremely low-income families.

6.0 PHA Plan Update. In addition to the items captured in the Plan template, PHAs must have the elements listed below readily available to the public. Additionally, a PHA must:

- (a) Identify specifically which plan elements have been revised since the PHA's prior plan submission.
- (b) Identify where the 5-Year and Annual Plan may be obtained by the public. At a minimum, PHAs must post PHA Plans, including updates, at each Asset Management Project (AMP) and main office or central office of the PHA. PHAs are strongly encouraged to post complete PHA Plans on its official website. PHAs are also encouraged to provide each resident council a copy of its 5-Year and Annual Plan.

PHA Plan Elements. (24 CFR 903.7)

1. **Eligibility, Selection and Admissions Policies, including Deconcentration and Wait List Procedures.** Describe the PHA's policies that govern resident or tenant eligibility, selection and admission including admission preferences for both public housing and HCV and unit assignment policies for public housing; and procedures for maintaining waiting lists for admission to public housing and address any site-based waiting lists.

2. **Financial Resources.** A statement of financial resources, including a listing by general categories, of the PHA's anticipated resources, such as PHA Operating, Capital and other anticipated Federal resources available to the PHA, as well as tenant rents and other income available to support public housing or tenant-based assistance. The statement also should include the non-Federal sources of funds supporting each Federal program, and state the planned use for the resources.
3. **Rent Determination.** A statement of the policies of the PHA governing rents charged for public housing and HCV dwelling units.
4. **Operation and Management.** A statement of the rules, standards, and policies of the PHA governing maintenance management of housing owned, assisted, or operated by the public housing agency (which shall include measures necessary for the prevention or eradication of pest infestation, including cockroaches), and management of the PHA and programs of the PHA.
5. **Grievance Procedures.** A description of the grievance and informal hearing and review procedures that the PHA makes available to its residents and applicants.
6. **Designated Housing for Elderly and Disabled Families.** With respect to public housing projects owned, assisted, or operated by the PHA, describe any projects (or portions thereof), in the upcoming fiscal year, that the PHA has designated or will apply for designation for occupancy by elderly and disabled families. The description shall include the following information: **1)** development name and number; **2)** designation type; **3)** application status; **4)** date the designation was approved, submitted, or planned for submission, and; **5)** the number of units affected.
7. **Community Service and Self-Sufficiency.** A description of: **(1)** Any programs relating to services and amenities provided or offered to assisted families; **(2)** Any policies or programs of the PHA for the enhancement of the economic and social self-sufficiency of assisted families, including programs under Section 3 and FSS; **(3)** How the PHA will comply with the requirements of community service and treatment of income changes resulting from welfare program requirements. **(Note: applies to only public housing).**
8. **Safety and Crime Prevention.** For public housing only, describe the PHA's plan for safety and crime prevention to ensure the safety of the public housing residents. The statement must include: (i) A description of the need for measures to ensure the safety of public housing residents; (ii) A description of any crime prevention activities conducted or to be conducted by the PHA; and (iii) A description of the coordination between the PHA and the appropriate police precincts for carrying out crime prevention measures and activities.

9. **Pets.** A statement describing the PHAs policies and requirements pertaining to the ownership of pets in public housing.
10. **Civil Rights Certification.** A PHA will be considered in compliance with the Civil Rights and AFFH Certification if: it can document that it examines its programs and proposed programs to identify any impediments to fair housing choice within those programs; addresses those impediments in a reasonable fashion in view of the resources available; works with the local jurisdiction to implement any of the jurisdiction's initiatives to affirmatively further fair housing; and assures that the annual plan is consistent with any applicable Consolidated Plan for its jurisdiction.
11. **Fiscal Year Audit.** The results of the most recent fiscal year audit for the PHA.
12. **Asset Management.** A statement of how the agency will carry out its asset management functions with respect to the public housing inventory of the agency, including how the agency will plan for the long-term operating, capital investment, rehabilitation, modernization, disposition, and other needs for such inventory.
13. **Violence Against Women Act (VAWA).** A description of: **1)** Any activities, services, or programs provided or offered by an agency, either directly or in partnership with other service providers, to child or adult victims of domestic violence, dating violence, sexual assault, or stalking; **2)** Any activities, services, or programs provided or offered by a PHA that helps child and adult victims of domestic violence, dating violence, sexual assault, or stalking, to obtain or maintain housing; and **3)** Any activities, services, or programs provided or offered by a public housing agency to prevent domestic violence, dating violence, sexual assault, and stalking, or to enhance victim safety in assisted families.

7.0 Hope VI, Mixed Finance Modernization or Development, Demolition and/or Disposition, Conversion of Public Housing, Homeownership Programs, and Project-based Vouchers

- (a) **Hope VI or Mixed Finance Modernization or Development.** **1)** A description of any housing (including project number (if known) and unit count) for which the PHA will apply for HOPE VI or Mixed Finance Modernization or Development; and **2)** A timetable for the submission of applications or proposals. The application and approval process for Hope VI, Mixed Finance Modernization or Development, is a separate process. See guidance on HUD's website at: <http://www.hud.gov/offices/pih/programs/ph/hope6/index.cfm>
- (b) **Demolition and/or Disposition.** With respect to public housing projects owned by the PHA and subject to ACCs under the Act: **(1)** A description of any housing (including project number and unit numbers [or addresses]), and the number of affected units along with their sizes and accessibility features) for which the PHA will apply or is currently pending for demolition or disposition; and **(2)** A timetable for the demolition or disposition. The application and approval process for demolition and/or disposition is a separate process. See guidance on HUD's website at: http://www.hud.gov/offices/pih/centers/sac/demo_dispo/index.cfm
Note: This statement must be submitted to the extent that **approved and/or pending** demolition and/or disposition has changed.
- (c) **Conversion of Public Housing.** With respect to public housing owned by a PHA: **1)** A description of any building or buildings (including project number and unit count) that the PHA is required to convert to tenant-based assistance or

that the public housing agency plans to voluntarily convert; **2)** An analysis of the projects or buildings required to be converted; and **3)** A statement of the amount of assistance received under this chapter to be used for rental assistance or other housing assistance in connection with such conversion. See guidance on HUD's website at: <http://www.hud.gov/offices/pih/centers/sac/conversion.cfm>

- (d) **Homeownership.** A description of any homeownership (including project number and unit count) administered by the agency or for which the PHA has applied or will apply for approval.
- (e) **Project-based Vouchers.** If the PHA wishes to use the project-based voucher program, a statement of the projected number of project-based units and general locations and how project basing would be consistent with its PHA Plan.

8.0 Capital Improvements. This section provides information on a PHA's Capital Fund Program. With respect to public housing projects owned, assisted, or operated by the public housing agency, a plan describing the capital improvements necessary to ensure long-term physical and social viability of the projects must be completed along with the required forms. Items identified in 8.1 through 8.3, must be signed where directed and transmitted electronically along with the PHA's Annual Plan submission.

8.1 Capital Fund Program Annual Statement/Performance and Evaluation Report. PHAs must complete the *Capital Fund Program Annual Statement/Performance and Evaluation Report* (form HUD-50075.1), for each Capital Fund Program (CFP) to be undertaken with the current year's CFP funds or with CFFP proceeds. Additionally, the form shall be used for the following purposes:

- (a) To submit the initial budget for a new grant or CFFP;
- (b) To report on the Performance and Evaluation Report progress on any open grants previously funded or CFFP; and
- (c) To record a budget revision on a previously approved open grant or CFFP, e.g., additions or deletions of work items, modification of budgeted amounts that have been undertaken since the submission of the last Annual Plan. The Capital Fund Program Annual Statement/Performance and Evaluation Report must be submitted annually.

Additionally, PHAs shall complete the Performance and Evaluation Report section (see footnote 2) of the *Capital Fund Program Annual Statement/Performance and Evaluation* (form HUD-50075.1), at the following times:

1. At the end of the program year; until the program is completed or all funds are expended;
2. When revisions to the Annual Statement are made, which do not require prior HUD approval, (e.g., expenditures for emergency work, revisions resulting from the PHAs application of fungibility); and
3. Upon completion or termination of the activities funded in a specific capital fund program year.

8.2 Capital Fund Program Five-Year Action Plan

PHAs must submit the *Capital Fund Program Five-Year Action Plan* (form HUD-50075.2) for the entire PHA portfolio for the first year of participation in the CFP and annual update thereafter to eliminate the previous year and to add a new fifth year (rolling basis) so that the form always covers the present five-year period beginning with the current year.

8.3 Capital Fund Financing Program (CFFP). Separate, written HUD approval is required if the PHA proposes to pledge any

portion of its CFP/RHF funds to repay debt incurred to finance capital improvements. The PHA must identify in its Annual and 5-year capital plans the amount of the annual payments required to service the debt. The PHA must also submit an annual statement detailing the use of the CFFP proceeds. See guidance on HUD's website at:

<http://www.hud.gov/offices/pih/programs/ph/capfund/cffp.cfm>

9.0 Housing Needs. Provide a statement of the housing needs of families residing in the jurisdiction served by the PHA and the means by which the PHA intends, to the maximum extent practicable, to address those needs. **(Note: Standard and Troubled PHAs complete annually; Small and High Performers complete only for Annual Plan submitted with the 5-Year Plan).**

9.1 Strategy for Addressing Housing Needs. Provide a description of the PHA's strategy for addressing the housing needs of families in the jurisdiction and on the waiting list in the upcoming year. **(Note: Standard and Troubled PHAs complete annually; Small and High Performers complete only for Annual Plan submitted with the 5-Year Plan).**

10.0 Additional Information. Describe the following, as well as any additional information requested by HUD:

- (a) **Progress in Meeting Mission and Goals.** PHAs must include (i) a statement of the PHAs progress in meeting the mission and goals described in the 5-Year Plan; (ii) the basic criteria the PHA will use for determining a significant amendment from its 5-year Plan; and a significant amendment or modification to its 5-Year Plan and Annual Plan. **(Note: Standard and Troubled PHAs complete annually; Small and High Performers complete only for Annual Plan submitted with the 5-Year Plan).**
- (b) **Significant Amendment and Substantial Deviation/Modification.** PHA must provide the definition of "significant amendment" and "substantial deviation/modification". **(Note: Standard and Troubled PHAs complete annually; Small and High Performers complete only for Annual Plan submitted with the 5-Year Plan.)**

- (c) PHAs must include or reference any applicable memorandum of agreement with HUD or any plan to improve performance. **(Note: Standard and Troubled PHAs complete annually).**

11.0 Required Submission for HUD Field Office Review. In order to be a complete package, PHAs must submit items (a) through (g), with signature by mail or electronically with scanned signatures. Items (h) and (i) shall be submitted electronically as an attachment to the PHA Plan.

- (a) Form HUD-50077, *PHA Certifications of Compliance with the PHA Plans and Related Regulations*
- (b) Form HUD-50070, *Certification for a Drug-Free Workplace (PHAs receiving CFP grants only)*
- (c) Form HUD-50071, *Certification of Payments to Influence Federal Transactions (PHAs receiving CFP grants only)*
- (d) Form SF-LLL, *Disclosure of Lobbying Activities (PHAs receiving CFP grants only)*
- (e) Form SF-LLL-A, *Disclosure of Lobbying Activities Continuation Sheet (PHAs receiving CFP grants only)*
- (f) Resident Advisory Board (RAB) comments.
- (g) Challenged Elements. Include any element(s) of the PHA Plan that is challenged.
- (h) Form HUD-50075.1, *Capital Fund Program Annual Statement/Performance and Evaluation Report (Must be attached electronically for PHAs receiving CFP grants only)*. See instructions in 8.1.
- (i) Form HUD-50075.2, *Capital Fund Program Five-Year Action Plan (Must be attached electronically for PHAs receiving CFP grants only)*. See instructions in 8.2.

5.1 Mission

To promote adequate and affordable housing, economic opportunity and suitable living environment free from discrimination to the low income households in the City of National City.

5.2 Goals and Objectives

PHA Goal: Expand the supply of assisted housing.

Objective: Increase housing choices for families and individuals.

- Progress: Increased voucher utilization

PHA Goal: Improve the quality of assisted housing

Objective: Maintain safe, decent, sanitary units and improve quality of life for residents living in assisted units.

- Progress: Received a high performer SEMAP score; will soon implement monitoring of carbon monoxide alarm for each rental unit.

PHA Goal: Increase assisted housing choices

Objective: Balance service delivery in all housing market areas.

- Progress: Maintained communications with apartment associations in order to recruit new participating owners; continue to conduct new admission to the program and leave the waiting list open to applicants.

PHA Goal: Provide an improved living environment

Objective: Maintain safe, decent, sanitary units and improve quality of life for residents living in assisted units.

- Progress: Maintained assistance to senior residents at Kimball Tower.

PHA Goal: Promote self-sufficiency and asset development of families and individuals

Objective: Create additional economic independence opportunities for families and individuals.

- Progress: Continued referrals to the National City Collaborative for supportive services to increase independence; continued counseling to the remaining FSS participants.

PHA Goal: Ensure equal opportunity and affirmatively further fair housing

Objective: Promote equal housing opportunities.

- Progress: Fair housing programs and resources are included in all issuance briefings. Communication was maintained with the San Diego Fair Housing Council,

ensuring proper referrals for anyone alleging discrimination, whether an HCV participant or member of the public.

**Other PHA Goals and Objectives: Violence Against Women Act (VAWA)
Prohibits the eviction of victims of domestic violence, dating
violence, sexual assault, or stalking**

- The CDC supports the goals of the VAWA Amendments and will comply with its requirements and will continue to administer its housing programs in ways that support and protect participants and applicants who maybe victims of domestic violence, dating violence, sexual assault or stalking.
- The CDC will not take any adverse action against a participant or applicant solely on the basis of her or his being a victim of such criminal activity, including threats of such activity. “Adverse action” in this context includes denial or termination of housing assistance.
- The CDC will not subject a victim of domestic violence, dating violence, sexual assault or stalking to a more demanding standard for lease compliance than other participants.
- The CDC has developed policies and procedures to implement the requirements of VAWA. The victim or threatened victim of an incident or incidents of actual or threatened domestic violence, dating violence, or stalking will not be construed as a serious or repeated violation of the lease, and shall not be good cause for terminating the assistance, tenancy, or occupancy rights of the victim of such violence. The CDC may terminate the assistance/tenancy to remove a lawful occupant or tenant who engages in criminal acts or threatened acts of violence or stalking to family members or others without terminating the assistance or evicting victimized lawful occupants. The CDC may honor court orders regarding the rights of access or control of the property and orders issued to protect the victim and to address the distribution or possession of property among household members where the family “breaks up”. There is no limitation on the ability of the CDC to terminate assistance for other good cause unrelated to the incident or incidents of domestic violence, dating violence, or stalking, other than the victim may not be subject to a “more demanding standard” than non-victims. There is no prohibition on the CDC terminating assistance if it “can demonstrate an actual and imminent threat to other tenants or those employed at or providing service to the property if that tenant’s (victim’s) assistance is not terminated”. Any protection provided by the law which give greater protection to the victim are not superseded by these provisions.

The CDC may require certification by the victim of victim status on such forms as the CDC and/or HUD shall prescribe or approve.

- Progress: Coordinated with the Police Department and the Department of Health and Human Services to identify and appropriately refer child or adult victim of domestic violence, dating violence, sexual assault, or stalking and place victims into existing community programs. Continued to review cases of possible domestic violence to ensure that applicants and participants are not denied housing assistance based on incidents in which they are victims of domestic violence, dating violence, sexual assault, or stalking.

The PHA constantly updates its Section 8 Family and Landlord Handbooks and Administrative Plan with information on the Violence Against Women Act (VAWA) and the Enterprise Income Verification (EIV) System, as well as program policies, procedures, and regulations. The Family Handbooks are issued to new program participants at briefing and the Landlord Handbooks are provided to landlords at outreach events.

Other PHA Goals and Objectives: Deter and eliminate program fraud

- Progress: Remains committed to assuring that the proper level of benefits are received by all participating families, and that housing resources reach only income-eligible families so that program integrity can be maintained. Takes all steps necessary to prevent fraud, waste and mismanagement so program resources are utilized judiciously. Continued tenant counseling and providing detailed understanding of the program at issuance briefing and at every annual recertification and moves; utilized resources to prevent fraud such as EIV, credit reports, post office address verification, dependent children's school verification, and DMV checks.

6.0 PHA Plan Update

(a) Identify all PHA Plan elements that have been revised by the PHA since its last Annual Plan submission:

2. Financial Resources:

Statement of Financial Resources: Planned Sources and Uses

	Financial Resources Planned Sources and Uses	
Sources	Planned \$	Planned Uses
1. Federal Grants (FY 2012 grants)		
a) Public Housing Operating Fund		
b) Public Housing Capital Fund		
c) HOPE VI Revitalization		
d) HOPE VI Demolition		
e) Annual Contribution to HCV	\$8,559,516	
f) Resident Opportunity and Self-Sufficiency Grants		
g) Community Development Block Grant	\$1,387,759	Provides affordable housing, revitalized neighborhoods, and creates employment opportunities
h) HOME	\$2,672,066	First time homebuyers assistance, single family rehabilitation, and multifamily acquisition/rehabilitation
Other Federal Grants (list below)		
2. Prior Year Federal Grants (unobligated funds only) (list below)		
3. Public Housing Dwelling Rental Income		
4. Other Income (list below)		
5. Non-federal Sources (list below)		
Redevelopment Housing Set-Aside Funds (estimated)	\$461,376	Redevelopment activities and admin
Redevelopment Housing Set-Aside Funds (estimated)	\$2,306,879	L & M housing and admin
Total Resources	\$15,387,596	

3. Financial Resources
Rent Determination

Payment Standards

What is the PHA's payment standard?

At or above 90% of FMR

11. Fiscal Year Audit:

Year ended June 30, 2011 – The audit disclosed no instances of noncompliance or other matters that are required by auditors to be reported under OMB Circular A-133.

(b) Identify the specific location(s) where the public may obtain copies of the Annual Plan:

The PHA Plan is available on our website at www.nationalcityca.gov and at the below listed offices:

Main administrative office of the PHA:

Community Development Commission of National City
Section 8 Rental Assistance Division
140 E 12th Street, Suite B
National City, CA 91950

Main administrative office of local, county or State government:

City of National City – City Hall
City Clerk
1243 National City Boulevard
National City, CA 91950

Public library

City of National City
Main Library
1401 National City Boulevard
National City, CA 91950

9.0 Housing Needs

The City of National City is a desirable location and is a draw for a diversity of people. The cost of living and rental costs are high. As a result, the need for affordable housing in the CDC's jurisdiction is reflected by the number of applicants on the waiting list for the Section 8 Housing Voucher program. As of December 2011, the combined number of applicants seeking affordable housing assistance from the CDC totaled 3,861 (refer to the Housing Needs Table,

below). CDC waiting list data also confirms the need to assist a variety of households with differing demographics, including those with special needs (i.e., disabled, physically handicapped), as well as low income seniors on fixed incomes.

The CDC’s jurisdiction encompasses one Consolidated Plan jurisdiction.

Housing Needs of Families on the PHA’s Section Tenant-Based Assistance Waiting List

	# of Families	% of Total Families	Annual Turnover
Waiting list total	3861		60
Extremely low income (<=30% AMI)	3324	86.09%	
Very low income (>30% but <=50% AMI)	525	13.60%	
Low income (50% but <=80% AMI)	12	0.31%	
Families with children	2219	57.47%	
Elderly families	1047	27.12%	
Families with disabilities	595	15.41%	
Hispanic	2592	67.13%	
Non-Hispanic	1269	32.87%	
American Indian/Alaska Native	26	0.67%	
Asian	573	14.84%	
Native Hawaiian/Pacific Islander	74	1.92%	
Black/African American	348	9.01%	
White	2840	73.56%	

10.0 Additional Information

(a) Progress in Meeting Mission and Goals.

See 5.2 above

(b) Significant Amendment and Substantial Deviation/Modification

Substantial Deviation from the 5-year Plan:

A change that will substantially negatively impact a majority of Section 8 participants or waiting list applicants considered a substantial deviation from the 5-Year except when the change is determined to be necessary in order to comply with regulatory requirements, respond to funding constraints, or respond to a federally, state, or locally ordered emergency.

Significant Amendment or Modification to the Annual Plan:

A change that will substantially negatively impact a majority of Section 8 participants or waiting list applicants is considered a significant amendment or modification to the Annual Plan except when the change is determined to be

necessary in order to comply with regulatory requirement, respond to funding constraints, or respond to a federally, state, or locally ordered emergency.

COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF NATIONAL CITY

Financial Statements and
Supplementary Information

Year ended June 30, 2011

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Financial Statements and Supplementary Information

Year ended June 30, 2011

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COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Financial Statements and Supplementary Information

Year ended June 30, 2011

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Board of Directors
Community Development Commission of the City of National City
National City, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Community Development Commission of the City of National City (the "Commission"), a component unit of the City of National City, California as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Community Development Commission of the City of National City. Our responsibility is to express an opinion on these component unit 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 component unit 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, and each major fund of the Community Development Commission of the City of National City at June 30, 2011, and the respective changes in financial position and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

As explained further in note 11, the future operation of redevelopment agencies in the state of California may be impacted by the results of litigation initiated in response to certain legislative actions enacted by the California State Legislature.

Board of Directors
Community Development Commission of the City of National City
National City, California
Page Two

The Commission has not presented *management's discussion and analysis* that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The individual budgetary comparison schedules for Debt Service and Capital Projects Funds are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplementary schedules have been subjected to the audit 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2011 on our consideration of the Commission's internal control over financial reporting and 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. This 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.



Irvine, California
December 21, 2011

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COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and investments (note 4)	\$ 17,197,354	15,591	17,212,945
Cash and investments with fiscal agent (note 4)	41,984,553	1,738,710	43,723,263
Receivables:			
Accounts	115,600	-	115,600
Interest	13,964	-	13,964
Taxes	194,122	-	194,122
Loans (note 6)	9,391,187	-	9,391,187
Due from other governments	1,030,808		1,030,808
Prepaid expense	-	132,638	132,638
Land held for resale	9,392,509	-	9,392,509
Deferred charges	1,495,527	-	1,495,527
Capital assets (note 5):			
Nondepreciable capital assets	2,050,000	528,382	2,578,382
Depreciable capital assets, net of accumulated depreciation	499,999	6,687,958	7,187,957
Total assets	<u>83,365,623</u>	<u>9,103,279</u>	<u>92,468,902</u>
<u>Liabilities</u>			
Accounts payable and other liabilities	1,651,443	255,318	1,906,761
Accrued salaries and benefits	85,008	-	85,008
Accrued interest payable	1,650,553	-	1,650,553
Deposits	87,500	-	87,500
Due to City of National City	203,405	-	203,405
Noncurrent liabilities (note 7):			
Due within one year	4,063,750	218,492	4,282,242
Due in more than one year	76,771,216	2,058,393	78,829,609
Total liabilities	<u>84,512,875</u>	<u>2,532,203</u>	<u>87,045,078</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,549,999	4,939,455	7,489,454
Restricted for low and moderate housing	16,104,647	1,631,621	17,736,268
Unrestricted net assets (deficit)	<u>(19,801,898)</u>	<u>-</u>	<u>(19,801,898)</u>
Total net assets	<u>\$ (1,147,252)</u>	<u>6,571,076</u>	<u>5,423,824</u>

See accompanying notes to basic financial statements.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Statement of Activities

Year Ended June 30, 2011

	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental activities:					
Low and moderate housing	\$ 384,248	-	-	-	-
Community development	16,991,305	-	12,475,711	-	12,475,711
Interest on long-term debt and related charges	<u>3,506,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>20,881,875</u>	<u>-</u>	<u>12,475,711</u>	<u>-</u>	<u>12,475,711</u>
Business-type activities:					
Low and moderate housing	2,145,877	2,208,044	-	-	2,208,044
Interest on long-term debt and related charges	<u>167,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>2,313,011</u>	<u>2,208,044</u>	<u>-</u>	<u>-</u>	<u>2,208,044</u>
Total primary government	<u>\$ 23,194,886</u>	<u>2,208,044</u>	<u>12,475,711</u>	<u>-</u>	<u>14,683,755</u>

General revenues:

Tax increment, net

Investment income

Other

Transfers to City, net

Total general revenues and transfers

Change in net assets

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

Net assets (deficit) at end of year

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
(384,248)	-	(384,248)
(4,515,594)	-	(4,515,594)
<u>(3,506,322)</u>	<u>-</u>	<u>(3,506,322)</u>
<u>(8,406,164)</u>	<u>-</u>	<u>(8,406,164)</u>
-	62,167	62,167
<u>-</u>	<u>(167,134)</u>	<u>(167,134)</u>
<u>-</u>	<u>(104,967)</u>	<u>(104,967)</u>
<u>(8,406,164)</u>	<u>(104,967)</u>	<u>(8,511,131)</u>
11,182,960	-	11,182,960
609,043	3,404	612,447
269,789	-	269,789
<u>(935,117)</u>	<u>-</u>	<u>(935,117)</u>
<u>11,126,675</u>	<u>3,404</u>	<u>11,130,079</u>
2,720,511	(101,563)	2,618,948
<u>(3,867,763)</u>	<u>6,672,639</u>	<u>2,804,876</u>
<u>\$ (1,147,252)</u>	<u>6,571,076</u>	<u>5,423,824</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Balance Sheet - Governmental Funds

June 30, 2011

	Special Revenue Funds			
	Community Development Block Grant	Section 8 Housing Assistance	HUD Program Income	HOME Program
<u>Assets</u>				
Cash and investments (note 4)	\$ -	1,531,378	508,997	2,160,908
Cash with fiscal agent (note 4)	-	-	1,100,000	-
Receivables:				
Accounts	-	8,639	-	-
Interest	-	-	312	2,266
Taxes	-	-	-	-
Loans	-	-	190,776	608,610
Due from other governments	358,485	-	-	669,527
Land held for resale	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 358,485</u>	<u>1,540,017</u>	<u>1,800,085</u>	<u>3,441,311</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 149,386	46,509	-	137,966
Accrued payroll	5,694	21,433	-	1,714
Due to City of National City	203,405	-	-	-
Deposits	-	-	-	-
Deferred revenue	-	-	-	5,987
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,987</u>
Total liabilities	<u>358,485</u>	<u>67,942</u>	<u>-</u>	<u>145,667</u>
Fund balances:				
Spendable:				
Restricted for:				
Debt service	-	-	-	-
Community development	-	-	1,800,085	3,295,644
Public housing	-	1,472,075	-	-
Low and moderate income housing	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>1,472,075</u>	<u>1,800,085</u>	<u>3,295,644</u>
Total liabilities and fund balances	<u>\$ 358,485</u>	<u>1,540,017</u>	<u>1,800,085</u>	<u>3,441,311</u>

See accompanying notes to the basic financial statements.

<u>Low and Moderate Income Housing Program</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
	<u>Redevelopment Fund</u>	<u>Redevelopment Fund</u>	<u>Governmental Funds</u>
9,586,932	2,695,979	713,160	17,197,354
-	6,878,357	34,006,196	41,984,553
30,565	-	76,396	115,600
10,043	-	1,343	13,964
37,191	148,764	8,167	194,122
7,767,650	-	824,151	9,391,187
-	-	2,796	1,030,808
360,000	-	9,032,509	9,392,509
<u>17,792,381</u>	<u>9,723,100</u>	<u>44,664,718</u>	<u>79,320,097</u>
62,992	1,062,333	192,257	1,651,443
3,670	-	52,497	85,008
-	-	-	203,405
-	-	87,500	87,500
1,621,072	-	-	1,627,059
<u>1,687,734</u>	<u>1,062,333</u>	<u>332,254</u>	<u>3,654,415</u>
-	8,660,767	-	8,660,767
-	-	44,332,464	49,428,193
-	-	-	1,472,075
16,104,647	-	-	16,104,647
-	-	-	-
<u>16,104,647</u>	<u>8,660,767</u>	<u>44,332,464</u>	<u>75,665,682</u>
<u>17,792,381</u>	<u>9,723,100</u>	<u>44,664,718</u>	<u>79,320,097</u>

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COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

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

June 30, 2011

Fund balances of governmental funds \$ 75,665,682

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

Capital assets, net of depreciation, have not been included as financial resources in governmental fund activity.

Capital assets	4,581,163
Accumulated depreciation	(2,031,164)

Long term debt and compensated absences have not been included in the governmental funds:

Tax allocation bonds payable	(74,590,000)
HUD 108 Bond 2003 A	(5,505,000)
Advances from City	(739,966)
Unamortized bond issuance costs	1,495,527

Certain revenues were not available to pay for current-period expenditures and, therefore, were deferred in the governmental funds. 1,627,059

Accrued interest payable for the current portion of interest due on bonds payable has not been reported in the governmental funds. (1,650,553)

Net assets (deficit) of governmental activities \$ (1,147,252)

See accompanying notes to the basic financial statements.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2011

	Special Revenue Funds			
	Community Development Block Grant	Section 8 Housing Assistance	HUD Program Income	HOME Program
Revenues:				
Property taxes	\$ -	-	-	-
Subventions and grants	1,644,864	9,618,037	-	1,155,914
Interest income	-	-	10,221	73,340
Other income	-	-	202,582	-
Total revenues	<u>1,644,864</u>	<u>9,618,037</u>	<u>212,803</u>	<u>1,229,254</u>
Expenditures:				
Current:				
Personnel services	211,696	820,364	-	69,100
Community development	235,542	8,404,633	25,156	1,263,336
Capital outlay	1,015,564	-	-	-
Debt Service:				
Principal payments	245,000	-	-	-
Cost of issuance	-	-	-	-
Interest and fiscal charges	208,181	-	71,163	-
Total expenditures	<u>1,915,983</u>	<u>9,224,997</u>	<u>96,319</u>	<u>1,332,436</u>
Excess (deficiency) of revenues over (under) expenditures	(271,119)	393,040	116,484	(103,182)
Other financing sources (uses):				
Transfers in (note 3)	119,531	-	-	-
Transfers out (note 3)	-	-	(119,531)	-
Transfer to City of National City	(123,960)	-	-	-
Original discount on issuance	-	-	-	-
Issuance of long-term debt	-	-	-	-
Total other financing sources (uses)	<u>(4,429)</u>	<u>-</u>	<u>(119,531)</u>	<u>-</u>
Net change in fund balance	(275,548)	393,040	(3,047)	(103,182)
Fund balance (deficit), beginning of year, as restated (note 12)	<u>275,548</u>	<u>1,079,035</u>	<u>1,803,132</u>	<u>3,398,826</u>
Fund balance, end of year	<u>\$ -</u>	<u>1,472,075</u>	<u>1,800,085</u>	<u>3,295,644</u>

See accompanying notes to the basic financial statements.

Low and Moderate Income Housing Program	Debt Service Fund Redevelopment Fund	Capital Projects Fund Redevelopment Fund	Total Governmental Funds
2,767,741	11,070,963	-	13,838,704
-	-	56,896	12,475,711
244,321	8,836	126,764	463,482
32,974	-	34,233	269,789
3,045,036	11,079,799	217,893	27,047,686
133,754	-	2,042,585	3,277,499
250,494	2,613,680	936,108	13,728,949
-	-	1,927,618	2,943,182
-	2,525,000	-	2,770,000
-	-	439,442	439,442
-	1,706,646	11,250	1,997,240
384,248	6,845,326	5,357,003	25,156,312
2,660,788	4,234,473	(5,139,110)	1,891,374
-	5,062,931	5,408,287	10,590,749
(861,863)	(5,408,287)	(4,201,068)	(10,590,749)
-	-	(811,157)	(935,117)
-	-	(1,056,085)	(1,056,085)
-	-	39,660,000	39,660,000
(861,863)	(345,356)	38,999,977	37,668,798
1,798,925	3,889,117	33,860,867	39,560,172
14,305,722	4,771,650	10,471,597	36,105,510
16,104,647	8,660,767	44,332,464	75,665,682

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

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

For the Year Ended June 30, 2011

Changes in fund balances of governmental funds \$ 39,560,172

Amounts reported for governmental activities in the statement of activities
differs from the amounts reported in the statement of activities because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the costs of those assets is allocated over their
estimated useful lives as depreciation expense.

Depreciation expense (81,667)

Repayment of bond principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net assets. 2,770,000

Proceeds from the issuance of long-term debt is reported as long term
liabilities in governmental funds. The long-term debt increases liabilities in
the statement of net assets, but does not result in an increase in net assets in
the statement of activities. (39,660,000)

Bond issuance costs are amortized in the Statement of Activities, but are not
reflected in the governmental funds. 1,495,527

The statement of activities includes accrued interest on long-term debt. This
is the net change in interest payable expense for the current period. (1,509,082)

Revenues in the government-wide statement of activities that did not provide
current financial resources were not reported as revenues in the governmental
funds. 145,561

Change in net assets of governmental activities \$ 2,720,511

See accompanying notes to the basic financial statements.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Statement of Net Assets - Enterprise Funds

June 30, 2011

	<u>Kimball Towers</u>	<u>Morgan Towers</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash and investments (notes 2 and 4)	\$ 6,760	8,831	15,591
Prepays and deposits	<u>51,689</u>	<u>80,949</u>	<u>132,638</u>
Total current assets	<u>58,449</u>	<u>89,780</u>	<u>148,229</u>
Restricted cash and investments with			
fiscal agent (notes 2 and 4)	<u>1,131,053</u>	<u>607,657</u>	<u>1,738,710</u>
Noncurrent assets:			
Capital assets (note 5):			
Nondepreciable assets	315,814	212,568	528,382
Depreciable capital assets, net of accumulated depreciation	<u>4,378,567</u>	<u>2,309,391</u>	<u>6,687,958</u>
Total capital assets	<u>4,694,381</u>	<u>2,521,959</u>	<u>7,216,340</u>
Total assets	<u>5,883,883</u>	<u>3,219,396</u>	<u>9,103,279</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	75,316	90,080	165,396
Notes payable-due within one year (note 7)	<u>-</u>	<u>218,492</u>	<u>218,492</u>
Total current liabilities	<u>75,316</u>	<u>308,572</u>	<u>383,888</u>
Noncurrent liabilities:			
Tenant security deposit liability	44,879	45,043	89,922
Note Payable-due in more than one year (note 7)	<u>-</u>	<u>2,058,393</u>	<u>2,058,393</u>
Total noncurrent liabilities	<u>44,879</u>	<u>2,103,436</u>	<u>2,148,315</u>
Total liabilities	<u>120,195</u>	<u>2,412,008</u>	<u>2,532,203</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	4,694,381	245,074	4,939,455
Restricted for:			
Housing	<u>1,069,307</u>	<u>562,314</u>	<u>1,631,621</u>
Total net assets	<u>\$ 5,763,688</u>	<u>807,388</u>	<u>6,571,076</u>

See accompanying notes to the basic financial statements.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Funds

Year ended June 30, 2011

	Kimball Towers	Morgan Towers	Total
Operating revenues:			
Rental income	\$ 982,146	1,211,218	2,193,364
Other	<u>7,358</u>	<u>7,322</u>	<u>14,680</u>
Total operating revenues	<u>989,504</u>	<u>1,218,540</u>	<u>2,208,044</u>
Operating expenses:			
Maintenance and operation	904,613	827,695	1,732,308
Depreciation	<u>187,350</u>	<u>226,219</u>	<u>413,569</u>
Total operating expenses	<u>1,091,963</u>	<u>1,053,914</u>	<u>2,145,877</u>
Operating income (loss)	<u>(102,459)</u>	<u>164,626</u>	<u>62,167</u>
Nonoperating revenues (expenses):			
Interest income	2,596	808	3,404
Interest expense	<u>-</u>	<u>(167,134)</u>	<u>(167,134)</u>
Total nonoperating revenues (expense)	<u>2,596</u>	<u>(166,326)</u>	<u>(163,730)</u>
Change in net assets	(99,863)	(1,700)	(101,563)
Net assets at beginning of year	<u>5,863,551</u>	<u>809,088</u>	<u>6,672,639</u>
Net assets at end of year	<u>\$ 5,763,688</u>	<u>807,388</u>	<u>6,571,076</u>

See accompanying notes to the basic financial statements.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Statement of Cash Flows - Enterprise Funds

Year ended June 30, 2011

	Kimball Towers	Morgan Towers	Total
Cash flows from operating activities:			
Cash received from customers and government agencies	\$ 983,538	1,220,218	2,203,756
Cash payments to employees for services	(48,681)	(197,557)	(246,238)
Cash payments to suppliers for goods and services	(927,354)	(725,263)	(1,652,617)
Cash received for other operating activities	<u>7,358</u>	<u>7,322</u>	<u>14,680</u>
Net cash provided by (used for) operating activities	<u>14,861</u>	<u>304,720</u>	<u>319,581</u>
Cash flows from financing activities:			
Principal payments on note payable	-	(204,777)	(204,777)
Interest income	2,596	808	3,404
Interest expense	<u>-</u>	<u>(166,434)</u>	<u>(166,434)</u>
Net cash provided by (used for) financing activities	<u>2,596</u>	<u>(370,403)</u>	<u>(367,807)</u>
Increase (decrease) in cash and investments	17,457	(65,683)	(48,226)
Cash and investments (including cash and investments with fiscal agent):			
Beginning of year	<u>1,120,356</u>	<u>682,171</u>	<u>1,802,527</u>
End of year	<u>\$ 1,137,813</u>	<u>616,488</u>	<u>1,754,301</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (102,459)	164,626	62,167
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	187,350	226,219	413,569
(Increase) decrease in accounts receivable	490	700	1,190
(Increase) decrease in prepaids and deposits	25,290	(669)	24,621
Increase (decrease) in accounts payable and accrued liabilities	<u>(95,810)</u>	<u>(86,156)</u>	<u>(181,966)</u>
Total adjustments	<u>117,320</u>	<u>140,094</u>	<u>257,414</u>
Net cash provided by (used for) operating activities	<u>\$ 14,861</u>	<u>304,720</u>	<u>319,581</u>

Noncash investing, capital and financing activities

There were no significant noncash investing, capital or financing activities for the year ended June 30, 2011.

See accompanying notes to basic financial statements.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

Year ended June 30, 2011

(1) Summary of Significant Accounting Policies

The basic financial statements of the Community Development Commission of the City of National City (the “Commission”), a component unit of the City of National City (the “City”), have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies of the Commission.

(a) Description of the Reporting Entity

The Community Development Commission of the City of National City (the “Commission”) was established in April 1967 pursuant to provisions of the California Health and Safety Code. The Commission is subject to the oversight responsibility of the City Council of the City of National City (the “City”) and, accordingly, is a component unit of the City, although it is a separate legal entity. The Commission's primary purpose is to eliminate blighted areas within the City 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 Commission accounts for its financial position and operations in accordance with generally accepted accounting principles in the United States applicable to governmental units.

(b) Basis of Accounting and Measurement Focus

The *basic financial statements* of the Commission are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government – Wide Financial Statements

The Commission’s government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of governmental activities for the Commission.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

Government – Wide Financial Statements, (Continued)

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the Commission'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 Commission in three categories:

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

Interfund transfers have been eliminated as prescribed by GASB Statement No. 34 in regards to interfund activities.

Fund Financial Statements

The underlying accounting system of the Commission is organized and operated on the basis of separate funds, each of which is considered to be 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.

Fund financial statements for the Commission's governmental and proprietary funds are presented after the government-wide financial statements. An accompanying schedule is presented for the governmental funds to reconcile and explain the differences in fund balance as presented in these statements to the net assets presented in the government-wide financial statements. The Commission has presented all major funds that met the applicable criteria.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The Commission uses a sixty day availability period. The primary revenue sources, which have been treated as susceptible to accrual by the Commission, are property tax, special assessments, 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.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of *available spendable resources*. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of *available spendable resources* during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amount represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

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 the GASB Statement No. 34.

Governmental Fund Balances

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Board action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Board. It includes legislation (Board action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Board action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution, an ordinance, or a minutes action to constitute a formal action of Board of Directors for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Board, but does not require a formal action like a resolution or ordinance. The Commission may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has been granted to the City Manager.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the Agency's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Commission.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

Proprietary Funds

The Commission's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of Kimball Towers and Morgan Towers are charges to tenants for housing low and moderate income seniors, which is subsidized with Federal government funds under a Section 8 contract with the U.S. Department of Housing and Urban Development. Operating expenses for the proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as an expenditure.

Major Funds

The Commission reports the following major governmental funds:

Community Development Block Grant – To account for activities related to the annual grant from the Department of Housing and Urban Development to assist in developing viable urban community by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate income persons.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(b) Basis of Accounting and Measurement Focus, (Continued)

Major Funds, (Continued)

Section 8 Housing Assistance – To provide rental assistance to low income families by subsidizing a portion of the rent directly to landlords on behalf of low income households.

HUD Program Income – To provide for the funding of Community Development Block Grant program activities as approved by the City Council utilizing HUD program income.

HOME Program – To account for activities related to the annual grant from the Department of Housing and Urban Development to administer programs designed to provide decent affordable housing, expand capacity of nonprofit housing providers, and to leverage private sector participation.

Low and Moderate Income Housing Program – To account for the tax increment which is required to be set aside under Section 33334.2 of the California Health and Safety Code to increase, improve or preserve the community's supply of low and moderate income housing.

Redevelopment Debt Service Fund – To account for the accumulation of resources for the payment of principal, interest, and related costs of the Commission's long-term debt.

Redevelopment Capital Projects Fund – To account for the administrative expenditures of the Commission and redevelopment capital projects.

In addition, the Commission also reports the following major proprietary funds:

Kimball Towers – To account for the activities relating to the operations of Kimball Tower which use is restricted to housing low and moderate income seniors.

Morgan Towers – To account for the activities relating to the operations of Morgan Tower which use is restricted to housing low and moderate income seniors.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(c) Cash and Investments

The Commission's investment policy authorizes deposits in any of the approved investments contained in the California Government Code Sections 53600 et seq. During the year ended June 30, 2011, the Commission complied with these policies.

Investment income earned on unrestricted cash is allocated to the Commission's various funds as required by grant/loan agreements or at the Board's discretion.

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

The Commission participates in an investment pool managed by the State of California titled 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.

(d) 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 Commission's current operations.

(e) Use of Restricted/Net Assets

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

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(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).

(g) Interest Payable

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

In the fund financial statements, governmental fund types do not recognize the interest payable when the liability is incurred. Rather, interest expense is simply recorded when it is due or paid.

(h) Long-Term Liabilities

Government-Wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the primary government’s governmental activity.

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

(i) 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.”

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

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

(j) Property Tax Increment

One of the Commission'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 taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Commission; all taxes on the "frozen" assessed valuation of the property are allocated to the City and unrelated taxing agencies.

(k) 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 disclosures of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

(2) Enterprise Fund Restricted Cash

In accordance with Department of Housing and Urban Development (HUD) requirements, the Morgan Towers Enterprise Fund maintains the following restricted cash accounts:

- Reserve for replacements of \$363,634 represents a monthly deposit of \$3,127, less current use for replacement, plus income earned thereon. The balance of this reserve will be used for the future replacement of property with HUD's approval.
- Residual receipts reserve of \$227,690 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 \$9,656 and \$6,677, respectively, totaling \$16,333, which represents amounts held for the future payment of property and mortgage insurance.

Additionally, the Kimball Towers Enterprise Fund maintains the following HUD restricted cash accounts:

- Residual receipts reserve of \$305,907 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 \$825,146 are included in the accompanying basic financial statements.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(3) Transfers In/Transfers Out

The following schedule summarizes the Commission's transfer activity:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Community Development Block Grant Fund	HUD Program Income Special Revenue Fund	\$ 119,531 (a)
Redevelopment Debt Service Fund	Low and Moderate Income Housing Fund	861,863 (b)
Redevelopment Capital Project Fund	Redevelopment Debt Service Fund	5,408,287 (c)
Redevelopment Debt Service Fund	Redevelopment Capital Project Fund	<u>4,201,068 (d)</u>
Total		<u>\$10,590,749</u>

(a) Transfer for expenditure recovery.

(b) The Low and Moderate Income Housing Fund transferred \$861,863 to the Redevelopment Debt Service Fund to fund a portion of the 1999 and 2005 Tax Allocation Bonds (18% of series A) debt service payments that related to low and moderate development.

(c) Transfers for operations and capital projects.

(d) To establish the 2011 Reserve subaccount as described in the indenture.

(4) Cash and Investments

Cash and investments as of June 30, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$17,212,945
Cash and investments with fiscal agent	<u>43,723,263</u>
Total cash and investments	<u>\$60,936,208</u>

Cash and investments as of June 30, 2011 consist of the following:

Deposits with financial institutions	\$ 1,280,932
Investments	<u>59,655,276</u>
Total cash and investments	<u>\$60,936,208</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(4) Cash and Investments, (Continued)

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

The table below identifies the investment types that are authorized for the Commission by the California Government Code and the Commission's investment policy. The table also identifies certain provisions of the California Government Code (or the Commission'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 Commission, rather than the general provisions of the California Government Code or the Commission'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	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 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.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(4) 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 Commission'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 Commission 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.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(4) Cash and Investments, (Continued)

Information about the sensitivity of the fair values of the Commission'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 Commission'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	\$ 3,149,625	-	-	3,149,625
Local Agency Investment Fund Held by Fiscal Agent:	12,782,388	12,782,388	-	-
Treasury Coupon Securities	1,094,028	282,719	290,939	520,370
Money Market Fund	5,967,159	5,967,159	-	-
Local Agency Investment Fund	305,907	305,907	-	-
Commercial Paper	2,344,000	2,344,000	-	-
Money Market Mutual Funds	<u>34,012,169</u>	<u>34,012,169</u>	<u>-</u>	<u>-</u>
Total	<u>\$59,655,276</u>	<u>55,694,342</u>	<u>290,939</u>	<u>3,669,995</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 Commission'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>Ratings as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
U.S. Agency Securities	\$ 3,149,625	AAA	3,149,625	-
Local Agency Investment Fund (LAIF) Held by Fiscal Agent:	12,782,388	N/A	-	12,782,388
Treasury Coupon Securities	1,094,028	AAA	1,094,028	-
Money Market Fund	5,967,159	N/A	-	5,967,159
Local Agency Investment Fund	305,907	N/A	-	305,907
Commercial Paper	2,344,000	N/A	-	2,344,000
Money Market Mutual Funds	<u>34,012,169</u>	A	<u>34,012,169</u>	<u>-</u>
Total	<u>\$59,655,276</u>		<u>38,255,822</u>	<u>21,399,454</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(4) 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 Commission'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 Commission 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 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 Commission 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 Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission'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.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets

The following is a summary of capital assets for the year ended June 30, 2011:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
<u>Government Activities:</u>				
Capital assets:				
Buildings and improvements	\$2,450,000	-	-	2,450,000
Machinery and equipment	<u>81,163</u>	<u>-</u>	<u>-</u>	<u>81,163</u>
Total cost of depreciable capital assets	<u>2,531,163</u>	<u>-</u>	<u>-</u>	<u>2,531,163</u>
Less accumulated depreciation:				
Buildings and improvements	(1,868,334)	(81,667)	-	(1,950,001)
Machinery and equipment	<u>(81,163)</u>	<u>-</u>	<u>-</u>	<u>(81,163)</u>
Total accumulated depreciation	<u>(1,949,497)</u>	<u>(81,667)</u>	<u>-</u>	<u>(2,031,164)</u>
Depreciable capital assets, net	581,666	(81,667)	-	499,999
Capital assets not depreciated:				
Land	<u>2,050,000</u>	<u>-</u>	<u>-</u>	<u>2,050,000</u>
Capital assets, net	<u>\$2,631,666</u>	<u>(81,667)</u>	<u>-</u>	<u>2,549,999</u>

Depreciation expense in governmental activities for capital assets for the year ended June 30, 2011 was \$81,667 which was allocated to community development.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(5) Capital Assets, (Continued)

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
<u>Business-Type Activities:</u>				
Depreciable assets:				
Buildings and improvements	\$15,684,584	-	-	15,684,584
Furniture and equipment	<u>462,153</u>	<u>-</u>	<u>-</u>	<u>462,153</u>
Total cost of depreciable assets	<u>16,146,737</u>	<u>-</u>	<u>-</u>	<u>16,146,737</u>
Less accumulated depreciation	<u>(9,045,210)</u>	<u>(413,569)</u>	<u>-</u>	<u>(9,458,779)</u>
Depreciable capital assets, net	7,101,527	(413,569)	-	6,687,958
Capital assets not depreciated:				
Land	<u>528,382</u>	<u>-</u>	<u>-</u>	<u>528,382</u>
Capital assets, net	<u>\$ 7,629,909</u>	<u>(413,569)</u>	<u>-</u>	<u>7,216,340</u>

Depreciation expense in business-type activities for capital assets for the year ended June 30, 2011 was \$413,569 which was allocated to low and moderate housing.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(6) Loans Receivable

<u>Description</u>	<u>Outstanding at June 30, 2011</u>
Copper Hills Apartments, LP	\$7,863,787
Plaza Manor	512,473
Single-Family Housing Rehabilitation Loan Program	190,776
Young Trust	129,778
Big Jackel Trust	54,664
Miles of Cars	<u>639,709</u>
Total	<u>\$9,391,187</u>

Copper Hills Apartments, LP – CDC Residual Receipts Note dated February 19, 1999 disclosed a loan of \$2,400,000 with 3% interest per annum for 55 years, funded by HOME and Low & Moderate Income Housing Funds. A second and junior to the CDC Residual Receipts Note was made on June 3, 1999 for \$4,400,000, referred to as CDC Rehabilitation Note with 3% interest per annum for 55 years and funded by Low & Moderate Income Housing Fund. These loans were made to acquire, develop, rehabilitate and operate the multi-family apartments located at “Q” Avenue in National City, Ca. This project will contain 134 apartment dwelling units following rehabilitation and renovation.

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.

Big Jackel Trust – CDC of the City of National City entered into a Memorandum of Understanding with Big Jackel Trust to establish a rehabilitation loan for an amount not-

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(6) Loans Receivable, (Continued)

to-exceed \$200,000 on April 4, 1995. The loan was not subject to principal payments and did not accrue interest for the initial two years. For eighteen years thereafter, the loan would be subject to regular monthly payments with 3% interest per annum. The purpose of the loan was to rehabilitate and enhance Big Ben Market in National City with additional storage space, improved signage and lighting, exterior and interior paint, and repaving of parking surfaces and striping.

Miles of Cars – CDC of the City of National City entered into Freeway Sign Rehabilitation Loan Agreement with the Mile of Cars Association, a nonprofit, mutual benefit corporation on July 8, 2010 for the amount of \$660,000 with 2% interest per annum with a term of 20 years from the date of initial disbursement. The loan requires quarterly payments of principal and interest. The purpose of the loan was to rehabilitate existing freeway signage equipment and improvements.

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. As of June 30, 2011, an allowance has been established for the entire amount of the note outstanding as collection of this note is not expected at this time.

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. As of June 30, 2011, an allowance has been established for the entire amount of the note outstanding as collection of this note is not expected at this time.

Constellation – CDC of the City of National City entered into a Loan Agreement with Constellation Property Group (A Avenue) LP, a Delaware limited partnership, on December 13, 2007 for the amount of \$2,500,000 with interest of 10%, non-compounded, requiring no interim payment of principal and interest and maturing on December 13, 2010. The purpose of the loan was to assist with the development of the Centro Condominium project on A Avenue in National City – a 91,199 square foot, four story condominium project housing 61 residential units and 108 parking spaces. As of June 30, 2011, an allowance has been established for the entire amount of the note outstanding as collection of this note is not expected at this time.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(7) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Amounts Due Within One Year	Amount Due Beyond One Year
Governmental Activities:						
Bonds payable:						
1999 Tax Allocation Bonds	\$4,090,000	-	(125,000)	3,965,000	130,000	3,835,000
2004 Series Tax Allocation Bonds	4,620,000	-	(275,000)	4,345,000	285,000	4,060,000
2005 Series A Tax Allocation Bonds	18,905,000	-	(2,125,000)	16,780,000	3,060,000	13,720,000
2005 Series B Tax Allocation Bonds	9,840,000	-	-	9,840,000	-	9,840,000
2011 Tax Allocation Bonds	-	39,660,000	-	39,660,000	-	39,660,000
HUD 108 Bond 2003 A	<u>5,750,000</u>	<u>-</u>	<u>(245,000)</u>	<u>5,505,000</u>	<u>260,000</u>	<u>5,245,000</u>
Total bonds payable	<u>43,205,000</u>	<u>39,660,000</u>	<u>(2,770,000)</u>	<u>80,095,000</u>	<u>3,735,000</u>	<u>76,360,000</u>
Advance from City	<u>739,966</u>	<u>-</u>	<u>-</u>	<u>739,966</u>	<u>328,750</u>	<u>411,216</u>
Total governmental activities	<u>43,944,966</u>	<u>39,660,000</u>	<u>(2,770,000)</u>	<u>80,834,966</u>	<u>4,063,750</u>	<u>76,771,216</u>
Business-Type Activities:						
Notes Payable	<u>2,481,662</u>	<u>-</u>	<u>(204,777)</u>	<u>2,276,885</u>	<u>218,492</u>	<u>2,058,393</u>
Total business-type activities	<u>2,481,662</u>	<u>-</u>	<u>(204,777)</u>	<u>2,276,885</u>	<u>218,492</u>	<u>2,058,393</u>
Total	<u>\$45,426,628</u>	<u>39,600,000</u>	<u>(2,974,777)</u>	<u>83,111,851</u>	<u>4,282,242</u>	<u>78,829,609</u>

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%

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(7) Long-Term Liabilities, (Continued)

The annual debt service requirements for the 1999 Tax Allocation Bonds outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$3,965,000</u>	<u>2,219,644</u>	<u>6,148,644</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(7) Long-Term Liabilities, (Continued)

2004 Tax Allocation Bonds

In June 2004, the Commission issued \$5,860,000 in 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 serial bonds which matures in fiscal years 2027-2033 in amounts ranging from \$345,000 to \$465,000. 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 at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 285,000	210,010	495,010
2013	295,000	199,750	494,750
2014	305,000	188,540	493,540
2015	315,000	176,340	491,340
2016	330,000	163,425	493,425
2017	-	149,400	149,400
2018	-	149,400	149,400
2019	-	149,400	149,400
2020	-	149,400	149,400
2021	-	149,400	149,400
2022	-	149,400	149,400
2023	-	149,400	149,400
2024	-	149,400	149,400
2025	-	149,400	149,400
2026	-	149,400	149,400
2027	345,000	149,400	494,400
2028	360,000	134,150	494,150
2029	380,000	114,150	494,150
2030	400,000	94,150	494,150
2031	420,000	74,150	494,150
2032	445,000	49,150	494,150
2033	<u>465,000</u>	<u>29,150</u>	<u>494,150</u>
Total	<u>\$4,345,000</u>	<u>3,076,365</u>	<u>7,421,365</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(7) Long-Term Liabilities, (Continued)

2005 Series A Tax Allocation Bonds

In January 2005, the Commission issued \$27,940,000 in Tax Allocation Bonds, Series A for the purpose of refunding the Commission's 2001 Series A Tax Allocation Bonds. Interest on the bonds is payable semiannually on August 1 and February 1, commencing August 1, 2005, at rates ranging from 2.9% to 4.85% per annum.

The annual debt service requirements for the 2005 Series A Tax Allocation Bonds outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,060,000	719,500	3,779,500
2013	3,200,000	577,050	3,777,050
2014	3,345,000	424,843	3,769,843
2015	3,505,000	262,115	3,767,115
2016	<u>3,670,000</u>	<u>88,997</u>	<u>3,758,997</u>
Total	<u>\$16,780,000</u>	<u>2,072,505</u>	<u>18,852,505</u>

2005 Series B Tax Allocation Bonds

In January 2005, the Commission issued \$9,840,000 in Tax Allocation Bonds, Series B for the purpose of refunding the Commission's 2001 Series B Tax Allocation Bonds. Interest on the bonds is payable semiannually on August 1 and February 1, commencing August 1, 2005, at rates ranging from 3.8% to 5.25% per annum.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(7) Long-Term Liabilities, (Continued)

The annual debt service requirements for the 2005 Series B Tax Allocation Bonds outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	444,693	444,693
2013	-	444,693	444,693
2014	-	444,693	444,693
2015	-	444,693	444,693
2016	-	444,693	444,693
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>\$9,840,000</u>	<u>5,612,258</u>	<u>15,452,258</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(7) Long-Term Liabilities, (Continued)

2011 Tax Allocation Bonds

In February 2011, the Commission issued \$39,660,000 in Tax Allocation Bonds for the purpose of fund redevelopment and low and moderate income housing projects within the Project Area. The bonds consist of \$9,790,000 in serial bonds which mature from 2012-2021 in amounts ranging from \$325,000 to \$1,825,000, \$5,830,000 in term bonds which mature in fiscal year 2024, and \$24,040,000 terms bonds which mature in 2032. Interest is paid semi-annually on February 1 and August 1, at interest rates ranging from 3.00% to 5.75%.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	1,054,513	1,054,513
2013	325,000	2,565,031	2,890,031
2014	325,000	2,555,281	2,880,281
2015	320,000	2,542,281	2,862,281
2016	315,000	2,529,481	2,844,481
2017	1,145,000	2,515,700	3,660,700
2018	1,255,000	2,458,450	3,713,450
2019	1,315,000	2,395,700	3,710,700
2020	1,445,000	2,329,950	3,774,950
2021	1,520,000	2,254,088	3,774,088
2022	1,825,000	2,166,688	3,991,688
2023	1,930,000	2,061,750	3,991,750
2024	1,890,000	1,936,300	3,826,300
2025	2,010,000	1,813,450	3,823,450
2026	2,140,000	1,682,800	3,822,800
2027	2,285,000	1,533,000	3,818,000
2028	2,505,000	1,373,050	3,878,050
2029	2,880,000	1,197,700	4,077,700
2030	3,095,000	996,100	4,091,100
2031	3,635,000	779,450	4,414,450
2032	3,635,000	525,000	4,160,000
2033	<u>3,875,000</u>	<u>271,250</u>	<u>4,136,250</u>
Total	<u>\$39,660,000</u>	<u>39,537,013</u>	<u>79,197,013</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(7) Long-Term Liabilities, (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>
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>\$5,505,000</u>	<u>2,267,677</u>	<u>7,772,677</u>

Advance from City

In 2010 the City of National City advanced to the Community Development Commission \$739,966 at an interest rate of 3.96% to be paid back over 10 years. Accrued interest and principal payments are due on an annual basis. The amount outstanding as of June 30, 2011 is \$739,966.

Note Payable

The mortgage payable is secured by a deed of trust, bears interest at 6.5% and is payable to GMAC in the original amount of \$3,718,928. The note is being repaid in monthly installments of \$30,005, including interest, through August 2019. The note is insured by HUD and is secured by substantially all property and equipment of the Morgan Towers Enterprise Fund. The principal outstanding at June 30, 2011 was \$2,276,885.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(7) Long-Term Liabilities, (Continued)

The annual principal payments of the note payable outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$2,276,885</u>	<u>663,605</u>	<u>2,940,490</u>

Defeasance of Debt

As of June 30, 2011, the outstanding balance of defeased issues are as follows:

1998 Tax Allocation Bonds	\$10,165,000
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(8) Commitments and Contingencies

Grant funds received by the Commission are subject to review by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. The management of the Commission believes that such disallowances, if any, will not be significant.

(9) National City Joint Powers Financing Authority

The National Joint Powers Financing Authority (“JPFA”) was created pursuant to a joint exercise of powers agreement entered into by and between the Commission and the City of National City on April 16, 1991. The purpose of such agreement was to provide for the financing and construction of the new police facility and Community Center. The JPFA is administered by a commission consisting of the members of the City Council and all voting power of JPFA resides in the Commission.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(10) Pledged Revenues

The Commission has 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	\$11,070,963	4,682,338	42%

(11) Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend (effective July 1, 2011) nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program by adopting an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(11) Recent Changes in Legislation Affecting California Redevelopment Agencies,
(Continued)

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that they violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that “the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012.”

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On August 2, 2011, City Ordinance No. 360 was adopted, indicating that the Agency will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the agency is estimated to be \$2,752,650 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$655,000 will be due annually. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any new debt is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency’s obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon the outcome of litigation surrounding the actions of the state.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to Basic Financial Statements

(Continued)

(12) Prior Period Adjustment

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 as of July 1, 2010:

	Capital Projects Fund – Redevelopment Fund	Low and Moderate Income Housing Special Revenue Fund	HOME Program Special Revenue Fund
Fund balance-beginning of year, as previously reported	\$12,971,597	12,874,593	4,216,400
To adjust notes receivable for notes previously not recorded and to adjust note balances for allowance for doubtful accounts.	<u>(2,500,000)</u>	<u>1,431,129</u>	<u>(817,574)</u>
Fund balance-beginning of year, as restated	<u>\$10,471,597</u>	<u>14,305,722</u>	<u>3,398,826</u>

The following summarizes the effect of the prior period adjustments to beginning net assets as of July 1, 2010:

	<u>Government-Wide Statement of Net Assets</u>
Net Assets-beginning of year, as previously reported	\$ 6,244,725
To adjust notes receivable for notes previously not recorded and to adjust note balances for allowance for doubtful accounts.	<u>(10,112,488)</u>
Net Assets-beginning of year, as restated	<u>\$ (3,867,763)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Notes to the Required Supplementary Information

Year ended June 30, 2011

(1) Budgetary Information

The Commission adopts an annual budget prepared on the modified accrual basis of accounting for all governmental fund types. The Executive Director is required to prepare and submit to the Commission Board of Directors the annual budget of the Commission and administer it after adoption. Any revisions that alter the total appropriations must be approved by the Board of Directors. All annual appropriations lapse at fiscal year-end except for unexpended purchase orders or contracts and unexpended appropriations for capital projects. Total expenditures may not legally exceed total appropriations at the fund level.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Community Development Block Grant - Special Revenue Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 1,424,740	1,424,740	1,644,864	220,124
Total revenues	1,424,740	1,424,740	1,644,864	220,124
Expenditures:				
Current:				
Personnel services	249,608	249,608	211,696	37,912
Community development	528,450	528,450	235,542	292,908
Capital outlay	1,227,925	1,227,925	1,015,564	212,361
Debt Service:				
Principal	-	-	245,000	(245,000)
Interest and fiscal charges	-	-	208,181	(208,181)
Total expenditures	2,005,983	2,005,983	1,915,983	90,000
Excess (deficiency) of revenues over expenditures	(581,243)	(581,243)	(271,119)	310,124
Other financing sources (uses):				
Transfers in	-	-	119,531	119,531
Transfers to the City	(123,960)	(123,960)	(123,960)	-
Total other financing sources (uses)	(123,960)	(123,960)	(4,429)	119,531
Net change in fund balance	(705,203)	(705,203)	(275,548)	429,655
Fund balance, beginning of year	275,548	275,548	275,548	-
Fund balance (deficit), end of year	\$ (429,655)	(429,655)	-	429,655

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Section 8 Housing Assistance - Special Revenue Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 9,514,464	9,514,464	9,618,037	103,573
Interest income	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
Total revenues	<u>9,521,964</u>	<u>9,521,964</u>	<u>9,618,037</u>	<u>96,073</u>
Expenditures:				
Current:				
Personnel services	852,610	852,610	820,364	32,246
Community development	<u>8,416,906</u>	<u>8,416,906</u>	<u>8,404,633</u>	<u>12,273</u>
Total expenditures	<u>9,269,516</u>	<u>9,269,516</u>	<u>9,224,997</u>	<u>44,519</u>
Net change in fund balance	252,448	252,448	393,040	140,592
Fund balance, beginning of year	<u>1,079,035</u>	<u>1,079,035</u>	<u>1,079,035</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,331,483</u>	<u>1,331,483</u>	<u>1,472,075</u>	<u>140,592</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

HUD Program Income - Special Revenue Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Interest income	\$ 19,700	19,700	10,221	(9,479)
Other income	100	100	202,582	202,482
Total revenues	19,800	19,800	212,803	193,003
Expenditures:				
Current:				
Community development	25,157	25,157	25,156	1
Debt service:				
Principal	245,000	245,000	-	245,000
Interest and fiscal charges	306,650	306,650	71,163	235,487
Total expenditures	576,807	576,807	96,319	480,488
Excess (deficiency) of revenues over expenditures	(557,007)	(557,007)	116,484	673,491
Other financing sources (uses):				
Transfers out	-	-	(119,531)	(119,531)
Total other financing sources (uses)	-	-	(119,531)	(119,531)
Net change in fund balance	(557,007)	(557,007)	(3,047)	553,960
Fund balance, beginning of year	1,803,132	1,803,132	1,803,132	-
Fund balance, end of year	\$ 1,246,125	1,246,125	1,800,085	553,960

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

HOME Program - Special Revenue Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Subventions and grants	\$ 636,617	636,617	1,155,914	519,297
Interest income	-	-	73,340	73,340
Other income	64,143	64,143	-	(64,143)
Total revenues	<u>700,760</u>	<u>700,760</u>	<u>1,229,254</u>	<u>528,494</u>
Expenditures:				
Current:				
Personnel services	103,203	103,203	69,100	34,103
Community development	1,581,150	1,581,150	1,263,336	317,814
Total expenditures	<u>1,684,353</u>	<u>1,684,353</u>	<u>1,332,436</u>	<u>351,917</u>
Net change in fund balance	(983,593)	(983,593)	(103,182)	880,411
Fund balance, beginning of year, as restated	<u>3,398,826</u>	<u>3,398,826</u>	<u>3,398,826</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,415,233</u>	<u>2,415,233</u>	<u>3,295,644</u>	<u>880,411</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Low and Moderate Income Housing Program - Special Revenue Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax allocated	\$ 2,817,500	2,817,500	2,767,741	(49,759)
Interest income	1,553	1,553	244,321	242,768
Other income	<u>239,054</u>	<u>239,054</u>	<u>32,974</u>	<u>(206,080)</u>
Total revenues	<u>3,058,107</u>	<u>3,058,107</u>	<u>3,045,036</u>	<u>(13,071)</u>
Expenditures:				
Current:				
Personnel services	219,979	219,979	133,754	86,225
Community development	<u>2,086,987</u>	<u>2,086,987</u>	<u>250,494</u>	<u>1,836,493</u>
Total expenditures	<u>2,306,966</u>	<u>2,306,966</u>	<u>384,248</u>	<u>1,922,718</u>
Excess (deficiency) of revenues over expenditures	<u>751,141</u>	<u>751,141</u>	<u>2,660,788</u>	<u>1,909,647</u>
Other financing sources (uses):				
Transfers out	<u>(861,864)</u>	<u>(861,864)</u>	<u>(861,863)</u>	<u>1</u>
Total other financing sources (uses)	<u>(861,864)</u>	<u>(861,864)</u>	<u>(861,863)</u>	<u>1</u>
Net change in fund balance	(110,723)	(110,723)	1,798,925	1,909,648
Fund balance, beginning of year, as restated	<u>14,305,722</u>	<u>14,305,722</u>	<u>14,305,722</u>	<u>-</u>
Fund balance, end of year	<u>\$ 14,194,999</u>	<u>14,194,999</u>	<u>16,104,647</u>	<u>1,909,648</u>

SUPPLEMENTARY SCHEDULES

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Redevelopment Fund - Debt Service Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property tax allocated	\$ 11,270,000	11,270,000	11,070,963	(199,037)
Interest income	<u>6,212</u>	<u>6,212</u>	<u>8,836</u>	<u>2,624</u>
Total revenues	<u>11,276,212</u>	<u>11,276,212</u>	<u>11,079,799</u>	<u>(196,413)</u>
Expenditures:				
Current:				
Community development	2,597,803	2,597,803	2,613,680	(15,877)
Debt service:				
Principal payments	2,525,000	2,525,000	2,525,000	-
Interest and fiscal charges	<u>1,707,653</u>	<u>1,707,653</u>	<u>1,706,646</u>	<u>1,007</u>
Total expenditures	<u>6,830,456</u>	<u>6,830,456</u>	<u>6,845,326</u>	<u>(14,870)</u>
Excess (deficiency) of revenues over expenditures	<u>4,445,756</u>	<u>4,445,756</u>	<u>4,234,473</u>	<u>(211,283)</u>
Other financing sources (uses):				
Transfers in	861,865	5,062,933	5,062,931	(2)
Transfers out	<u>(5,408,287)</u>	<u>(5,408,287)</u>	<u>(5,408,287)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,546,422)</u>	<u>(345,354)</u>	<u>(345,356)</u>	<u>(2)</u>
Net change in fund balance	(100,666)	4,100,402	3,889,117	(211,285)
Fund balance, beginning of year	<u>4,771,650</u>	<u>4,771,650</u>	<u>4,771,650</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,670,984</u>	<u>8,872,052</u>	<u>8,660,767</u>	<u>(211,285)</u>

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Redevelopment Fund - Capital Projects Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Subventions and grants	\$ 201,916	201,916	56,896	(145,020)
Interest income	92,000	92,000	126,764	34,764
Other income	179,422	179,422	34,233	(145,189)
Total revenues	473,338	473,338	217,893	(255,445)
Expenditures:				
Current:				
Personnel services	2,610,661	2,610,661	2,042,585	568,076
Community development	1,289,959	1,289,959	936,108	353,851
Capital outlay	4,178,309	4,178,309	1,927,618	2,250,691
Debt service:				
Cost of issuance	-	460,686	439,442	21,244
Interest and fiscal charges	11,250	11,250	11,250	-
Total expenditures	8,090,179	8,550,865	5,357,003	3,193,862
Excess (deficiency) of revenues over (under) expenditures	(7,616,841)	(8,077,527)	(5,139,110)	2,938,417
Other financing sources:				
Transfers in	5,408,287	5,408,287	5,408,287	-
Transfers out	-	(4,201,068)	(4,201,068)	-
Transfer to City of National City	(811,157)	(811,157)	(811,157)	-
Original discount on issuance	-	(1,056,085)	(1,056,085)	-
Issuance of long-term debt	-	39,660,000	39,660,000	-
Total other financing sources	4,597,130	38,999,977	38,999,977	-
Net change in fund balance	(3,019,711)	30,922,450	33,860,867	2,938,417
Fund balance, beginning of year, as restated	10,471,597	10,471,597	10,471,597	-
Fund balance, end of year	\$ 7,451,886	41,394,047	44,332,464	2,938,417

COMMUNITY DEVELOPMENT COMMISSION
OF THE CITY OF NATIONAL CITY

Supplemental Schedule of Excess Surplus Determination

		Per Audited Basic Financial Statements <u>June 30, 2011</u>
Fund Balance - June 30, 2011		\$ 16,104,647
Less Unavailable Amounts:		
Land held for resale		(360,000)
Loans, net of deferred interest income		<u>(6,146,578)</u>
Available Low/Moderate Income Housing Funds (deficit)		9,598,069
Limitation (Greater of \$1,000,000 or Four Years Set-Aside):		
Set-aside for last four years		
2010 - 2011	2,767,741	
2009 - 2010	2,796,072	
2008 - 2009	2,947,556	
2007 - 2008	<u>2,941,607</u>	
Total set-aside for last four years	<u>11,452,976</u>	
Base limitation	<u>1,000,000</u>	
Greater Amount		<u>11,452,976</u>
Computed Excess Surplus - June 30, 2011		<u>\$ -</u>

Note: This schedule is prepared in accordance with Health & Safety Code 33333.10(h)(3). This schedule is prepared using the modified accrual basis of accounting described in Note 1 to the basic financial statements of the Community Development Commission of the City of National City (the "Commission"). This schedule includes financial data from all the Low and Moderate Income Housing Special Revenue Funds of the Commission.

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Board of Directors
Community Development Commission of the City of National City
National City, California

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the governmental activities, business-type activities and each major fund of the Community Development Commission of the City of National City (the “Commission”), a component unit of the City of National City, California, as of and for the year ended June 30, 2011, which collectively comprise the Commission’s basis financial statements, and have issued our report thereon dated December 21, 2011. 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.

Internal Control Over Financial Reporting

Management of Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Community Development Commission of the City of National City

Page Two

A significant deficiency is defined to be a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The items described in the accompanying Schedule of Findings and Recommendation as item (2011-01) conforms to this definition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011, except for certain matters of noncompliance which are described in the accompanying Schedule of Findings and Recommendation as item (2011-02 and 2011-03).

This report is intended solely for the information and use of the Board of Directors, Commission's management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California
December 21, 2011



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Board of Directors
Community Development Commission of the City of National City
National City, California

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH GUIDELINES FOR COMPLIANCE
AUDITS OF CALIFORNIA REDEVELOPMENT AGENCIES, JUNE 2011, ISSUED
BY THE STATE CONTROLLER**

Independent Auditors' Report

Compliance

We have audited the Community Development Commission of the City of National City (the "Commission"), a component unit of the City of National City, California, compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of Agency's management. Our responsibility is to express an opinion on Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Commission has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements. In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011, except for certain matters of noncompliance which are described in the accompanying Schedule of Findings and Recommendation as item (2011-02 and 2011-03).

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Commission's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Page Two

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

A significant deficiency is defined to be a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The items described in the accompanying Schedule of Findings and Recommendation as item (2011-02 and 2011-03) conforms to this definition.

This report is intended solely for the information and use of the Board of Directors, Commission's management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California
December 21, 2011

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Schedule of Findings and Recommendations

Year ended June 30, 2011

(2010-01) Reporting of Notes Receivable

During the audit, Finance Department and Community Development Commission (CDC) staff evaluated redevelopment and housing loans issued by the CDC. As a result of staff's evaluations, it was determined that many loans issued were unlikely to result in cash collection by the CDC due to the structure of the loan agreements. As a result, staff determined that the values of loans issued were in many cases less than the actual amount of money likely to be repaid to the CDC and where appropriate, allowance for doubtful accounts were established in order for the value of the loans reported to equal the amount of cash estimated to be collected in future years. This analysis resulted in an adjustment to beginning fund balance and net assets as the structure of these loans had not changed from previous years.

Recommendation

We recommend that Community Development Commission and City Finance Department staff develop policies and procedures for communicating, documenting, and recording of significant loan transactions to insure that activities of the Commission are properly reflected in the accounting records. These policies and procedures should also include enhanced monitoring controls over the loans issued to ensure repayment is appropriately recorded, that the monies are being used in accordance with the agreements terms and conditions, and that loans are periodically evaluated for collectability.

(2011-02) Land Held for Resale

There is one parcel of land held for resale purchased with low and moderate income housing funds that were held beyond five years. Health & Safety Code §33334.16 requires Agencies to initiate activities to develop properties purchased with low and moderate income housing funds within five years from the date of acquisition. If development activities have not begun within this period, the legislative body may adopt a resolution extending the period for one time, not to exceed five years. The parcel was purchased in 2003 and had not been sold as of June 30, 2011. We were also not provided any evidence that a resolution was adopted extending the time period.

Recommendation

We recommend that the Commission take the necessary actions to comply with the Health & Safety Code §33334.16.

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

Schedule of Findings and Recommendations

Year ended June 30, 2011

(2010-03) Reconciliation of State Controllers Report to Audit Financial Statements

The Commission is required to submit a State Controllers report on the Commission's financial results each year. Health & Safety Code §53891 and §53892 states that the Commission is required to submit a complete State Controllers report in addition to audited financial statements of the Commission. The State Controllers report should agree to the audited financial statements submitted to the State Controller. In reconciling the June 30, 2010 State Controllers Report to the 2010 audited financial statements, we found certain amounts reported that did not agree to the audited financial statements.

Recommendation

We recommend that the Commission have a detailed review process in place of these financial reports and ensure that process allows for the accurate submission of required financial information reported to the State Controller.

**PHA Certifications of Compliance
with PHA Plans and Related
R e g u l a t i o n s**

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 08/30/2011

**PHA Certifications of Compliance with the PHA Plans and Related Regulations:
Board Resolution to Accompany the PHA 5-Year and Annual PHA Plan**

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairman or other authorized PHA official if there is no Board of Commissioners, I approve the submission of the _____ 5-Year and/or X Annual PHA Plan for the PHA fiscal year beginning 07/01/2012, hereinafter referred to as "the Plan", of which this document is a part and make the following certifications and agreements with the Department of Housing and Urban Development (HUD) in connection with the submission of the Plan and implementation thereof:

1. The Plan is consistent with the applicable comprehensive housing affordability strategy (or any plan incorporating such strategy) for the jurisdiction in which the PHA is located.
2. The Plan contains a certification by the appropriate State or local officials that the Plan is consistent with the applicable Consolidated Plan, which includes a certification that requires the preparation of an Analysis of Impediments to Fair Housing Choice, for the PHA's jurisdiction and a description of the manner in which the PHA Plan is consistent with the applicable Consolidated Plan.
3. The PHA certifies that there has been no change, significant or otherwise, to the Capital Fund Program (and Capital Fund Program/Replacement Housing Factor) Annual Statement(s), since submission of its last approved Annual Plan. The Capital Fund Program Annual Statement/Annual Statement/Performance and Evaluation Report must be submitted annually even if there is no change.
4. The PHA has established a Resident Advisory Board or Boards, the membership of which represents the residents assisted by the PHA, consulted with this Board or Boards in developing the Plan, and considered the recommendations of the Board or Boards (24 CFR 903.13). The PHA has included in the Plan submission a copy of the recommendations made by the Resident Advisory Board or Boards and a description of the manner in which the Plan addresses these recommendations.
5. The PHA made the proposed Plan and all information relevant to the public hearing available for public inspection at least 45 days before the hearing, published a notice that a hearing would be held and conducted a hearing to discuss the Plan and invited public comment.
6. The PHA certifies that it will carry out the Plan in conformity with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, section 504 of the Rehabilitation Act of 1973, and title II of the Americans with Disabilities Act of 1990.
7. The PHA will affirmatively further fair housing by examining their programs or proposed programs, identify any impediments to fair housing choice within those programs, address those impediments in a reasonable fashion in view of the resources available and work with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement and maintain records reflecting these analyses and actions.
8. For PHA Plan that includes a policy for site based waiting lists:
 - The PHA regularly submits required data to HUD's 50058 PIC/IMS Module in an accurate, complete and timely manner (as specified in PIH Notice 2006-24);
 - The system of site-based waiting lists provides for full disclosure to each applicant in the selection of the development in which to reside, including basic information about available sites; and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types at each site;
 - Adoption of site-based waiting list would not violate any court order or settlement agreement or be inconsistent with a pending complaint brought by HUD;
 - The PHA shall take reasonable measures to assure that such waiting list is consistent with affirmatively furthering fair housing;
 - The PHA provides for review of its site-based waiting list policy to determine if it is consistent with civil rights laws and certifications, as specified in 24 CFR part 903.7(c)(1).
9. The PHA will comply with the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975.
10. The PHA will comply with the Architectural Barriers Act of 1968 and 24 CFR Part 41, Policies and Procedures for the Enforcement of Standards and Requirements for Accessibility by the Physically Handicapped.
11. The PHA will comply with the requirements of section 3 of the Housing and Urban Development Act of 1968, Employment Opportunities for Low-or Very-Low Income Persons, and with its implementing regulation at 24 CFR Part 135.
12. The PHA will comply with acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implementing regulations at 49 CFR Part 24 as applicable.

13. The PHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105(a).
14. The PHA will provide the responsible entity or HUD any documentation that the responsible entity or HUD needs to carry out its review under the National Environmental Policy Act and other related authorities in accordance with 24 CFR Part 58 or Part 50, respectively.
15. With respect to public housing the PHA will comply with Davis-Bacon or HUD determined wage rate requirements under Section 12 of the United States Housing Act of 1937 and the Contract Work Hours and Safety Standards Act.
16. The PHA will keep records in accordance with 24 CFR 85.20 and facilitate an effective audit to determine compliance with program requirements.
17. The PHA will comply with the Lead-Based Paint Poisoning Prevention Act, the Residential Lead-Based Paint Hazard Reduction Act of 1992, and 24 CFR Part 35.
18. The PHA will comply with the policies, guidelines, and requirements of OMB Circular No. A-87 (Cost Principles for State, Local and Indian Tribal Governments), 2 CFR Part 225, and 24 CFR Part 85 (Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments).
19. The PHA will undertake only activities and programs covered by the Plan in a manner consistent with its Plan and will utilize covered grant funds only for activities that are approvable under the regulations and included in its Plan.
20. All attachments to the Plan have been and will continue to be available at all times and all locations that the PHA Plan is available for public inspection. All required supporting documents have been made available for public inspection along with the Plan and additional requirements at the primary business office of the PHA and at all other times and locations identified by the PHA in its PHA Plan and will continue to be made available at least at the primary business office of the PHA.
21. The PHA provides assurance as part of this certification that:
 - (i) The Resident Advisory Board had an opportunity to review and comment on the changes to the policies and programs before implementation by the PHA;
 - (ii) The changes were duly approved by the PHA Board of Directors (or similar governing body); and
 - (iii) The revised policies and programs are available for review and inspection, at the principal office of the PHA during normal business hours.
22. The PHA certifies that it is in compliance with all applicable Federal statutory and regulatory requirements.

COMMUNITY DEVELOPMENT COMMISSION

CA116

HOUSING AUTHORITY OF NATIONAL CITY

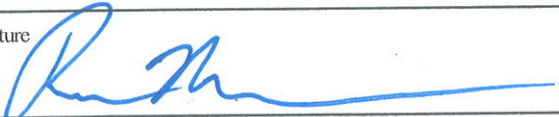
PHA Name

PHA Number/HA Code

5-Year PHA Plan for Fiscal Years 20 - 20

XX Annual PHA Plan for Fiscal Years 20¹² 20¹³

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official RON MORRISON	Title CHAIRMAN, BOARD OF COMMISSIONERS
Signature 	Date 4-4-2012

RESOLUTION NO. 2012 – 03

RESOLUTION OF THE COMMUNITY DEVELOPMENT
COMMISSION – HOUSING AUTHORITY OF THE CITY OF NATIONAL CITY
APPROVING THE PUBLIC HOUSING AGENCY ANNUAL PLAN (PHA) FOR
FISCAL YEAR 2012, AND AUTHORIZING THE SUBMITTAL OF THE PLAN
TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WHEREAS, on October 21, 1998, the U.S. Congress enacted Public Law 105-276, known as the Quality Housing and Work Responsibility Act ("QHWRA") requiring housing authorities to prepare and submit a Public Housing Agency Annual Plan (the "PHA"); and

WHEREAS, the PHA for Fiscal Year 2012 provides details regarding the Community Development Commission – Housing Authority of the City of National City ("CDCHA"), Section 8 Rental Assistance Division's strategy for immediate operations, program participants, programs and services; and

WHEREAS, the U.S. Department of Housing and Urban Development ("HUD") requires a Public Hearing to be held in order to receive public input; and

WHEREAS, on April 3, 2012, a Public Hearing was held for review and recommendation by the public of the proposed Public Housing Agency Annual Plan for Fiscal Year 2012; and

WHEREAS, the CDCHA has reviewed the PHA for Fiscal Year 2012 for any significant amendments or modifications.

NOW THEREFORE BE IT RESOLVED that the Community Development Commission – Housing Authority of the City of National City hereby approves the Public Housing Agency Annual Plan for Fiscal Year 2012.

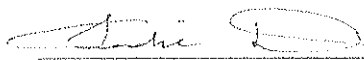
BE IT FURTHER RESOLVED that the Community Development Commission – Housing Authority of the City of National City hereby approves the submittal of the PHA for Fiscal Year 2012 by the Executive Director to the U.S. Department of Housing and Urban Development. Said Plan is on file in the office of the City Clerk.

PASSED and ADOPTED this 3rd day of April, 2012

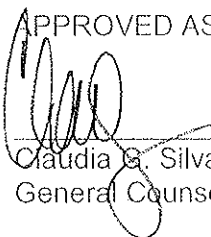


Ron Morrison, Chairman

ATTEST:



Leslie Deese, Secretary

APPROVED AS TO FORM:


Claudia S. Silva
General Counsel

Passed and adopted by the Community Development Commission - Housing Authority of the City of National City, California, on April 3, 2012 by the following vote, to-wit:

Ayes: Boardmembers Morrison, Natividad, Rios, Sotelo-Solis, Zarate.

Nays: None.

Absent: None.

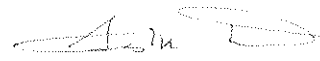
Abstain: None.

AUTHENTICATED BY: RON MORRISON
Chairman, Housing Authority

LESLIE DEESE
Secretary, Housing Authority

By: _____
Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2012-3 of the Community Development Commission - Housing Authority of the City of National City, California, passed and adopted on April 3, 2012.



Secretary, Housing Authority

By: _____
Deputy