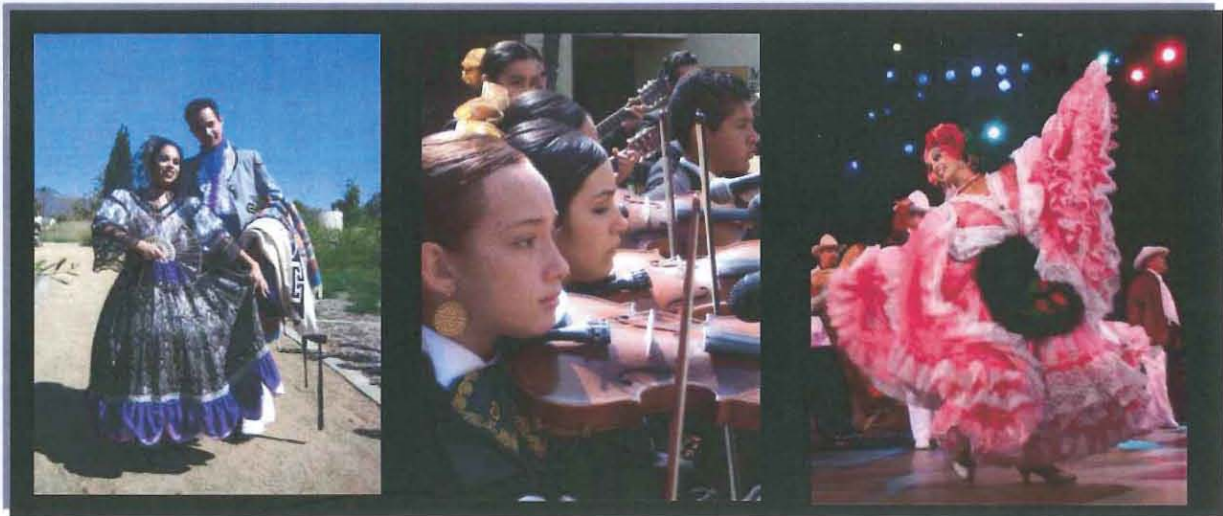


Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011



**The City of San Fernando,
California**

CITY OF SAN FERNANDO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared By:
Finance Department

CITY OF SAN FERNANDO
Comprehensive Annual Financial Report
For the year ended June 30, 2011

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INTRODUCTORY SECTION



CITY OF
San Fernando
Historic & Visionary

February 23, 2012

**Honorable Mayor and
Members of the City Council
Residents of San Fernando**

The Comprehensive Annual Financial Report of the City of San Fernando, California for the fiscal year ended June 30, 2011, is hereby submitted. The report is presented as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments (GASB 34). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City of San Fernando. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This report consists of management's representations concerning the finances of the City of San Fernando, California. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable.

The City Municipal Code requires an annual audit by an independent certified public accountant. The City's financial statements have been audited by White Nelson Diehl Evans LLP; a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the City of San Fernando for the fiscal year ended June 30, 2011, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of San Fernando's financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The report of independent auditors is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The City was required to undergo the annual single audit in conformity with provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." The Single Audit Report, which is issued separately, includes the schedule of federal expenditures,



Honorable Mayor and
Members of the City Council
City Administrator
Residents of San Fernando
February 23, 2012

findings and recommendations, the auditors' reports on the internal control structure and compliance with applicable laws and regulations.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

Reporting Entity

The City Council exercises control over the San Fernando Redevelopment Agency and the San Fernando Public Financing Authority and thus the Agencies have been included in this report. The Los Angeles Unified School District and other public bodies have not met the established criteria for inclusion in the reporting entity since independent boards not under City Council control govern them. The City Council does not have any voting power over them; accordingly they are excluded from this report. However, the City Council takes an active role to ensure that quality school facilities and programs are provided to its residents.

The City provides a full range of municipal services. These services include police and fire protection; the construction and maintenance of streets, infrastructure; community development activities; recreational and cultural activities; and general administrative and support services. Fire services are provided by contract with the City of Los Angeles. In addition, the City provides water, sanitary sewer and refuse services under an Enterprise Fund system with customer fees covering the cost of providing the services.

The City of San Fernando adopts a comprehensive budget detailed by department prior to the start of the fiscal year which commences on July 1. The budget is further broken down by character of expenditure, defined as Contractual Services, Personnel Services, Maintenance and Operations, and Capital Outlay. The ledger of the City and its component units are maintained by the line item detail or object of expenditure. However, all budgetary controls are exercised at the fund level. Revenues are estimated annually and measured against actual revenues earned.

Adoption of GASB Statement No. 54

In February 2009 the Governmental Accounting Standards Board (GASB) issued Statement No 54 Fund Balance Reporting and Governmental Fund Type Definitions This new standard does not change the total amount of a given fund balance but it substantially alters the categories and terminology used to describe the components that make up a fund balance. The new categories and terminology reflect an approach that focuses not on financial resources available for appropriation within a fund but on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the fund can be spent.

The City adopted GASB Statement No. 54 on June 20, 2011. Some highlights of GASB 54 include:

- ❖ This accounting standard does not change our fund balances or how we would utilize the fund resources but it is a new way of classifying and identifying fund balance based on these new components: Non Spendable, Restricted, Committed, Assigned and Unassigned fund balance

❖

Past Practice – Eliminated Classifications	New GASB 54 Classifications
Reserved	Non-Spendable
	Restricted
Unreserved and Designated	Committed
	Assigned
Unreserved and Undesignated	Unassigned

Honorable Mayor and
Members of the City Council
City Administrator
Residents of San Fernando
February 23, 2012

Economic Condition and Outlook

The City of San Fernando is uniquely situated as a small municipality in the northeast portion of the San Fernando Valley and offers a full range of high quality municipal services. The community has retained its historical function as a regional center of retail trade, services and employment, and it has in the recent past continued to capture a significantly higher ratio of sales taxes per capita as compared to other cities in the region. The business climate in San Fernando is favorably impacted by the following factors: excellent regional access and sizable regional labor force; general infrastructure/public sector investment; comparatively low crime rate; comparatively low business taxes; and responsive government and staff.

Although San Fernando is an economically well-balanced community, it is, of course, affected by economic trends in the region, state, nation and world. In addition, like all local governments, the City of San Fernando receives a significant portion of its revenues from the State of California. As a result, the City is directly affected by the State's budget decisions over which the City has no direct control.

Because of the recent downturn in the economy, sales tax revenues have declined. The continuing business climate in the auto industry has adversely affected the City's sales tax revenue from local auto dealerships, as our auto dealership has closed its operations. Also, with the recent decline in housing market values and increasing foreclosures, the City is no longer benefitting fiscally from the previous dramatic increases in property values and homes purchased in the community. The City has nonetheless continued to promote local economic activity and investment of private capital and public resources through the encouragement of new retail/commercial projects, street enhancements, recreational amenities, and educational facilities. However, because of the constraints of lower estimated property tax and sales tax revenues the City has taken a fiscally conservative approach in budgeting expenditures and it will continue to do so as necessary in the future to meet the community's demand for high quality municipal services.

Various initiatives are being pursued to maintain San Fernando's position as a center of economic and other activity in the region, including consideration of the potential for future redevelopment of private and public property in the downtown area, implementation of a revitalization strategy for the community's downtown and commercial corridors and the restoring of the Lopez Adobe building and site as a house museum and historical destination point within the City.

The City continues to work with property owners and prospective developers in an effort to promote adaptive reuse of vacant and underutilized public and private property for new commercial, industrial and/or affordable housing opportunities. In addition, in June of 2011 the City completed infrastructure improvements which included the undergrounding of utilities and new pedestrian amenities along Park Avenue adjacent to the City's Regional Aquatic Facility at San Fernando Recreation Park. Also, the City is continues to work on water and sewer improvement projects into the new fiscal year, specifically the anticipated nitrate removal system.

The City has also continued its work with Los Angeles Unified School District in an effort to improve public education and recreational opportunities with the completion of a new elementary school and a new high school with four academies that opened for the 2011-12 school year. The Los Angeles County courthouse, one of the City's top employers, continues to operate as a major force in providing customers to small businesses in the community.

Financial Information

The City has developed and maintained its accounting system with due consideration given to the adequacy of internal accounting controls. These controls are designed to provide reasonable, but not absolute assurance that assets are adequately safeguarded from waste, fraud and inefficient use. The financial records maintained allow for the preparation of financial statements in conformity with generally accepted accounting principles. The concept of

Honorable Mayor and
Members of the City Council
City Administrator
Residents of San Fernando
February 23, 2012

reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Relevant Financial Policies

The City's current policy is to create a balanced budget and leave a surplus in the general fund with the idea of creating a reserve balance over the coming years. The City Council has approved the concept of a reserve of about 10% of the operating expenditures for the General Fund. To this extent the City is working to hold increases until this reserve is reached as approved by the City's collective bargaining units. For the City Enterprise Funds the policy is to have a balanced budget and while we invest in needed infrastructure improvements. Any excess revenues over expenses that are generated will be retained and designated for future capital improvements or to cover future unexpected expenditures or revenue shortfalls.

Other Information

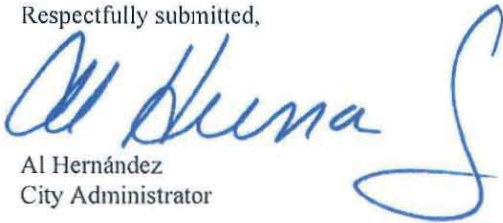
City Staffing - The City continues to be blessed with a very qualified staff of employees that allow for the continued growth and provision of high level of services for our residents.

Awards - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of San Fernando for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the 26th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will submit it to the GFOA to determine its eligibility for the 2011 certification.

Acknowledgments - The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department, especially Joseph Lillio (Senior Accountant), Sonia Garcia (Junior Accountant), and other City staff. This report would not have been accomplished without their support and without the dedication of the audit firm. Each contributing member of the department has my sincere appreciation for the contributions made in the preparation of this report. I would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. Without their support this project would not be possible each year.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Al Hernández', with a large, stylized flourish extending from the end of the signature.

Al Hernández
City Administrator

Directory of Officials

CITY COUNCIL

MAYOR

Mario F. Hernandez

MAYOR PRO TEM

Brenda Esqueda

COUNCILMEMBERS

Marbel De La Torre

Sylvia Ballin

Antonio Lopez

CITY TREASURER

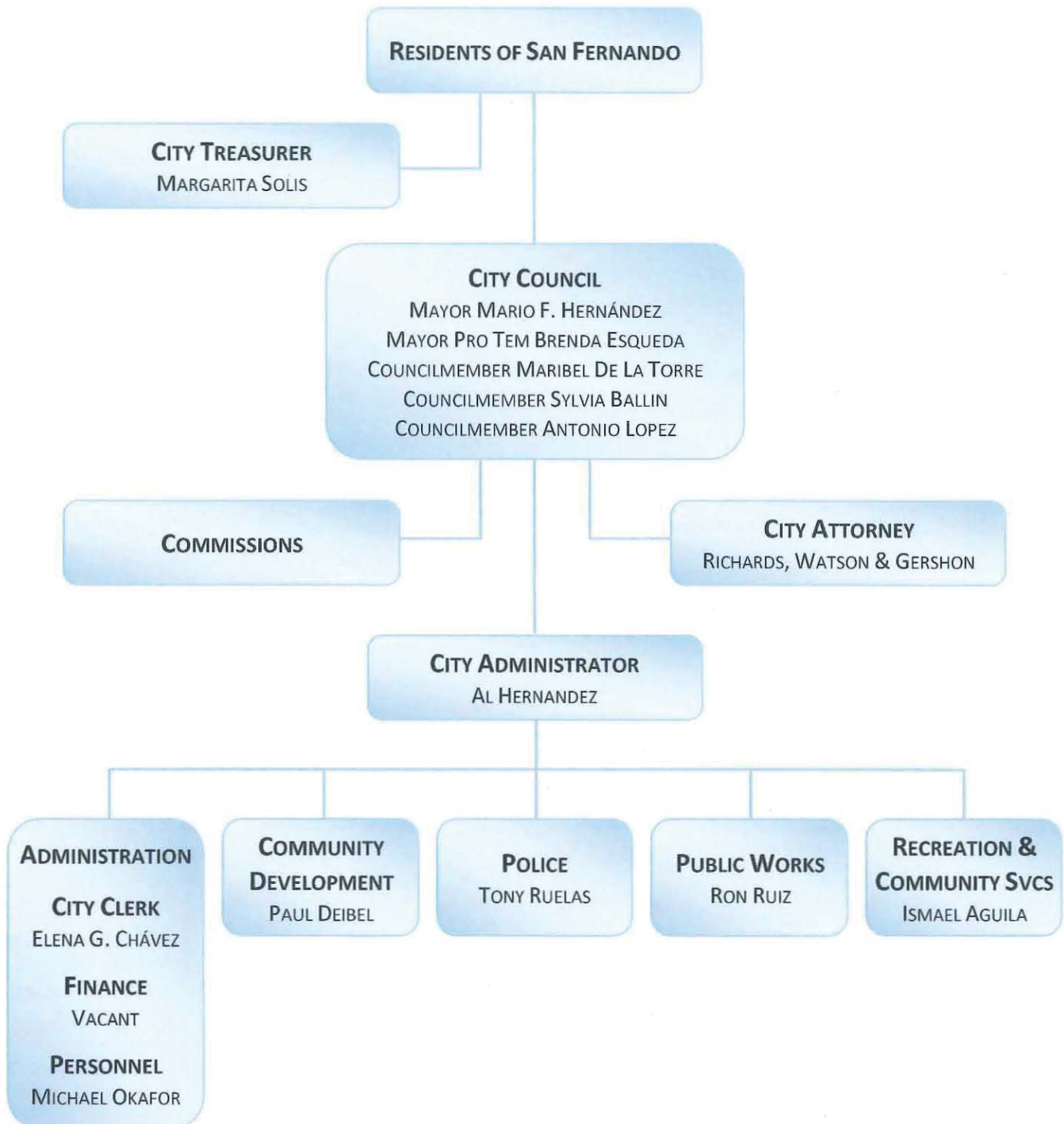
Margarita Solis

ADMINISTRATION AND DEPARTMENT HEADS

City Administrator	Al Hernandez
Community Development Director	Paul Deibel
Finance Manager	Vacant
Personnel Manager	Michael Okafor
Police Chief	Tony Ruelas
Public Works Director	Ron Ruiz
Recreation & Community Services Manager	Ismael Aguila

Fiscal Year 2010 - 2011

Organization Chart



Fiscal Year 2010 - 2011

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Fernando
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

Jeffrey R. Enen

Executive Director

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FINANCIAL SECTION

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

City Council Members
City of San Fernando
San Fernando, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Fernando, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of San Fernando's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Fernando, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The basic financial statements have been prepared assuming that the General Fund and the Grants Special Revenue Fund, which are both considered to be major funds of the City, and the Redevelopment Agency of the City of San Fernando (Agency), a blended component unit of the City, will continue as going concerns. The Agency's activities are accounted for in the Redevelopment Merged Project Areas #1, 2, 3, 4 Debt Service Fund and Low-and Moderate-Income Housing Capital Projects Fund which are both considered to be major funds of the City and the Redevelopment Project Area #1A Debt Service Fund, Redevelopment Merged Project Areas #1, 2, 3, 4 and Redevelopment Project Area #1A Capital Projects Funds which are reported in the aggregate fund information of the City. As discussed in Note 14 to the financial statements, as of June 30, 2011, the General Fund and Grants Special Revenue Fund have fund deficits. Also, as explained further in Note 15, on December 29, 2011 the California Supreme Court upheld California Assembly Bill 1x 26 which provides for the dissolution of redevelopment agencies and invalidated Assembly Bill 1x 27 which allowed an alternative for redevelopment agencies to continue operations. The lack of liquidity of the General Fund and Grants Special Revenue Fund and the California Supreme Court's decisions raise substantial doubt about the ability of the General Fund, the Grants Special Revenue Fund, the Agency's Redevelopment Merged Project Areas #1, 2, 3, 4 Debt Service Fund and the Low-and Moderate-Income Housing Capital Projects Fund to continue as going concerns. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

As described in Note 11, the City has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2012 on our consideration of the City of San Fernando's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedule of funding progress and budgetary comparison schedules, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Dick Evans LLP

Irvine, California
February 23, 2012

This section of the City's Comprehensive Annual Financial Report provides a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found beginning on page I and the City's financial statements beginning on page 13.

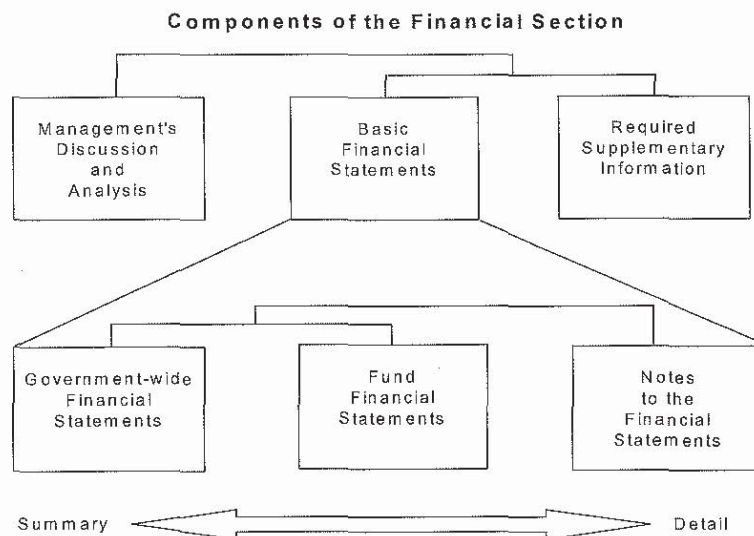
FINANCIAL HIGHLIGHTS

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34) for the year ending June 30, 2003. GASB 34 established new financial reporting standards for state and local governments in an effort to make governmental reporting more understandable and useful to the readers. During the June 30, 2007 fiscal year, the City completed the implementation of GASB 34 by adjusting the financial statements to include the value of infrastructure that was previously not required to be reported. The following are some key financial highlights for the fiscal year ending June 30, 2011:

- ❖ The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$60,331,335 (net assets). Unrestricted net assets were (\$11,632,048) at June 30, 2011.
- ❖ As of June 30, 2011, the City's governmental funds reported combined fund balances of \$696,247.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this portion), the basic financial statements, required supplementary information, and *optional* combining statements for other governmental funds. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.



Government-wide Financial Statements

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the City include general government, public safety, public works, community development, recreation, non-departmental, and interest on long-term debt.

The government-wide financial statements include not only the City itself (known as the primary government), but also two legally separate entities, the San Fernando Redevelopment Agency and the San Fernando Public Financing Authority. The City is financially accountable for these entities and financial information for these blended component units is reported within the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 13 of this report.

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Special Revenue-Grants Fund, Redevelopment Merged Project Areas #1, 2, 3 and 4-Debt Service Fund and the Low-Income Housing-Capital Project Fund, each of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other-major governmental funds is provided in the form of *combining statements* in the *other governmental funds supplementary information* section of this report.

See independent auditors' report.

Fund Financial Statements (continued)

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate its compliance with this budget.

The governmental fund financial statements can be found beginning on page 16 of this report.

Proprietary Funds. The City maintains several proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Water Enterprise Fund, Sewer Enterprise Fund, and the Waste Disposal Enterprise Fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a City's various self-supporting functions. The City uses internal service funds to account for purchases of vehicles and other major emergencies.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the maintenance and operation of the City's water, sewer and waste disposal services. The Water Fund accounts for all activities necessary to provide water services to all residents of the City and some County areas. Some of these activities include, but are not limited to, operations, maintenance and major construction. The Sewer Fund accounts for the provision of sewer services to all residents of the City. Processing of sewage is done by the City of Los Angeles under contract. The Waste Disposal Fund accounts for the collection of solid waste from all residential utility accounts within the City. Solid waste collection and disposal is operated under a contract with a private disposal company. These are considered to be business-type activities in the government-wide financial statements. The water services fund, sewer services and waste disposal services funds are presented as major funds in the financial statements.

The basic proprietary fund financial statements can be found beginning on page 23 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 29 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* beginning on page 63 of this report. This section includes a schedule of funding progress and a comparison of budgeted to actual results for the general and major special revenue funds.

The combining statements referred to earlier in connection with other governmental funds are presented immediately following *the required supplementary information*. Combining and individual fund statements and schedules can be found beginning on page 71 of this report.

**CITY OF SAN FERNANDO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Government-wide Financial Analysis

Statement of Net Assets

The following table is a summary of the statement of net assets at June 30, 2011.

Summary of Net Assets						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 12,308,681	\$ 12,951,098	\$ 8,327,487	\$ 7,628,333	\$ 20,636,168	\$ 20,579,431
Capital assets	54,873,836	54,922,323	15,324,618	15,547,758	70,198,454	70,470,081
Total assets	67,182,517	67,873,421	23,652,105	23,176,091	90,834,622	91,049,512
Liabilities:						
Current and other liabilities	3,408,391	2,367,337	594,248	421,427	4,002,639	2,788,764
Long-term liabilities	26,500,648	26,382,160	-	-	26,500,648	26,382,160
Total liabilities	29,909,039	28,749,497	594,248	421,427	30,503,287	29,170,924
Net assets:						
Invested in capital assets, net of related debt	43,598,683	42,262,518	15,324,618	15,547,758	58,923,301	57,810,276
Restricted	13,040,082	14,364,410	-	-	13,040,082	14,364,410
Unrestricted	(19,365,287)	(17,503,004)	7,733,239	7,206,906	(11,632,048)	(10,296,098)
Total net assets	\$ 37,273,478	\$ 39,123,924	\$ 23,057,857	\$ 22,754,664	\$ 60,331,335	\$ 61,878,588

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In this case, City assets exceeded liabilities by \$60,331,335 at June 30, 2011.

The largest portion of the City's net assets, \$58,923,301, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

A portion of the City's net assets, \$13,040,082, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, if any, may be used to meet the government's ongoing obligations to citizens and creditors.

See independent auditors' report.

CITY OF SAN FERNANDO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

Government-wide Financial Analysis (continued)

At the end of the current fiscal year, the City is able to report a positive balance in two categories of net assets (Invested in capital assets, net of related debt and Restricted); the City's governmental activities unrestricted net assets were a deficit of \$19,365,287.

Statement of Activities

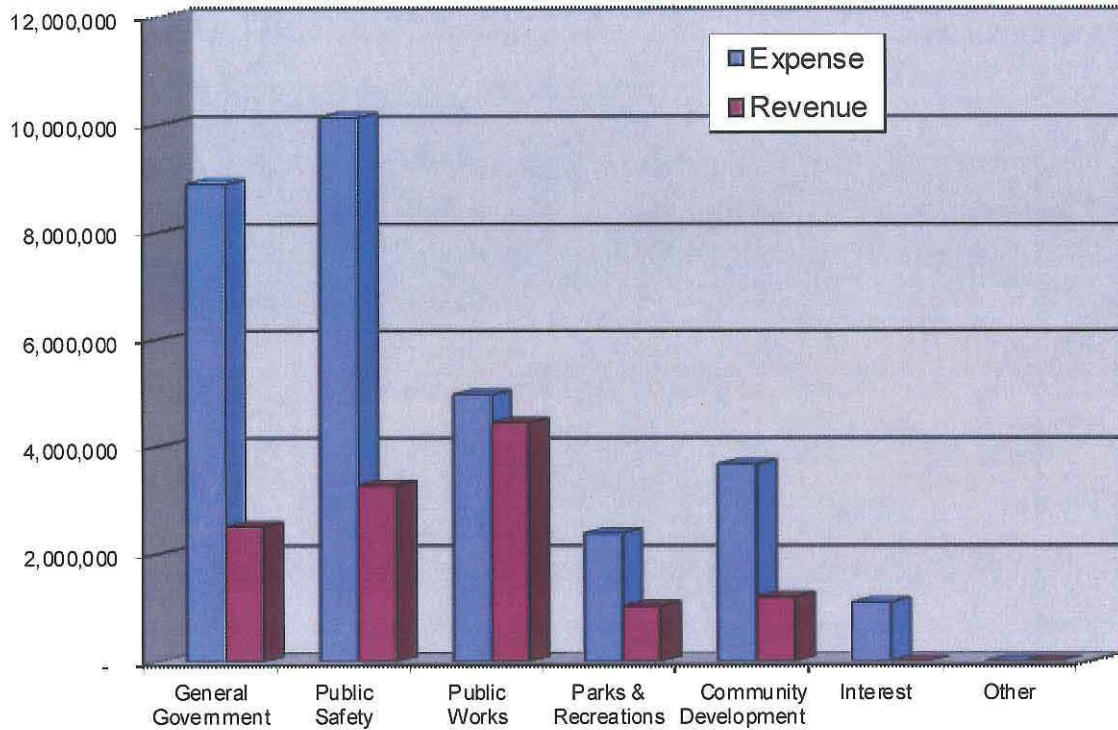
Governmental and Business-type activities decreased the City's net assets by (\$447,254). Key elements of this decrease are as follows:

- ❖ Governmental activities decreased the City's net assets by (\$750,447).
- ❖ Business-type activities increased the City's net assets by \$303,193.

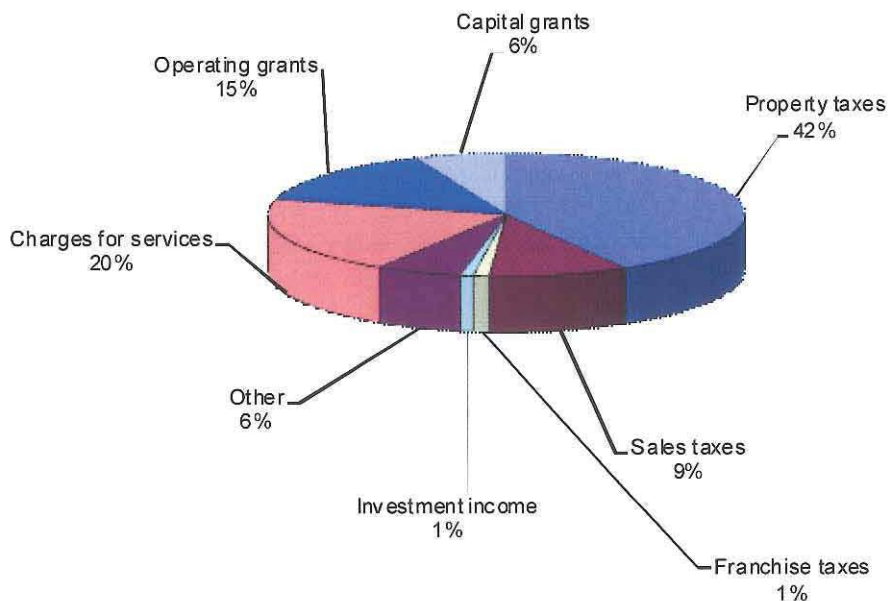
	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 6,098,324	\$ 6,613,598	\$ 6,572,824	\$ 6,215,310	\$ 12,671,148	\$ 12,828,908
Operating grants and contributions	4,432,649	3,287,154	-	-	4,432,649	3,287,154
Capital grants and contributions	1,896,595	1,094,301	-	-	1,896,595	1,094,301
General revenues						
Taxes	15,850,253	16,849,519	-	-	15,850,253	16,849,519
Investment earnings and others	2,125,907	1,352,684	23,897	45,256	2,149,804	1,397,940
Total revenue	30,403,728	29,197,256	6,596,721	6,260,566	37,000,449	35,457,822
Expenses						
General government	9,051,209	8,393,942	-	-	9,051,209	8,393,942
Public safety	10,137,119	9,917,154	-	-	10,137,119	9,917,154
Public works	4,960,530	5,591,332	-	-	4,960,530	5,591,332
Parks and recreation	2,375,034	2,960,683	-	-	2,375,034	2,960,683
Community development	3,658,552	5,547,132	-	-	3,658,552	5,547,132
Capital Outlay	-	-	-	-	-	-
Interest and fiscal charges	1,092,731	1,141,113	-	-	1,092,731	1,141,113
Enterprise operations	-	-	6,172,528	6,995,810	6,172,528	6,995,810
Total expenses	31,275,175	33,551,356	6,172,528	6,995,810	37,447,703	40,547,166
Increase (decrease) in net assets before transfers	(871,447)	(4,354,100)	424,193	(735,244)	(447,254)	(5,089,344)
Transfers in (out)	121,000	340,902	(121,000)	(340,902)	-	-
Increase (decrease) in net assets	(750,447)	(4,013,198)	303,193	(1,076,146)	(447,254)	(5,089,344)
Net assets – beginning Restated	38,023,925	42,037,123	22,754,664	23,830,810	60,778,589	65,867,933
Net assets – ending	\$ 37,273,478	\$ 38,023,925	\$ 23,057,857	\$ 22,754,664	\$ 60,331,335	\$ 60,778,589

See independent auditors' report.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



See independent auditors' report.

Financial Analysis of the City's Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$696,247. The City's governmental funds report a deficit of (\$7,879,628) in its *unassigned fund balance*. The remainder of the fund balance is either nonspendable (\$5,685,652) or restricted to indicate that it is not available for new spending, because it has already been restricted for 1) \$92,770 for Low/mod income housing, 2) \$2,218,119 for transportation, 3) \$42,113 for air pollution, 4) \$385,993 for parks and recreation, 5) \$605 for public safety and 6) \$150,623 for debt service.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was (\$856,695). The reason for the negative balance in the General fund is due to the self-insurance fund which accounts for expenditures related to insurance reimbursement or lawsuits. The self-insurance fund is experiencing a temporary deficit relating to a one-time settlement that occurred a few years ago and an industrial accident that occurred in the current year.

The fund balance of the City's General Fund decreased by \$721,701 during the current fiscal year. Key factors of this decrease were attributed to an industrial accident that occurred in the current year and the City paying the \$500,000 insurance deductible, an increase in attorney fees due to ongoing litigation, and increases in personnel costs that resulted from Union negotiations in salaries for certain bargaining groups from the prior year.

The deficit in the fund balance of the Grants Special Revenue Fund amounted to \$2,763,283 at the end of the fiscal year, a increase in the deficit in the amount of \$238,486 from the prior year. The City continues to collect reimbursement of grant funds and part of the balance is due to timing. The City is currently repaying the grant fund for a grant that was not reimbursed in the past. In addition, if sufficient grant monies are not collected or recovered, the city will transfer from other funds that benefited from the various projects in order to relieve this deficit.

The Merged Redevelopment Project Areas 1,2,3, and 4 Debt Service Fund's fund balance increased from \$545,113 to \$1,014,606, an increase of \$469,493 from the prior year primarily due to a change in fund grouping.

The Low-income Housing Capital Projects Fund's fund balance decreased from \$2,381,408 to \$2,141,581 a decrease of \$239,827 primarily due to an increase in expenditures due to Housing assistance and modification of housing plans.

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

Enterprise Funds. Total net assets of the enterprise funds amounted to \$23,057,857 and total increase in net assets for these funds was \$303,193 for the year ended June 30, 2011.

Internal Service Funds. The City's internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for purchases of vehicles throughout the City. As of June 30, 2011, unrestricted net assets of the internal service funds were \$135,259 a total increase in net assets for these funds were \$47,003. The services provided by the internal service funds have been allocated to governmental functions, based on user percentages, in the government-wide financial statements.

**CITY OF SAN FERNANDO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

General Fund Budgetary Highlights

In the General Fund, the original total budgeted expenditures, compared to the final budget, decreased by \$370,129 primarily because of deferring capital purchases and maintenance costs.

During the year, actual revenues were less than budgetary estimates by \$105,562 due to decreases in business license revenue and a decrease in transfers to the general fund. The actual revenues decreased by \$516,818 from the prior year. This decrease was partially anticipated during the budget process since fund balance reserves were expected to pay for expenditures in excess of current year revenues.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities amounts to \$54,873,836 (net of accumulated depreciation of \$40,556,507) as of June 30, 2011. This investment in capital assets includes land, buildings, improvements other than building, infrastructure (roads, sidewalks, streetlights, etc.), and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was \$3,842,833 before depreciation.

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities	Business-type Activities	Total
Capital assets not being depreciated	\$ 6,469,707	\$ 683,314	\$ 7,153,021
Capital assets being depreciated	88,960,636	34,610,312	123,570,948
Less accumulated depreciation	(40,556,507)	(19,969,008)	(60,525,515)
Net	\$ 54,873,836	\$ 15,324,618	\$ 70,198,454

Additional information on the City's capital assets can be found in note 5 to the basic financial statements on pages 44 and 45 of this report.

Major capital asset events during the current fiscal year included the following:

Governmental activities:

- ❖ Capital asset additions in governmental activities include: Park Avenue improvements and the Lopez Adobe Rehabilitation.

Business-type activities:

- ❖ Upgrades relating to the water and sewer systems. Also, beginning the nitrate removal project.

**CITY OF SAN FERNANDO
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

Capital Asset and Debt Administration (Continued)

Debt Administration. At the end of the current fiscal year, total long-term debts amounted to \$26,500,648, of which \$11,670,000 are tax allocation bonds issued for redevelopment projects. The bonded indebtedness, net of the bond discount of \$49,842, is \$11,620,158. Total long-term debts in governmental activities consist of the following:

Bonded indebtedness:		
Tax Allocation Bonds	\$	11,670,000
Issuance discount		(49,842)
Other long-term debt:		
Section 108 loan		1,764,000
CHFA loan		912,692
Compensated absences		1,215,914
Claims payable		3,013,556
City of Los Angeles		-
County deferral		3,630,377
Other post-employment benefit obligation		4,343,951
Total	\$	<u>26,500,648</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 15 percent of its total assessed valuation. The current debt limitation for the City is \$56,042,792 which is significantly in excess of the City's outstanding general obligation debt. Additional information on the City's long-term debt can be found in Note 7 to the basic financial statements on pages 47-50 of this report.

Economic Factors and Next Year's Budget

In the fiscal year ending June 30, 2011, the City of San Fernando maintained a conservative budget in light of reduced revenues due to the downturn in economic conditions. The City has taken significant steps to address the fiscal challenges that it faces while maintaining the delivery of excellent municipal services to the community. Measures were implemented to ensure that costs were being recovered, and to augment revenues and improve efficiency. Such measures included a comprehensive updating of the City's schedule of fees for services in general, and the municipal code was amended to augment administrative fines for violations of the code so as to recover more of the cost of protecting and preserving the safety and the character of the community in particular, as positions become vacant they are not being filled to have a savings in staff costs, restructuring the deposits for new utility customers, applying for alternative fuel credits from the Federal government related to the sale of CNG (City's CNG station), and deferring capital purchases where deemed appropriate.

The City has also been able to implement major projects as a result of the aggressive approach it has taken towards seeking new funding sources. City staff is constantly looking for new ways of finding new revenues and uses the talents from within to approach new projects rather than paying additional fees to receive services. In this regard, significant accomplishments in the fiscal year ending June 30, 2011 included:

- Completion of the Park Avenue undergrounding of utilities. This project added extensive aesthetic improvements to the area.
- Completion of the Park Avenue Improvement Project. This was a multi-phase project which included: bulb-outs, pedestrian lighting, street improvements, landscaping, and pedestrian improvements to the streetscape so as to improve its function and to attract new private investment. This was funded through special revenue funds such as CDBG and Prop. 1B funds.
- Initiating the process to increase the utility rates, also known as the Prop. 218 process (This is expected to be completed in 2012.). This is necessary in order to maintain the necessary capital reserves to complete essential capital improvements and maintenance projects on the City's aging sewer and water infrastructure.
- Transmission Line improvements.
- Completion of the Virtual Patrol project. This was funded through federal grant funds. This project will be a valuable tool to the citizens and the Police Department in reducing and preventing crime within the City.

See independent auditors' report.

Economic Factors and Next Year's Budget (Continued)

In the upcoming fiscal year 2011-2012, the City plans to maintain a conservative budget in light of current economic conditions. Revenues to the General Fund are expected to fall slightly. Expenditures are expected to fall with anticipated savings from the continued practice of not filling positions as they become vacant. Also, the City will be entering into negotiations with all of the bargaining units in order to achieve savings. In spite of the economic conditions, the City plans on continuing with the Water Nitrate Project, the Trolley and Bus Shelter Project, Energy Efficient Induction Lighting Project, and several street paving and repair projects. Except for the Water Project, these projects will be funded through grants and/or special revenue funds. In order to sustain the continued delivery of excellent municipal services to the community, the City will continue to closely review all revenues, department budgets and projects in light of budget constraints. Where necessary, the City will prioritize the use of resources so as to meet the community's demand for critical municipal services. The City has implemented a rolling twelve month cash flow analysis and a monthly departmental review of financials (revenues and expenditures).

Request for Information

This financial report is designed to provide a general overview of the City's finances for readers of the financial statements. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Senior Accountant, San Fernando, California.

CITY OF SAN FERNANDO
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 3)	\$ 3,846,434	\$ 2,863,607	\$ 6,710,041
Restricted cash and investments (Note 3)	1,852,096	-	1,852,096
Receivables:			
Taxes	1,176,688	-	1,176,688
Accounts	576,845	867,729	1,444,574
Interest	3,928	29,838	33,766
Grants	1,046,884	-	1,046,884
Loans receivable	7,588,714	-	7,588,714
Internal balances	(4,566,313)	4,566,313	-
Prepaid items	11,621	-	11,621
Land held for resale	468,733	-	468,733
Inventories	46,142	-	46,142
Bond issue costs	256,909	-	256,909
Capital assets, not depreciated (Note 5)	6,469,707	683,314	7,153,021
Capital assets, depreciated, net (Note 5)	48,404,129	14,641,304	63,045,433
TOTAL ASSETS	67,182,517	23,652,105	90,834,622
LIABILITIES:			
Accounts payable	1,966,848	340,931	2,307,779
Accrued liabilities	588,881	94,245	683,126
Deposits payable	99,495	159,072	258,567
Retentions payable	132,319	-	132,319
Interest payable	175,348	-	175,348
Unearned revenue (Note 6)	445,500	-	445,500
Long-term liabilities (Note 7):			
Due within one year	2,203,183	-	2,203,183
Due in more than one year	24,297,465	-	24,297,465
TOTAL LIABILITIES	29,909,039	594,248	30,503,287
NET ASSETS:			
Invested in capital assets, net of related debt	43,598,683	15,324,618	58,923,301
Restricted for:			
Capital projects	2,552,019	-	2,552,019
Debt service	6,534,764	-	6,534,764
Recreational services	22,534	-	22,534
Public safety	605	-	605
Housing	3,930,160	-	3,930,160
Unrestricted	(19,365,287)	7,733,239	(11,632,048)
TOTAL NET ASSETS	\$ 37,273,478	\$ 23,057,857	\$ 60,331,335

See independent auditors' report and notes to basic financial statements.

CITY OF SAN FERNANDO
Statement of Activities
For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 9,051,209	\$ 2,503,993	\$ -	\$ -
Public safety	10,137,119	1,583,487	1,688,697	-
Community development	3,658,552	581,323	606,205	-
Public works	4,960,530	903,323	1,637,796	1,896,595
Parks and recreation	2,375,034	526,198	499,951	-
Interest expense	1,092,731	-	-	-
Total governmental activities	31,275,175	6,098,324	4,432,649	1,896,595
Business-type activities:				
Water	3,227,843	3,064,458	-	-
Sewer	1,867,044	2,383,329	-	-
Waste disposal	1,077,641	1,125,037	-	-
Total business-type activities	6,172,528	6,572,824	-	-
Total	\$ 37,447,703	\$ 12,671,148	\$ 4,432,649	\$ 1,896,595

General revenues:

Taxes:

Property

Sales and use

Property taxes in lieu of sales and use taxes

Franchise

Intergovernmental, unrestricted

Investment income

Gain on sale of property

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated

Net assets - end of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (6,547,216)	\$ -	\$ (6,547,216)
(6,864,935)	-	(6,864,935)
(2,471,024)	-	(2,471,024)
(522,816)	-	(522,816)
(1,348,885)	-	(1,348,885)
(1,092,731)	-	(1,092,731)
(18,847,607)	-	(18,847,607)
-	(163,385)	(163,385)
-	516,285	516,285
-	47,396	47,396
-	400,296	400,296
(18,847,607)	400,296	(18,447,311)
12,596,288	-	12,596,288
2,323,994	-	2,323,994
596,449	-	596,449
333,522	-	333,522
115,898	-	115,898
244,419	23,897	268,316
298,411	-	298,411
1,467,179	-	1,467,179
121,000	(121,000)	-
18,097,160	(97,103)	18,000,057
(750,447)	303,193	(447,254)
38,023,925	22,754,664	60,778,589
\$ 37,273,478	\$ 23,057,857	\$ 60,331,335

CITY OF SAN FERNANDO
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund Grants</u>
<u>Assets</u>		
Cash and investments (Note 3)	\$ -	\$ -
Restricted cash and investments (Note 3)	-	-
Receivables:		
Taxes	734,932	-
Accounts	398,660	12,706
Interest	2,479	-
Grants	-	704,374
Inventories	46,142	-
Due from other funds (Note 4)	22,236	-
Loans receivable	-	-
Advances to other funds (Note 4)	189,604	-
Prepaid items	1,632	-
Land held for resale	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,395,685</u>	<u>\$ 717,080</u>
<u>Liabilities and fund balances</u>		
Liabilities:		
Accounts payable	\$ 805,584	\$ 147,949
Accrued liabilities	462,600	33,670
Deposits	80,928	-
Retentions payable	-	23,421
Deferred revenue	152,218	656,423
Due to other funds (Note 4)	513,672	1,556,792
Advances from other funds (Note 4)	-	1,062,108
Total liabilities	<u>2,015,002</u>	<u>3,480,363</u>
Fund balances (deficits):		
Nonspendable:		
Inventories	46,142	-
Long-term receivables	-	-
Advances to other funds	189,604	-
Prepaid items	1,632	-
Land held for resale	-	-
Debt service	-	-
Restricted for:		
Low/mod income housing	-	-
Transportation	-	-
Air pollution	-	-
Parks and recreation	-	-
Public safety	-	-
Debt service	-	-
Unassigned	(856,695)	(2,763,283)
Total fund balances (deficits)	<u>(619,317)</u>	<u>(2,763,283)</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,395,685</u>	<u>\$ 717,080</u>

See independent auditors' report and notes to basic financial statements.

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Redevelopment Merged Project Areas #1, 2, 3, 4	Low-income Housing		
\$ 5,548	\$ 132,475	\$ 3,573,152	\$ 3,711,175
1,852,096	-	-	1,852,096
166,441	-	254,847	1,156,220
-	104,175	61,304	576,845
1,449	-	-	3,928
-	-	342,510	1,046,884
-	-	-	46,142
1,520,735	-	30,000	1,572,971
5,369,535	1,788,579	430,600	7,588,714
106,991	2,048,811	531,054	2,876,460
-	-	9,989	11,621
-	-	468,733	468,733
<u>\$ 9,022,795</u>	<u>\$ 4,074,040</u>	<u>\$ 5,702,189</u>	<u>\$ 20,911,789</u>
\$ 39,067	\$ 88,190	\$ 886,058	\$ 1,966,848
300	55,690	36,621	588,881
17,500	-	1,067	99,495
-	-	108,898	132,319
5,369,535	1,788,579	445,500	8,412,255
22,236	-	3,052,530	5,145,230
2,559,551	-	248,855	3,870,514
<u>8,008,189</u>	<u>1,932,459</u>	<u>4,779,529</u>	<u>20,215,542</u>
-	-	-	46,142
-	-	430,600	430,600
106,991	2,048,811	531,054	2,876,460
-	-	9,989	11,621
-	-	468,733	468,733
1,852,096	-	-	1,852,096
-	92,770	-	92,770
-	-	2,218,119	2,218,119
-	-	42,113	42,113
-	-	385,993	385,993
-	-	605	605
-	-	150,623	150,623
(944,481)	-	(3,315,169)	(7,879,628)
<u>1,014,606</u>	<u>2,141,581</u>	<u>922,660</u>	<u>696,247</u>
<u>\$ 9,022,795</u>	<u>\$ 4,074,040</u>	<u>\$ 5,702,189</u>	<u>\$ 20,911,789</u>

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CITY OF SAN FERNANDO
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011

Fund balances for governmental funds	\$ 696,247
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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 the governmental fund activity.

Capital assets	95,430,343
Accumulated depreciation	(40,556,507)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Also, bond issuance costs are not recorded as assets under modified accrual basis of accounting. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Balances at June 30, 2011 are:

Tax allocation bonds	(11,670,000)
Loans payable	(2,676,692)
County deferral	(3,630,377)
Deferred charges for issuance costs	256,909
Bond discount	49,842
Claims payable	(3,013,556)
Compensated absences	(1,215,914)
Net other post-employment benefit obligation	(4,343,951)

Accrued interest payable from the current portion of interest due on bonds payable has not been reported in the governmental funds.	(175,348)
---	-----------

Long-term receivables that are not available for current use. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	7,966,755
--	-----------

Long-term assets that are not available for current use. Amounts are not reported in the governmental funds.	20,468
--	--------

The internal service fund is used by management to charge the costs of equipment purchases to individual funds. The assets and liabilities of the internal service fund are included in the Statement of Net Assets.	135,259
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Net assets of governmental activities	<u>\$ 37,273,478</u>
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See independent auditors' report and notes to basic financial statements.

CITY OF SAN FERNANDO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General Fund	Special Revenue Fund Grants
Revenues:		
Taxes	\$ 6,789,846	\$ -
Licenses and permits	249,754	-
Charges for services	1,979,064	-
Fines and forfeitures	1,013,966	-
Investment earnings	351,860	383
Intergovernmental	2,555,168	1,874,003
Other	1,785,077	20,524
Total revenues	<u>14,724,735</u>	<u>1,894,910</u>
Expenditures:		
Current:		
General government	5,683,492	-
Public safety	9,816,020	724,169
Community development	423,282	129,489
Public works	2,186,033	24,395
Parks and recreation	1,119,709	160,569
Pass-throughs	-	-
SERAF	-	-
Capital outlay	-	1,194,774
Debt service:		
Principal	209,642	-
Interest and fiscal charges	-	-
Total expenditures	<u>19,438,178</u>	<u>2,233,396</u>
Excess of revenues over (under) expenditures	<u>(4,713,443)</u>	<u>(338,486)</u>
Other financing sources (uses):		
Transfers in (Note 4)	4,049,994	100,000
Transfers out (Note 4)	(236,663)	-
Sale of property	178,411	-
Total other financing sources (uses)	<u>3,991,742</u>	<u>100,000</u>
Net change in fund balances	(721,701)	(238,486)
Fund balances (deficit), beginning of year	<u>102,384</u>	<u>(2,524,797)</u>
Fund balances (deficits), end of year	<u>\$ (619,317)</u>	<u>\$ (2,763,283)</u>

See independent auditors' report and notes to basic financial statements

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Totals
Redevelopment Merged Project Areas #1, 2, 3, 4	Low-income Housing		
\$ 6,221,713	\$ -	\$ 4,422,297	\$ 17,433,856
-	-	-	249,754
-	-	718,537	2,697,601
-	-	169,333	1,183,299
147,342	48,647	22,429	570,661
-	-	2,576,228	7,005,399
136,850	104,175	285,304	2,331,930
6,505,905	152,822	8,194,128	31,472,500
125,965	537,866	1,363,031	7,710,354
1,500	-	15,000	10,556,689
-	401,911	1,410,274	2,364,956
-	-	874,889	3,085,317
-	-	1,051,920	2,332,198
1,540,765	-	171,712	1,712,477
392,608	-	32,294	424,902
-	-	1,640,659	2,835,433
1,180,000	300,000	243,893	1,933,535
738,342	-	132,067	870,409
3,979,180	1,239,777	6,935,739	33,826,270
2,526,725	(1,086,955)	1,258,389	(2,353,770)
-	1,347,128	2,106,317	7,603,439
(2,057,232)	(500,000)	(4,688,544)	(7,482,439)
-	-	-	178,411
(2,057,232)	847,128	(2,582,227)	299,411
469,493	(239,827)	(1,323,838)	(2,054,359)
545,113	2,381,408	2,246,498	2,750,606
\$ 1,014,606	\$ 2,141,581	\$ 922,660	\$ 696,247

CITY OF SAN FERNANDO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2011

Net change in fund balances - total governmental funds	\$ (2,054,359)
--	----------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

This the amount by which capital expense exceeded depreciation in the current period:

Capital expenditures	3,842,833
Depreciation expense	(2,791,320)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumed the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These amounts are the net effect of these differences in the treatment of long-term debt and related items:

Principal payments	1,933,534
Accrued interest added to the loan from CHFA	(30,830)
Accrued interest added to the county deferral loans	(237,501)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Interest expense	18,768
Amortization of bond discount	(5,413)
Amortization of issuance costs	(27,900)
Compensated absences	133,187
Other post-employment benefits	(1,586,466)

Claims payable expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net increase/decrease in claims liabilities for the current year.

(324,999)

Certain loans are recorded as expenditures in the governmental funds when issued. Repayments on these long-term loans are recorded as revenues in the governmental funds when collected. However, neither of these transactions have an effect on net assets:

Loans collected	(46,009)
-----------------	----------

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds:

Sales tax	(262,298)
Other revenues	521,323
Gain on sale of property	120,000

The change in net assets of the internal service fund is reported with governmental activities

47,003

Change in net assets of governmental activities

\$ (750,447)

See independent auditors' report and notes to basic financial statements.

CITY OF SAN FERNANDO
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Waste Disposal	Totals Enterprise Funds	
ASSETS					
CURRENT ASSETS:					
Cash and investments (Note 3)	\$ 778,636	\$ 2,084,971	\$ -	\$ 2,863,607	\$ 135,259
Customer accounts receivables, net	361,348	336,030	170,351	867,729	-
Inventory	29,838	-	-	29,838	-
Due from other funds (Note 4)	1,761,055	2,015,467	-	3,776,522	-
TOTAL CURRENT ASSETS	2,930,877	4,436,468	170,351	7,537,696	135,259
NONCURRENT ASSETS:					
Advances to other funds (Note 4)	-	2,494,054	-	2,494,054	-
Capital assets (Note 5):					
Land	26,345	-	-	26,345	-
Water rights	624,659	-	-	624,659	-
Construction in progress	32,310	-	-	32,310	-
Buildings and plant	5,597,393	118,501	-	5,715,894	-
Infrastructure	15,574,825	5,803,785	-	21,378,610	-
Land improvement	29,200	-	-	29,200	-
Equipment	6,660,195	772,756	53,657	7,486,608	-
Less accumulated depreciation	(16,296,194)	(3,658,165)	(14,649)	(19,969,008)	-
TOTAL NONCURRENT ASSETS	12,248,733	5,530,931	39,008	17,818,672	-
TOTAL ASSETS	15,179,610	9,967,399	209,359	25,356,368	135,259
LIABILITIES					
CURRENT LIABILITIES:					
Accounts payable	205,880	52,615	82,436	340,931	-
Accrued liabilities	67,993	22,166	4,086	94,245	-
Due to other funds (Note 4)	-	-	204,263	204,263	-
Customer deposits	159,072	-	-	159,072	-
TOTAL CURRENT LIABILITIES	432,945	74,781	290,785	798,511	-
NONCURRENT LIABILITIES:					
Advances from other funds (Note 4)	1,500,000	-	-	1,500,000	-
TOTAL LIABILITIES	1,932,945	74,781	290,785	2,298,511	-
NET ASSETS (DEFICIT):					
Invested in capital assets	12,248,733	3,036,877	39,008	15,324,618	-
Unrestricted	997,932	6,855,741	(120,434)	7,733,239	135,259
TOTAL NET ASSETS (DEFICIT)	\$ 13,246,665	\$ 9,892,618	\$ (81,426)	\$ 23,057,857	\$ 135,259

See independent auditors' report and notes to basic financial statements.

CITY OF SAN FERNANDO
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Waste Disposal	Totals Enterprise Funds	
OPERATING REVENUES:					
Charges for services	\$ 2,612,248	\$ 2,383,329	\$ 1,125,037	\$ 6,120,614	\$ 80,750
Other	452,210	-	-	452,210	-
TOTAL OPERATING REVENUES	3,064,458	2,383,329	1,125,037	6,572,824	80,750
OPERATING EXPENSES:					
Contractual services	133,721	336,332	813,858	1,283,911	-
Maintenance and operations	2,516,512	1,395,404	259,751	4,171,667	33,747
Depreciation	570,185	135,308	4,032	709,525	-
TOTAL OPERATING EXPENSES	3,220,418	1,867,044	1,077,641	6,165,103	33,747
OPERATING INCOME (LOSS)	(155,960)	516,285	47,396	407,721	47,003
NONOPERATING REVENUES (EXPENSES):					
Interest income	3,591	20,306	-	23,897	-
Interest expense	(7,425)	-	-	(7,425)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,834)	20,306	-	16,472	-
INCOME (LOSS) BEFORE TRANSFERS	(159,794)	536,591	47,396	424,193	47,003
TRANSFERS OUT	(61,000)	(60,000)	-	(121,000)	-
CHANGES IN NET ASSETS	(220,794)	476,591	47,396	303,193	47,003
TOTAL NET ASSETS (DEFICIT) - BEGINNING OF YEAR	13,467,459	9,416,027	(128,822)	22,754,664	88,256
TOTAL NET ASSETS (DEFICIT) - END OF YEAR	\$ 13,246,665	\$ 9,892,618	\$ (81,426)	\$ 23,057,857	\$ 135,259

See independent auditors' report and notes to basic financial statements.

CITY OF SAN FERNANDO
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Waste Disposal	Totals Enterprise Funds	
CASH FLOWS FROM					
OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 3,049,987	\$ 2,379,388	\$ 1,117,440	\$ 6,546,815	\$ 80,750
Payments to suppliers and contractors	(858,435)	(1,028,063)	(962,552)	(2,849,050)	(102,259)
Payments to employees	(1,639,957)	(669,793)	(109,920)	(2,419,670)	-
NET CASH PROVIDED (USED)					
BY OPERATING ACTIVITIES	<u>551,595</u>	<u>681,532</u>	<u>44,968</u>	<u>1,278,095</u>	<u>(21,509)</u>
CASH FLOWS FROM NONCAPITAL					
FINANCING ACTIVITIES:					
Loans from (to) other funds	(311,198)	177,461	(44,968)	(178,705)	-
Interest expense paid on advances	(7,425)	-	-	(7,425)	-
Transfers to other funds	(61,000)	(60,000)	-	(121,000)	-
NET CASH PROVIDED (USED)					
BY NONCAPITAL FINANCING	<u>(379,623)</u>	<u>117,461</u>	<u>(44,968)</u>	<u>(307,130)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND					
RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(486,386)	-	-	(486,386)	-
CASH FLOWS FROM					
INVESTING ACTIVITIES:					
Interest received	<u>3,591</u>	<u>20,306</u>		<u>23,897</u>	<u>-</u>
NET INCREASE (DECREASE) IN					
CASH AND CASH EQUIVALENTS	<u>(310,823)</u>	<u>819,299</u>	<u>-</u>	<u>508,476</u>	<u>(21,509)</u>
CASH AND CASH EQUIVALENTS -					
BEGINNING OF YEAR	<u>1,089,459</u>	<u>1,265,672</u>	<u>-</u>	<u>2,355,131</u>	<u>156,768</u>
CASH AND CASH EQUIVALENTS -					
END OF YEAR	<u>\$ 778,636</u>	<u>\$ 2,084,971</u>	<u>\$ -</u>	<u>\$ 2,863,607</u>	<u>\$ 135,259</u>

See independent auditors' report and notes to basic financial statements.

(Continued)

CITY OF SAN FERNANDO
Statement of Cash Flows (Continued)
Proprietary Funds
For the year ended June 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Waste Disposal	Totals Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (155,960)	\$ 516,285	\$ 47,396	\$ 407,721	\$ 47,003
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	570,185	135,308	4,032	709,525	-
Change in assets and liabilities:					
(Increase) decrease in customer accounts receivable	(8,320)	(3,941)	(7,597)	(19,858)	-
(Increase) decrease in inventory	7,885	-	-	7,885	-
Increase (decrease) in accounts payable	120,905	32,437	738	154,080	(68,512)
Increase (decrease) in accrued liabilities	23,051	1,443	399	24,893	-
Increase (decrease) in customer deposits	(6,151)	-	-	(6,151)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 551,595</u>	<u>\$ 681,532</u>	<u>\$ 44,968</u>	<u>\$ 1,278,095</u>	<u>\$ (21,509)</u>

See independent auditors' report and notes to basic financial statements.

CITY OF SAN FERNANDO
Statement of Fiduciary Assets and Liabilities
Agency Fund
For the year ended June 30, 2011

	<u>Assets</u>	<u>Agency Fund</u>
Cash and investments		\$ 108,257
Prepaid expenses		<u>808</u>
Total assets		<u>\$ 109,065</u>
	<u>Liabilities</u>	
Accounts payable		\$ 1,222
Deposits		<u>107,843</u>
Total liabilities		<u>\$ 109,065</u>

See independent auditors' report and notes to basic financial statements

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CITY OF SAN FERNANDO
Notes to Basic Financial Statements
June 30, 2011

1. REPORTING ENTITY:

The City of San Fernando, California was incorporated on August 31, 1911 under the general laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The financial reporting entity includes the accounts of the City of San Fernando (the City), the primary government and its component units, the San Fernando Redevelopment Agency (the Agency or the RDA) and the City of San Fernando Public Financing Authority (the Authority).

The financial statements of the City of San Fernando include the financial activities of the City and its component units for which the City is considered to be financially accountable. Financial accountability is determined on the basis of budget adoptions, taxing authority, funding and composition or appointments of the governing board. Blended component units, although legally separate entities, are part of the City's operations and data from these units are therefore combined with data of the City.

Blended Component Units:

Since the San Fernando City Council acts as the Board of Directors and is able to impose its will on the San Fernando Redevelopment Agency and the San Fernando Public Financing Authority, the City is considered to be the primary government and the other two entities are component units. Additionally, since the governing boards of the City and the component units are the same, the component units are blended.

The San Fernando Redevelopment Agency was established in 1965 pursuant to provisions of the California Health and Safety Code. The primary purpose of the Agency is to eliminate blighted areas by encouraging development of residential, commercial, industrial, recreational and public facilities. The Agency is accounted for in the City's financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board. The City Council members, in separate session, serve as the governing board of the Agency. The Agency is reported in the Debt Service and Capital Projects Funds. The Agency's financial statements may be obtained from the City's Finance Department located at San Fernando City Hall.

The City of San Fernando Public Financing Authority is a Joint Exercise of Powers Authority organized and existing under and by virtue of the Joint Exercise of Power Act of the Government Code of the State. The City and the Agency formed the Authority by the execution of a Joint Exercise of Powers Agreement. The primary purpose of the Authority is to issue bonds and make loans to the Agency. The Authority is accounted for in the City's financial statements in accordance with principles defining the governmental reporting entity adopted by the Governmental Accounting Standards Board (GASB). The City Council members, in separate session, serve as the governing board of the Authority. The Authority is reported in the Debt Service and Capital Projects Funds. There are no separate financial statements prepared for the Authority.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The underlying accounting system of the City 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.

Separate financial statements for the government's governmental and proprietary funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and other governmental funds in the aggregate for governmental and enterprise funds.

CITY OF SAN FERNANDO

Notes to Basic Financial Statements (Continued)

June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statement. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, 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 their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by nonspendable fund balance accounts.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued):**

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Classifications:

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

The General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Grants Special Revenue Fund is used to account for miscellaneous grants provided by federal, state and county agencies and expended for various street, park, recreation, human services and police purposes.

The Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest on general obligations of the Agency's Project Areas #1, 2, 3 and 4.

The Low-income Housing Capital Projects Fund is used to account for monies set aside in accordance with Redevelopment Law for the provision of affordable housing for low and moderate-income persons and families.

See independent auditors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Classifications (Continued):

The City reports the following major enterprise funds:

The Water Enterprise Fund is used to account for the provision of water services to all residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, operations, maintenance and major construction.

The Sewer Enterprise Fund is used to account for the provision of sewer services to all residents of the City. Processing of sewage is done by the City of Los Angeles under contract.

The Waste Disposal Enterprise Fund is used to account for the collection of solid waste from all residential utility accounts within the City. Solid waste collection and disposal is operated under a contract with a private disposal company.

The City's fund structure also includes the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than those for Capital Projects Funds) that are legally restricted to expenditures for special purposes.

The Debt Service Funds are used to account for the resources accumulated and payments made for interest and principal on general obligation debt, including tax allocation bonds and long-term notes payable of governmental funds.

The Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The Internal Service Fund is used to account for the financing of goods and services provided by one City department to other departments on a cost-reimbursement basis. The City's internal service fund is used to account for equipment replacements.

The Agency Fund is used to account for funds received by the City as an agent for the other entities.

Cash and Cash Equivalents:

In order to maximize investment return, the City pools its available cash for investment purposes. The cash management pool is used essentially as a demand deposit account by the participating funds. Accordingly, the City has defined, for purposes of the preparation of its statement of cash flows, cash and cash equivalents as demand deposits, plus all investments maintained in the cash management pool, regardless of maturity period.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Cash and Investments:

Investments are stated at fair value (the value at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale).

Inventories:

Inventories of the enterprise funds, consisting primarily of materials and supplies, are stated at cost determined by the first-in, first-out method. Inventories of the governmental funds are recorded as expenditures when purchased.

Land Held for Resale:

Land held for resale in the capital projects funds are recorded at the lower of acquisition cost or fair value.

Capital Assets:

Capital assets, which include land, structures and improvements, machinery and equipment and infrastructure assets, are recorded in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures in the governmental funds in fund financial statements and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met.

Capital assets include additions to public domain (infrastructure) which includes certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, and right-of-way corridors within the City.

The provision for depreciation is computed by use of the straight-line method over the estimated useful lives of assets, which are as follows:

Buildings	50 years
Infrastructure	Up to 50 years
Improvements other than buildings	20 years
Furniture and equipment	Up to 30 years
Vehicles and related equipment	Up to 8 years

See independent auditors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital Assets (Continued):

Water rights are recorded in the Water Enterprise Fund in the amount of \$624,659, which is the net acquisition cost. The asset represents amounts paid to the Metropolitan Water District of Southern California for the right to purchase water. Because the rights have an indefinite life and normally appreciate in value over time, the City has elected not to amortize the cost of water rights. This treatment is in accordance with accounting principles generally accepted in the United States of America.

Deferred Revenues:

Deferred revenues in fund financial statements arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them (e.g., when grant monies are received prior to the incurrence of qualifying expenditures).

Restricted Assets:

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Compensated Absences:

Employees can accrue vacation, sick leave or annual leave depending on the employee's status (management or non-management). In addition, non-management personnel may earn compensation time in lieu of overtime pay. Vacation, annual leave, and compensation leave are paid out 100% upon employee termination. Sick leave is paid out up to 50% upon retirement only.

Both vacation and annual leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are expected to be paid primarily by the General Fund.

Claims and Judgments:

When it is probable that a claim liability has been incurred at year-end, and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program. For governmental funds, if claims will not be liquidated from currently available resources, they are recorded only in the government-wide financial statements. A liability of \$19,444 is recorded in the City's General Fund.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Interfund Transactions:

Interfund transactions are reflected as loans, services provided reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "noncurrent loans due to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation of the government-wide presentation.

Property Taxes:

Property taxes include assessments on both secured and unsecured property. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments which are delinquent if not paid by December 10 and April 10. The County of Los Angeles bills and collects the property taxes and remits them to the City in installments during the year. The City records property taxes as revenue when received from the County, except for property taxes received within 60 days after fiscal year-end, which are accrued at June 30th.

The County is permitted by State Law (Article XIII A of the California Constitution) to levy taxes at one percent (1%) of full market value (at time of purchase) and can increase the property's value at no more than two percent (2%) per year. The City receives a share of this basic levy.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

3. CASH AND INVESTMENTS:

Cash and Investments:

The following is a summary of cash and investments at June 30, 2011:

	Government-wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Cash and investments	\$ 6,710,041	\$ 108,257	\$ 6,818,298
Restricted cash and investments	<u>1,852,096</u>	<u>-</u>	<u>1,852,096</u>
Total cash and investments	<u>\$ 8,562,137</u>	<u>\$ 108,257</u>	<u>\$ 8,670,394</u>

Cash and investments at June 30, 2011 consisted of the following:

Demand deposits	\$ 3,596,920
Petty cash	1,200
Investments	<u>5,072,274</u>
Total cash and investments	<u>\$ 8,670,394</u>

The City pools its cash and investments for all fund entities except for cash and investments held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the weighted average cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

See independent auditors' report.

CITY OF SAN FERNANDO**Notes to Basic Financial Statements (Continued)****June 30, 2011****3. CASH AND INVESTMENTS (CONTINUED):****Investment Policies:**

The City's investment policy outlines the guidelines required to be used in effectively managing the City's available cash in accordance with the California Government Code. Summarized below are the investment vehicles that are authorized and certain provisions of the policy that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maturity</u>	<u>Maximum Allowable Investment Percentage</u>	<u>Maximum Percentage per Issuer</u>
United States Treasury Obligations	5 years	None	N/A
United States Government Sponsored Agency Securities	5 years	45%	None
Certificates of Deposits or Time Deposits (collateralized)	5 years	None	Lesser of \$1,000,000 or 1%
Bankers' Acceptances	180 days	40%	Lesser of \$1,000,000 or 30%
Commercial Paper	15 days	15%	\$ 500,000
Local Agency Investment Fund (LAIF)	N/A	Unlimited	\$ 15,000,000

N/A - Not Applicable

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. Most of the City's investments are held in trust by a fiscal agent as required by the bond indenture. A table summarizing distribution of the City's investment by maturity as of June 30, 2011 is as follows:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>
	<u>12 Months or Less</u>
Local Agency Investment Fund	\$ 2,870,178
Certificates of Deposits	350,000
Held by Bond Trustees:	
Money Market Mutual Funds	1,852,096
	<u>\$ 5,072,274</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

3. CASH AND INVESTMENTS (CONTINUED):

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 (where applicable) by the California Government Code or the City's investment policy and actual rating by Standard and Poors as of the year ended for each investment type:

Investment Type	Total Investment	Minimum Legal Rating	Ratings as of Year End		
			AAA	Not Required to be Rated	Unrated
Local Agency Investment Fund	\$ 2,870,178	N/A	\$	\$ -	\$ 2,870,178
Certificates of Deposits	350,000	N/A	-	350,000	-
Held by Bond Trustees:					
Money Market Mutual Funds	1,852,096	A	1,852,096	-	-
	<u>\$ 5,072,274</u>		<u>\$ 1,852,096</u>	<u>\$ 350,000</u>	<u>\$2,870,178</u>

Concentration of Credit Risk:

At June 30, 2011, the City had no investments in any one issuer that represent 5% or more of total City investments.

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 California Government Code and the City's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2011, the carrying amount of the City's deposits was \$3,596,920 and balances per bank were \$4,072,307 all of which are federally insured. The difference of \$475,387 represents outstanding checks, deposits in transit and other reconciling items.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

3. CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Continued):

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investment in State Investment Pool:

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

4. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS:

Due To and Due From:

Due to/Due from other funds at June 30, 2011 are as follows:

Receivable	Payable	Amount
General Fund	Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund	\$ 22,236
Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund	Other Governmental Funds	1,520,735
Other Governmental Funds	Other Governmental Funds	30,000
Water Enterprise Fund	Grants Special Revenue Fund Waste Disposal Enterprise Fund	1,556,792 204,263
Sewer Enterprise Fund	General Fund Other Governmental Funds	513,672 1,501,795
		<u>\$ 5,349,493</u>

The outstanding balances between funds result mainly from interfund borrowings to cover operating deficits.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

4. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

Long-term Advances:

At June 30, 2011, the City had the following interfund long-term advances:

Receivable	Payable	Amount
General Fund	Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund (1)	\$ 189,604
Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund	Other Governmental Funds (2)	106,991
Low-income Housing Capital Projects Fund	Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund (5) Other Governmental Funds (5)	1,906,947 141,864
Other Governmental Funds	Grants Special Revenue Fund (3)	531,054
Sewer Enterprise Fund	Grants Special Revenue Fund (3) Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund (6) Water Enterprise Fund (4)	531,054 463,000 <u>1,500,000</u>
		<u>\$ 5,370,514</u>

- (1) On June 2, 2003, the City entered into an agreement with the Redevelopment Agency whereby the City conveyed a property to the Agency for the initial down payment of \$825,000, as well as a 15-year note with a 5% interest rate and annual payments of \$209,544. On January 15, 2010, the loan was restructured to include additional accelerated payments of \$220,000 in 2011 and 2012. As of June 30, 2011, the outstanding balance on the note is \$189,604.
- (2) The interest is payable on the unpaid principal of the loan between Project Area #3 and #2, compounded annually on a 360 day year, at a rate calculated as the average rate earned on the funds deposited by the City into the Local Agency Investment Fund. The principal is due May 15, 2013.

See independent auditors' report.

CITY OF SAN FERNANDO**Notes to Basic Financial Statements (Continued)****June 30, 2011****4. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):****Long-term Advances (Continued):**

- (3) On May 7, 2001, the Other Governmental Fund (Retirement Tax Special Revenue Fund) and the Sewer Enterprise Fund advanced \$750,000 each to the Grants Special Revenue Fund. The interest is payable on the unpaid principal of the loan, compounded annually on a 360 day year, at a rate calculated as the average rate earned on the funds deposited by the City into the Local Agency Investment Fund. The principal is due within 20 years, or sooner if funds are available. As of June 30, 2011, the outstanding balance due to the Retirement Tax Special Revenue Fund and the Sewer Enterprise Fund are \$531,054 and \$531,054, respectively.
- (4) On October 18, 1999, the Sewer Enterprise Fund advanced \$1,500,000 to the Water Enterprise Fund. The interest is payable on the unpaid principal of the loan, compounded annually on a 360 day year, at a rate calculated as the average rate earned on the funds deposited by the City into the Local Agency Investment Fund. As of June 30, 2011, the outstanding balance of the advance is \$1,500,000.
- (5) On January 19, 2010, the Low-income Housing Capital Projects Fund advanced \$2,063,811 to the Redevelopment Agency to cover the SERAF payment to the State. The advanced amount will be repaid in full by June 30, 2015. As of June 30, 2011, the outstanding balance due to the Low-income Housing Capital Projects Fund is \$2,048,811.
- (6) On February 16, 2010, the Sewer Enterprise Fund advanced \$463,000 to the Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund to aid in the financing of redevelopment activities of the Agency. The interest is payable on the unpaid principal of the loan, compounded annually on a 360 day year, at a rate calculated as the average rate earned on the funds deposited by the City into the Local Agency Investment Fund. The principal is due May 15, 2014. As of June 30, 2011 the outstanding balance is \$463,000.

Transfers In and Transfers Out:

Transfers in and out for the year ended June 30, 2011 are as follows:

Transfers In	Transfers Out	Amount
General Fund	Low-income Housing Capital Projects Fund	\$ 500,000
	Other Governmental Funds	3,428,994
	Water Enterprise Fund	61,000
	Sewer Enterprise Fund	60,000
Grants Special Revenue Fund	General Fund	100,000
Low-income Housing Capital Projects Fund	Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund	1,244,343
	Other Governmental Funds	102,785

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

4. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED):

Transfers In and Transfers Out (Continued):

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 136,663
	Redevelopment Merged Project Areas #1, 2, 3, and 4	
	Debt Service Fund	812,889
	Other Governmental Funds	<u>1,156,765</u>
		<u>\$ 7,603,439</u>

The Other Governmental Fund (Retirement Tax Special Revenue Fund) transferred \$2,228,272 to the General Fund for reimbursement of retirement costs.

The Other Governmental Funds, Water, and Sewer Enterprise Funds and RDA Merged Project Areas #1, 2, 3, and 4 Capital Projects Fund transferred monies to the General Fund for operating maintenance costs. The Low-income Housing Capital Projects Fund transferred \$500,000 to the General Fund as partial payment for the ability to develop affordable housing on property owned by the city.

The General Fund transferred \$100,000 to the Grants Special Revenue Fund for repayment of a long-term advance to the Retirement Tax Special Revenue and the Sewer Enterprise Funds.

Transfers by the Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund and the Other Governmental Fund (Redevelopment Project Area #1A Debt Service Fund) for \$1,244,343 and \$102,785, respectively, to the Low-income Housing Capital Projects Fund were for the required 20% set-aside funds.

The Redevelopment Merged Project Areas #1, 2, 3, and 4 Debt Service transferred \$712,523 to the Other Governmental Funds (Redevelopment Merged Project Areas #1, 2, 3, and 4 Capital Projects Fund) for related capital projects costs incurred.

The Redevelopment Merged Project Areas #1, 2, 3, and 4 Debt Service Fund transferred \$100,366 to Other Governmental Funds for reimbursement of retirement costs.

The Other Governmental Funds transferred \$1,156,765 to Other Governmental Funds for related capital projects costs incurred.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

5. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2011 is as follows:

Governmental Activities:	Balance at July 1, 2010 (As Restated)	Additions	Deletions	Balance at June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 3,397,105	\$ 1,000,000	\$ -	\$ 4,397,105
Construction in progress	1,392,129	680,473	-	2,072,602
Total capital assets, not being depreciated	4,789,234	1,680,473	-	6,469,707
Capital assets, being depreciated:				
Buildings	27,051,347	-	-	27,051,347
Improvements other than buildings	4,769,359	5,635	-	4,774,994
Machinery and equipment	6,824,228	921,642	-	7,745,870
Infrastructure	48,153,342	1,235,083	-	49,388,425
Total capital assets, being depreciated	86,798,276	2,162,360	-	88,960,636
Less accumulated depreciation for:				
Buildings	(5,276,558)	(719,750)	-	(5,996,308)
Improvements other than buildings	(2,071,162)	(199,417)	-	(2,270,579)
Machinery and equipment	(4,733,947)	(539,729)	-	(5,273,676)
Infrastructure	(25,683,520)	(1,332,424)	-	(27,015,944)
Total accumulated depreciation	(37,765,187)	(2,791,320)	-	(40,556,507)
Total capital assets, being depreciated, net	49,033,089	(628,960)	-	48,404,129
Governmental activities capital assets, net	\$ 53,822,323	\$ 1,051,513	\$ -	\$ 54,873,836

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 9,018
Public safety	377,290
Public works	2,111,786
Parks and recreation	88,294
Community development	204,932
Total depreciation expense - governmental activities	\$ 2,791,320

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

5. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activities capital assets at June 30, 2011 is as follows:

Business-type Activities:	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 26,345	\$ -	\$ -	\$ 26,345
Water rights	624,659	-	-	624,659
Construction in-progress	-	278,735	(246,425)	32,310
Total capital assets, not being depreciated	<u>651,004</u>	<u>278,735</u>	<u>(246,425)</u>	<u>683,314</u>
Capital assets, being depreciated:				
Buildings	5,715,894	-	-	5,715,894
Improvements other than buildings	29,200	-	-	29,200
Infrastructure	21,238,805	139,805	-	21,378,610
Machinery and equipment	6,598,864	314,270	-	6,913,134
Vehicles	573,474	-	-	573,474
Total capital assets, being depreciated	<u>34,156,237</u>	<u>454,075</u>	<u>-</u>	<u>34,610,312</u>
Less accumulated depreciation for:				
Buildings	(2,567,444)	(112,657)	-	(2,680,101)
Improvements other than buildings	(29,200)	-	-	(29,200)
Infrastructure	(11,479,291)	(416,163)	-	(11,895,454)
Machinery and equipment	(4,668,814)	(161,153)	-	(4,829,967)
Vehicles	(514,734)	(19,552)	-	(534,286)
Total accumulated depreciation	<u>(19,259,483)</u>	<u>(709,525)</u>	<u>-</u>	<u>(19,969,008)</u>
Total capital assets, being depreciated, net	<u>14,896,754</u>	<u>(255,450)</u>	<u>-</u>	<u>14,641,304</u>
Business-type activities capital assets, net	<u>\$ 15,547,758</u>	<u>\$ 23,285</u>	<u>\$ (246,425)</u>	<u>\$ 15,324,618</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water	\$ 570,185
Sewer	135,308
Waste disposal	<u>4,032</u>
Total depreciation expense - business-type activities	<u>\$ 709,525</u>

See independent auditors' report.

CITY OF SAN FERNANDO**Notes to Basic Financial Statements (Continued)****June 30, 2011****6. LOAN RECEIVABLE AND UNEARNED REVENUES:**

The City uses Agency and Community Development Block Grant (CDBG) funds to provide housing rehabilitation loans to eligible applicants. Such loans are made to low and moderate-income persons to improve, rehabilitate, or replace residences. The City accounts for loans issued with Agency funds in the Low-income Housing Capital Projects Fund. The CDBG fund's primary asset consists of notes receivable from participants that originated from HUD funds. The CDBG loans totaling \$430,600, when collected, are due back to the granting agency and therefore, are deferred at the Government-wide Statement of Net Assets, in addition to a \$14,900 receivable consisting of unearned revenue.

Account balances related to these programs at June 30, 2011, consisted of the following:

Rehabilitation loan program recorded in the
Low-income Housing Capital Projects Fund:

Loans receivable	\$ 1,788,579
Deferred revenue	1,788,579

First-time homebuyer program in the Community
Development Block Grant Fund:

Loans receivable	\$ 430,600
Deferred revenue	430,600

The Agency entered into a Disposition and Development Agreement on July 2, 2007 to purchase a parcel of Agency-owned land (City yard). For consideration, the Agency received an initial down payment of \$500,000 and a ten-year note in the amount of \$5,069,335. For the Agency, the Agency recognized the portion of the sale financed by the note as deferred as this amount is not considered available to pay for current expenditures. The note payable is due in ten annual payments of \$125,000 and a balloon payment of \$3,819,335 at the end of the tenth year, June 30, 2017. No interest on any annual payment, paid on time, will be charged. Annual interest of 10% will accrue for any amount in default, until the default is cured. The loan receivable and deferred revenue balance for this agreement is \$4,694,335 as of June 30, 2011 and is recorded in the Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund.

The Agency entered into a Disposition and Development Agreement whereby the Agency loaned \$700,000 to a developer aid in the construction of the project. The loan accrues interest as follows: (i) 2% simple interest if the project is fully leased; or (ii) 4% simple interest if the project is not fully leased. Commencing on the first anniversary of the Interest Start Date of October 1, 2002, and each year thereafter, the interest accrued during the previous twelve (12) month period on one-half (1/2) of the principal shall be forgiven, if the project is occupied continuously during the previous twelve (12) month period. The loan payable is due in annual payments ranging from \$6,900 to \$46,056 over a period of 30 years maturing October 1, 2031. For fiscal year ended June 30, 2011, the project was fully leased and occupied continuously during the previous twelve month period resulting in interest income of \$7,000. The Agency received \$80,800 in fiscal year 2010-2011 for accrued interest from prior years. The outstanding loan balance for this agreement is \$675,200 as of June 30, 2011 and is recorded in the Redevelopment Merged Project Areas #1, 2, 3 and 4 Debt Service Fund.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

7. LONG-TERM LIABILITIES:

The following is a summary of long-term liability transactions for the year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Due Within One Year
Bonded indebtedness	\$ 12,850,000	\$ -	\$(1,180,000)	\$ 11,670,000	\$ 1,230,000
Less deferred amounts:					
Issuance discount	(55,255)	-	5,413	(49,842)	-
Subtotal	12,794,745	-	(1,174,587)	11,620,158	1,230,000
CHFA loan	1,181,862	30,830	(300,000)	912,692	-
Section 108 loan	2,002,000	-	(238,000)	1,764,000	252,000
County deferral	3,398,769	237,501	(5,893)	3,630,377	-
Claims payable (Note 9)	2,688,557	1,675,480	(1,350,481)	3,013,556	478,000
City of Los Angeles	209,641	-	(209,641)	-	-
Compensated absences	1,349,101	-	(133,187)	1,215,914	243,183
Other post-employment benefit obligation (Note 10)	2,757,485	2,485,403	(898,937)	4,343,951	-
Total	\$ 26,382,160	\$ 4,429,214	\$(4,310,726)	\$ 26,500,648	\$ 2,203,183

Bonded Indebtedness:

At June 30, 2011, bond indebtedness consisted of the following:

	Date Issued	Final Maturity	Interest Rate %	Amount Issued	Outstanding
Tax Allocation Bonds:					
1998 Project Area #1	June 1998	September 2014	4.00 - 5.25	\$ 1,320,000	\$ 430,000
1998 Project Area #3	June 1998	September 2014	4.00 - 5.25	6,360,000	2,030,000
2006 Project Area #3	December 2006	September 2020	3.25 - 4.125	11,490,000	9,210,000
Less: issuance discount				-	(49,842)
Total				\$19,170,000	\$11,620,158

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Bonded Indebtedness (Continued):

1998 Project Areas #1 and #3 Tax Allocation Bonds

In June 1998, the Agency defeased its 1987 and 1991 (Project Areas #1 and #3) Tax Allocation Bonds by placing a portion of the proceeds of the new 1998 Tax Allocation Bonds in an irrevocable trust to provide for all future debt service payments related to the Agency's 1987 and 1991 issuances. Accordingly, the trust assets and liability for the defeased debt are not included in the Agency's financial statements. In fiscal year 2002-2003, all defeased bonds were paid, and none remains outstanding.

The San Fernando Redevelopment Agency sold two series of bonds in the amounts of \$1,320,000 and \$6,360,000, for Project Areas #1 and #3, respectively, to provide funds to advance refund the 1987 Project Area #1 Bonds, the 1987 Project Area #3 Bonds and a portion of the 1991 Project Area #2 Bonds. A portion of the bond proceeds were used to finance additional redevelopment projects.

Annual interest rates on the tax allocation bonds for Project Area #1 range from 4.0% to 5.25% with interest payable semiannually. The bonds mature in amounts ranging from \$80,000 to \$115,000 through the year 2014. Bonds maturing on or after September 15, 2006 are subject to call or redemption prior to their stated maturity at a premium ranging from 2.0% in 2006 to 0.5% in 2008 and 2009, and at par thereafter. As of June 30, 2011 \$430,000 of the bonds were outstanding.

Annual interest rates on the tax allocation bonds for Project Area #3 range from 4.0% to 5.25% with interest payable semiannually. The bonds mature in amounts ranging from \$385,000 to \$545,000 through the year 2014. Bonds maturing after March 15, 2006 are subject to call or redemption prior to their stated maturity at a premium ranging from 2.0% in 2006 to 0.5% in 2008 and 2009, and at par thereafter. As of June 30, 2011 \$2,030,000 of the bonds were outstanding.

2006 Project Area #3 Tax Allocation Bonds

In December 2006, the Agency, Civic Center Redevelopment Project Area #3, issued \$11,490,000 of Series 2006 Tax Allocation Bonds for the completion of the aquatic center and the acquisition, construction and relocation to a new City yard and various street improvements. The bonds were issued on parity with the 1998 Tax Allocation Bonds. The bonds mature in annual installments ranging from \$420,000 to \$1,425,000 with coupon rates ranging from 3.25% to 4.125%. Interest payments are due each March 15 and September 15, commencing March 15, 2007. Final maturity of the bonds is September 15, 2020. As of June 30, 2011, \$9,210,000 of the bonds were outstanding.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Bonded Indebtedness (Continued):

Future debt service requirements, for all bonded indebtedness, to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,230,000	\$ 448,358	\$ 1,678,358
2013	1,280,000	395,445	1,675,445
2014	1,335,000	339,786	1,674,786
2015	1,390,000	281,616	1,671,616
2016	1,330,000	228,606	1,558,606
2017 - 2021	5,105,000	438,115	5,543,115
Subtotals	11,670,000	2,131,926	13,801,926
Less deferred amounts:			
Issuance discount	(49,842)	-	(49,842)
Totals	<u>\$ 11,620,158</u>	<u>\$ 2,131,926</u>	<u>\$ 13,752,084</u>

CHFA Loan:

On August 5, 2002, the City and California Housing Finance Agency (CHFA) entered into a Housing Enabled by Local Partnerships (HELP) loan agreement whereby the City borrowed \$1,000,000 from CHFA for the purpose of financing the development of affordable senior citizen rental projects in the City. The loan bears simple interest of 3% per annum. Interest is deferred and added to principal annually. Outstanding balance of the loan and any accrued interest is payable on August 5, 2012. The outstanding balance as of June 30, 2011, was \$912,692.

Section 108 Loan:

The City and the County of Los Angeles entered into a loan agreement for a Section 108 loan in the amount of \$3,000,000 for the City's regional swimming pool facility. The loan bears interest at the rate per annum equal to 3 month-LIBOR plus 20 basis points (or such higher rate as may be imposed by HUD). The outstanding balance on the loan as of June 30, 2011 was \$1,764,000.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

7. LONG-TERM LIABILITIES (CONTINUED):

Section 108 Loan (Continued):

Future debt service requirements, for the Section 108 loan, to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 252,000	\$ 93,297	\$ 345,297
2013	268,000	79,314	347,314
2014	284,000	64,075	348,075
2015	301,000	47,588	348,588
2016	320,000	29,648	349,648
2017	339,000	10,136	349,136
Totals	<u>\$ 1,764,000</u>	<u>\$ 324,058</u>	<u>\$ 2,088,058</u>

County Deferral:

The Agency and County of Los Angeles (the County) entered into an agreement whereby the County will defer tax increment (County Deferral) generated within the project area to meet the Agency's debt service obligations. The County Deferral, accrued at an interest rate of 7%, is to be repaid whenever the Agency receives property tax in excess of its bonded debt payment requirements. The County Deferrals are recorded as revenue when received by the Agency and reclassified as debt in the statement of net assets as noncurrent liabilities. At June 30, 2011, the balance of the County Deferral, including interest, was \$3,630,377.

City of Los Angeles:

On August 5, 2008, the City and the Los Angeles Fire Department entered into a repayment plan for outstanding supplemental annual fees from fiscal years 2003 through 2006. Annual fire department fees were deferred in anticipation of constructing a local fire department, which would have made the fees inapplicable. This construction did not occur and the City must repay the outstanding annual fees. During the year, the outstanding balance was paid off.

Compensated Absences:

The City's policies relating to compensated absences are described in Note 2. This liability amounting to \$1,215,914 is expected to be repaid from future resources, typically liquidated from the General Fund.

See independent auditors' report.

8. CITY EMPLOYEES RETIREMENT SYSTEM (DEFINED BENEFIT PENSION PLAN):

Plan Description:

The City of San Fernando participates in the Miscellaneous 3% at 60 and 2% at 55 (Tier I and Tier II) Risk Pools and the Safety 3% at 50 and 2% at 55 (Tier I and Tier II) Risk Pools of the California Public Employee's Retirement System (PERS), cost-sharing, multiple-employer defined benefit pension plans administered by PERS. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions and all other requirements are established by State statute and District ordinance. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, California 95814.

Funding Policy:

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Active City employees are required to contribute 7% (Tier II), 8% (Tier I), or 9% (safety employees) of their annual covered salary to PERS. The City makes 50% of the contributions required of City general employees on their behalf and for their account and 100% for management and safety employees. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The current rates for the Miscellaneous Tier I and Tier II Plans are 23.71% and 11.21% of covered payroll, respectively. The current rates for the Safety Tier I and Tier II Plans are 38.17% and 24.18% of covered payroll, respectively. The City's total contributions to CalPERS for the years ended June 30, 2011, 2010 and 2009 were \$2,344,640, \$2,498,872, and \$2,402,379, respectively and were equal to the required contribution for each year.

9. SELF-INSURANCE PROGRAM:

Workers' Compensation:

The City maintains a program of self-insurance for any liability to City employees pursuant to the Workers' Compensation Laws of the State of California. A service agent administers this program. The City is self-insured for the first \$500,000 on each claim. A private insurance company up to the statutory limit provides insurance coverage in excess of the self-insured amount. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2011, the amount of these liabilities was \$2,685,000. This liability is the City's best estimate based on available information.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

9. SELF-INSURANCE PROGRAM (CONTINUED):

General Liability:

Additionally, the City is a member of the Independent Cities Risk Management Authority (the Authority), which provides member cities with general liability insurance. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, errors and omissions and certain other coverage. Annual premium payments are paid by member cities and are adjusted retrospectively to cover costs. Each member city, including San Fernando, self-insures from the first dollar to a limit of \$1,000,000. Participating cities then share above the retention level of \$250,000 to \$20,000,000 per loss occurrence.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2011, the amount of these liabilities was \$328,556. This liability is the City's best estimate based on available information. During the current fiscal year, there were no significant reductions in insurance coverage. Annual settlements during each of the last three fiscal years have not exceeded insurance coverage in any year.

The Authority is comprised of Southern California member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Each member city has a representative on the Board of Directors. The Board members elect officers of the Authority annually.

Changes in Self-Insurance Liability:

Changes in the reported liabilities resulted from the following:

	<u>2010 - 2011</u>	<u>2009 - 2010</u>
Beginning of fiscal year	\$ 2,688,557	\$ 2,757,556
Claims and changes in claim estimates	1,675,480	187,001
Claim payments	<u>(1,350,481)</u>	<u>(256,000)</u>
	<u>\$ 3,013,556</u>	<u>\$ 2,688,557</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

10. OTHER POST-EMPLOYMENT BENEFITS:

a. Plan Description:

The City contributes to a single-employer defined benefit plan to provide post-employment health care benefits. Specifically, the City provides health insurance for its retired employees and their dependent spouses (if married and covered on the City's plan at time of retirement), or survivors in accordance with Board resolutions. Medical coverage is provided for retired employees who are age 50 or over and who have a minimum of 5 years service with the City as long as such individuals retire within 120 days of separation from employment and receive a monthly retirement allowance. The City pays 100% of all premiums charged for the retiree and dependents under the health benefit plan administered by CalPERS in which the individual is able to select, on an annual basis, an insurance carrier from a number of insurance carriers. Medical coverage is provided for the surviving spouse of retired employees and the surviving spouse of active employees who upon death had attained age 50 and who had a minimum of 5 years of service with the City in addition to satisfying the requirement to retire within 120 days of separation. The City will pay 100% of the premiums charged until the surviving spouse remarries, becomes enrolled under another group health plan, or cancels coverage. The plan does not provide a publicly available financial report.

b. Funding Policy:

The contribution requirements of plan members and the City are established and may be amended by the City, City's Board of Directors, and/or the employee associations. Currently, contributions are not required from plan members. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the year ended June 30, 2011, the City paid \$898,937 in health care costs for its retirees and their covered dependents.

c. Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a period not to exceed thirty years.

The following table shows the component of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset.

Annual required contribution (ARC)	\$ 2,487,845
Interest on Net OPEB obligation	110,299
Adjustment to ARC	<u>(112,741)</u>
Annual OPEB cost	2,485,403
Contribution made	<u>(898,937)</u>
Increase in Net OPEB obligation	1,586,466
Net OPEB obligation at June 30, 2010	<u>2,757,485</u>
Net OPEB obligation at June 30, 2011	<u>\$ 4,343,951</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

d. Three-Year Trend Information:

Annual OPEB cost, percentage of Annual OPEB Cost contributed, and Net OPEB Obligation (only available for the two years), are presented below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution (Net of Adjustments)</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2009	\$ 2,119,349	\$ 809,610	38.20%	\$ 1,309,739
6/30/2010	2,220,854	773,108	34.81%	2,757,485
6/30/2011	2,485,403	898,937	36.17%	4,343,951

e. Funded Status and Funding Progress:

As of April 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$33,727,414, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$33,727,414. The covered payroll (annual payroll of active employees covered by the plan) was \$7,991,271 and the ratio of the UAL to the covered payroll was 422.05%.

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

f. Actuarial Methods and Assumptions:

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

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

10. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED):

f. Actuarial Methods and Assumptions (Continued):

In the April 1, 2011, actuarial valuation, the entry age normal cost level percent of pay method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), inflation rate of 3.25%, and an annual healthcare cost trend rate of 9% initially, reduced by .5% per year to an ultimate rate of 4.5%. The City's unfunded actuarial accrued liability will be amortized as a level of percentage pay over a closed period of 28 years. It is assumed the City's payroll will increase 3.25% per year.

11. FUND BALANCES:

The City has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011. The fund balances reported on the fund statements now consist of the following categories:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

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CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

12. DEFICIT NET ASSETS/FUND BALANCES AND EXCESS EXPENDITURES:

The following funds reported deficits in net assets/fund balances at June 30, 2011:

Major Fund:	
General Fund	\$ (619,317)
Grants Special Revenue Fund	(2,763,283)
Other Governmental Funds:	
Recreation Special Revenue Fund	(59,792)
Street Lighting Special Revenue Fund	(23,893)
Retirement Tax Special Revenue Fund	(611,751)
Community Development Block Grant Special Revenue Fund	(7,034)
Redevelopment Merged Project Areas #1, 2, 3 and 4	
Capital Projects Fund	(172,323)
Redevelopment Project Area #1A Capital Projects Fund	(1,000,000)
Enterprise Fund:	
Waste Disposal	(81,426)

The deficits will be eliminated as follows:

The General Fund deficit will be eliminated by continuing to freeze staff positions as they become vacant. The period July 1, 2011 through December 31, 2011 there has been six full-time positions vacated. These positions will not be filled. In November 2011 the San Fernando Management Group has agreed to start contributing 50% of the employee portion of retirement costs and to forego tuition reimbursement for fiscal year 2011-12. Also, the Police Officer's Association is in the process of contract negotiations and there is significant savings to the City anticipated for fiscal year 2011-12. Management will continue to keep all options open to reduce operational costs.

The Grants Special Fund deficit will be eliminated by continuing to transfer annual funds from the General Fund (GF) to pay down the deficit. As the GF begins to build reserves, management will increase the GF transfer.

All Redevelopment Agency Funds deficits will be eliminated through the closing out of the funds due to State action of eliminating Redevelopment in California. The property tax increment revenues received in fiscal year 2011-12 prior to January 31, 2012 were sufficient to fully cover this deficit.

Recreations Special Revenue Fund deficit will be eliminated by reducing budgeted personnel appropriations to end fiscal year 2011-12 with a projected positive fund balance.

The Street Lighting Special Revenue Fund deficit will be reduced through increasing the contribution from Measure R Funds during fiscal year 2011-12 to end with a positive fund balance.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

12. DEFICIT NET ASSETS/FUND BALANCES AND EXCESS EXPENDITURES (CONTINUED):

Fund Deficits (Continued):

The Retirement Tax Special Revenue Fund deficit will be reduced through the new allocation of revenue this fund will receive in fiscal year 2011-12 due to the elimination of Redevelopment. This Fund is projected to end the year with a positive fund balance.

The Community Development Block Grant Special Revenue Fund deficit will be eliminated by future revenues.

The Waste Disposal Enterprise Fund deficit will be eliminated by reducing personnel appropriations/charges in fiscal year 2011-12. Also, the cost allocation expense will be reduced. The combination of these actions will leave a positive fund balance by year-end.

The following funds reported expenditures in excess of appropriations:

	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Major Funds:			
General Fund:			
General government:			
Treasurer	\$ 145,000	\$ 145,760	\$ (760)
City Attorney	239,008	272,543	(33,535)
Elections	44,795	45,753	(958)
Retirement and nondepartmental	3,248,592	3,967,893	(719,301)
Public safety:			
Police	6,308,470	6,342,352	(33,882)
Community development	410,929	423,282	(12,353)
Public works	2,179,637	2,186,033	(6,396)
Grants Special Revenue Fund:			
Community development	-	129,489	(129,489)
Other Governmental Funds:			
State Gas Tax Special Revenue Fund:			
General government	21,070	50,372	(29,302)
Public works	-	910	(910)
Quimby Act Fees Special Revenue Fund:			
Parks and recreation	9,000	10,247	(1,247)
Retirement Tax Special Revenue Fund:			
General government	968,286	1,040,460	(72,174)
Community Development Block Grant Special Revenue Fund:			
Community development	143,588	169,272	(25,684)
Capital outlay	709,461	897,811	(188,350)

See independent auditors' report.

CITY OF SAN FERNANDO

Notes to Basic Financial Statements (Continued)

June 30, 2011

13. COMMITMENTS AND CONTINGENCIES:

Various claims and lawsuits have been filed against the City in the normal course of business. Based upon information obtained from the City attorney and the self-insurance administrators, the estimated liability under such claims and litigation will not exceed the accrued self-insurance liability recorded in the government-wide statement of net assets.

CHFA Loan:

In connection with the CHFA loan disclosed in Note 7, the City entered into a Disposition and Development Agreement in March 2004 whereby the City's RDA would acquire a piece of land, under certain conditions, for \$1.4 million from a developer for the purpose of providing low income senior housing in the City. Upon the arrival of the development milestones specified in the agreement, the RDA would acquire the fee title to the land parcel, and grant the Developer a leasehold interest in the land parcel for a term of 75 years at an annual lease payment of \$10, and an option to extend for an additional 24 years at market rate rent. The RDA and the Developer anticipate the project would cost over \$14.5 million, and would be financed through a combination of sources including, but not limited to: HOME Funds from the Los Angeles Community Development Commission, LIHTC proceeds, Tax Exempt Bond proceeds, and deferred development fees.

SERAF Contingency:

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make Supplemental Education Revenue Augmentation Fund (SERAF) contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009, the California Redevelopment Association filed a class action lawsuit on behalf of all California redevelopment agencies, again challenging the SERAF obligations as unconstitutional. The court ruled that the SERAF obligations were not unconstitutional.

The Agency's SERAF contribution for the fiscal year 2009-2010 was \$2,063,811. The Agency borrowed funds from the Low-income Housing Capital Projects Fund to make this payment.

The Agency's SERAF contributions for the fiscal year 2010-2011 was \$424,902. The Agency made this contribution with available reserves.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

14. UNCERTAINTIES:

General Fund:

The City's General Fund expenditures have exceeded revenues for fiscal years 2006-2007, 2007-2008, 2008-2009, 2009-2010 and 2010-2011 by \$1,008,572, \$3,614,867, \$2,286,153, \$44,275, and \$721,701, respectively, resulting in a deficit fund balance of \$619,317 at June 30, 2011. Total fund balance at June 30, 2011 includes \$237,378 that is not available to finance current expenditures, resulting in an unassigned fund balance of \$856,695. In addition, the fund had a cash overdraft of \$377,009 at June 30, 2011 and had to borrow cash from other funds.

The following is an estimate (unaudited) of the undesignated fund balance at June 30, 2012 for the General Fund:

Deficit fund balance as of June 30, 2011	\$ (619,317)
Unavailable amount	<u>(237,378)</u>
Available fund balance as of June 30, 2011	(856,695)
Adopted budgeted revenues for fiscal year 2011-2012 (unaudited)	16,944,499
Adopted budgeted expenditures for fiscal year 2011-2012 (unaudited)	<u>(16,462,235)</u>
Estimated fund deficit as of June 30, 2012 (unaudited)	\$ <u>(374,431)</u>

The General Fund is expected to have liquidity problems and will need to borrow cash from other funds in fiscal year 2011-2012.

In light of these facts, the City has taken a number of actions to augment the revenues and reduce expenditures for the fiscal year 2011-2012, and in future years, so as to increase the General Fund fund balance. Such measures include:

Controlling and reducing operational costs. This will be achieved through anticipated staff savings in all departments. Vacated unfilled positions and union concessions in fiscal year 2011-12 are anticipated to yield significant budgetary savings. During fiscal year 2011-12, the City is renegotiating with the City of Los Angeles the terms of its contracted fire services, reducing the cost to the City. The City renegotiated the MOU with the San Fernando Management Group, yielding savings to the City in fiscal year 2011-12. The City is concluding contract negotiations with the San Fernando Police Officer's Association (POA) in fiscal year 2011-12. Significant savings are anticipated as a result of a new contract with the POA. The City will begin contract negotiations in fiscal year 2011-12 with the Miscellaneous Group; significant savings is anticipated beginning with fiscal year 2012-13. Also, the City is looking closely at increasing revenue sources. Some examples are: applying for alternative fuel credits through the IRS for the sale of compressed natural gas (cng); reviewing the City's fee structure to ensure full cost recovery for services; and attracting new businesses to the City. The combination of these strategies is anticipated to yield substantial expenditure reductions and modest revenue increases in FY 2011-12 and ongoing. This will ensure the financial health and sustainability of the General Fund.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

14. UNCERTAINTIES (CONTINUED):

Grants Special Revenue Fund:

For fiscal years 2006-2007, 2007-2008, 2008-2009, 2009-2010 and 2010-2011, the Grants Special Revenue Fund have fund deficit of \$4,778,220, \$5,434,321, \$3,160,301, \$2,524,797, and \$2,763,283, respectively. The following is an estimate (unaudited) of the fund deficit at June 30, 2012 for the Grants Special Revenue Fund:

Fund deficit as of June 30, 2011	\$ (2,763,383)
Adopted budgeted revenues for fiscal year 2011-2012 (unaudited)	3,134,613
Adopted budgeted expenditures for fiscal year 2011-2012 (unaudited)	<u>(2,797,207)</u>
Estimated fund deficit as of June 30, 2012 (unaudited)	<u>\$ (2,425,977)</u>

In light of these facts, the City has taken a number of actions to augment the revenues and reduce expenditures for the fiscal year 2011-2012, and in future years, so as to increase the Grants Special Revenue Fund balance. Such measures include:

Closely monitoring all grants to ensure proper use of budgetary constraints and the collection of revenues due to the City. The City will continue to transfer funds from the General Fund to gradually reduce the deficit.

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES:

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1x 26 and 27 as part of the State's budget package. Assembly Bill 1x 26 requires each California redevelopment agency to suspend 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 1x 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program each City would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill 1x 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City of San Fernando intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

See independent auditors' report.

CITY OF SAN FERNANDO
Notes to Basic Financial Statements (Continued)
June 30, 2011

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

Assembly Bill 1x 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill 1x 26. The Agency has transferred certain assets to the City subsequent to January 1, 2011, which may be subject to this requirement.

In the event that Assembly Bill 1x 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

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 1x 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1x 27 and most of Assembly Bill 1x 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". A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills 1x 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (EOPS) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (ROPS) by September 30, 2011.

Because the stay provide by Assembly Bill 1x 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS 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 settlement; 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 Assembly Bill 1x 26.

On August 15, 2011, City Ordinance No. 1606 was adopted, indicating that the City 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 1x 26 and/or 27 are upheld as constitutional.

See independent auditors' report.

CITY OF SAN FERNANDO

Notes to Basic Financial Statements (Continued)

June 30, 2011

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDVELOPMENT AGENCIES (CONTINUED):

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 which dissolves the Redevelopment Agency of the City of San Fernando on February 1, 2012, and struck down Assembly Bill 1x 27, which would have allowed the formation of new redevelopment agencies. By operation of Assembly Bill 1x 26, the City of San Fernando becomes the Successor Agency, with the responsibility to dissolve the Agency's operations.

Pursuant to the provisions of Assembly Bill 1x 26, on January 17, 2012 and February 6, 2012, the City in its capacity as Successor Agency adopted an Enforceable Obligation Payment Schedule (EOPS) and a Redevelopment Obligation Retirement Fund. The City staff is in the process of preparing a Preliminary Draft Recognized Obligation Payment Schedule (PDROPS). The EOPS and PDROPS are similar payment schedules (with the PDROPS identifying sources of payment for obligations) that outline the fiscal obligations of the City in its capacity as Successor Agency from January 1, 2012 through July 1, 2012. These schedules are necessary so that the Successor Agency will be able to receive funding from the County of Los Angeles to pay its enforceable obligations.

On January 18, 2012, Moody's Investor Service downgraded by one notch all California tax allocation bonds rated Baa2 and above.

On January 24, 2012, Fitch placed all California bonds secured by tax increment revenue on Rating Watch Negative.

The impacts of Assembly Bill 1x 26 are difficult to determine, since there are many uncertainties. The uncertainties include whether the Legislature will adopt clean-up legislation and redevelopment reform legislation. The uncertainties also include existing and future litigation. There are also uncertainties created by the Successor Agency and Oversight Committee process, as well as the involvement of the County Auditor-Controller and the State Department of Finance. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

16. RESTATEMENT OF NET ASSETS:

The net assets of the governmental activities at July 1, 2010 were decreased by \$1,100,000 from \$39,123,925 to \$38,023,925, to remove capital assets recorded twice in prior years.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF SAN FERNANDO
Schedule of Funding Progress
Other Post-Employment Benefits Plan
For the year ended June 30, 2011

OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio AVA (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)]/(c)
04/01/09	\$ -	\$ 27,397,966	\$ 27,397,966	0.00%	\$ 10,768,148	254.44%
04/01/11	-	33,727,414	33,727,414	0.00%	7,991,271	422.05%

See independent auditors' report.

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CITY OF SAN FERNANDO
Major Governmental Funds
Budgetary Comparison Schedules
For the year ended June 30, 2011

The City maintains 4 major governmental funds. Only 2 of those 4 funds have Budgetary Comparison Schedules presented as required supplementary information for the General Fund and all Major Special Revenue Funds as required by GASB Statement No. 34 as follows:

- General Fund
- Grants Special Revenue Fund

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CITY OF SAN FERNANDO
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 6,745,200	\$ 6,803,839	\$ 6,789,846	\$ (13,993)
Licenses and permits	208,500	244,650	249,754	5,104
Charges for services	2,156,471	1,983,499	1,979,064	(4,435)
Fines and forfeitures	1,350,600	1,035,900	1,013,966	(21,934)
Investment earnings	317,579	357,000	351,860	(5,140)
Intergovernmental	2,524,519	2,597,194	2,555,168	(42,026)
Other	1,789,462	1,709,890	1,785,077	75,187
Total revenues	15,092,331	14,731,972	14,724,735	(7,237)
Expenditures:				
Current:				
General government :				
City council	116,232	110,982	109,331	1,651
Treasurer	145,000	145,000	145,760	(760)
Administration	477,006	434,861	431,004	3,857
City Attorney	239,008	239,008	272,543	(33,535)
City Clerk	123,270	122,020	119,715	2,305
Elections	53,000	44,795	45,753	(958)
Financial Management	675,260	600,242	591,493	8,749
Retirement and nondepartmental	3,308,185	3,248,592	3,967,893	(719,301)
Public safety:				
Police	6,246,734	6,308,470	6,342,352	(33,882)
Fire	3,258,270	3,473,668	3,473,668	-
Community development	431,139	410,929	423,282	(12,353)
Public works	2,539,049	2,179,637	2,186,033	(6,396)
Parks and recreation	1,245,987	1,169,807	1,119,709	50,098
Debt service:				
Principal	209,642	209,642	209,642	-
Total expenditures	19,067,782	18,697,653	19,438,178	(740,525)
Excess of revenues over (under) expenditures	(3,975,451)	(3,965,681)	(4,713,443)	(747,762)
Other financing sources (uses):				
Transfers in	4,144,595	4,115,606	4,049,994	(65,612)
Transfers out	(100,000)	(100,000)	(236,663)	(136,663)
Sale of property	-	-	178,411	178,411
Total other financing sources (uses)	4,044,595	4,015,606	3,991,742	(23,864)
Net change in fund balance	69,144	49,925	(721,701)	(771,626)
Fund balance, beginning of year	102,384	102,384	102,384	-
Fund balance (deficit), end of year	\$ 171,528	\$ 152,309	\$ (619,317)	\$ (771,626)

See independent auditors' report and note to required supplementary information.

CITY OF SAN FERNANDO
Budgetary Comparison Schedule
Grants Special Revenue Fund
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 383	\$ 383
Intergovernmental	2,282,618	3,637,436	1,874,003	(1,763,433)
Other	1,041,363	1,041,363	20,524	(1,020,839)
Total revenues	3,323,981	4,678,799	1,894,910	(2,783,889)
Expenditures:				
Current:				
General government	1,050,000	1,050,000	-	1,050,000
Public safety	336,858	1,186,871	724,169	462,702
Community development	-	-	129,489	(129,489)
Public works	1,050,955	1,786,356	24,395	1,761,961
Parks and recreation	89,800	175,700	160,569	15,131
Capital outlay	1,204,530	1,204,530	1,194,774	9,756
Total expenditures	3,732,143	5,403,457	2,233,396	3,170,061
Excess of revenues over (under) expenditures	(408,162)	(724,658)	(338,486)	386,172
Other financing sources:				
Transfers in	-	-	100,000	100,000
Net change in fund balance	(408,162)	(724,658)	(238,486)	486,172
Fund balance (deficit), beginning of year	(2,524,797)	(2,524,797)	(2,524,797)	-
Fund balance (deficit), end of year	\$ (2,932,959)	\$ (3,249,455)	\$ (2,763,283)	\$ 486,172

See independent auditors' report and note to required supplementary information.

CITY OF SAN FERNANDO

Note to Required Supplementary Information

June 30, 2011

1. BUDGETARY CONTROL AND ACCOUNTING:

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the program, projects, series, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The City's procedures for preparing the budgetary data reflected in the financial statements are:

- The annual budget provides for the general operation of the City and is adopted by the City Council after the holding of a public hearing. The budget figures presented in the accompanying required supplementary information financial schedules represent the original and final revised budget and include proposed expenditures and related financing.
- The City Council approves total budget appropriations and may amend the budget by motion during the fiscal year. However, the City Administrator is authorized to transfer within individual fund budgets without the approval of City Council; however, total appropriations may not be exceeded at the department level. The legal level of budgetary control is at the department level. The appropriated budget covers City expenditures in the General Fund, and Special Revenue Funds. Project length plans are adopted for the capital projects funds with unexpended funds at June 30 re-appropriated in the following year. The debt service on bond issues constitutes a legally authorized "non-appropriated budget". During the fiscal year 2010-11 supplemental budget appropriations were approved by the City Council. The effects of the supplemental appropriations were minor.
- The City Council approves annual budgets for redevelopment funds only on a project-area-by-project-area basis and not on an individual fund basis, except for the Low-income Housing Capital Projects Fund, therefore, there are no Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual presented for the Redevelopment Funds, except for the Low-income Housing Capital Projects Fund.
- Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Encumbrances at year-end lapse, and then are added to the following year's budgeted appropriations.
- Annual budgets for the General and Special Revenue Funds are adopted on a basis substantially consistent with generally accepted accounting principles. Actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the Proprietary Funds, as the City is not legally required to adopt budgets for this type of fund.

See independent auditors' report.

CITY OF SAN FERNANDO

Note to Required Supplementary Information (Continued)

June 30, 2011

1. BUDGETARY CONTROL AND ACCOUNTING (CONTINUED):

- Capital projects are budgeted through the Capital Projects Funds on a project-by-project basis. Appropriations for capital projects authorized but not constructed or completed during the year lapse at year-end, and are then included as part of appropriations in the following year's annual budget.

Budget information is presented as supplementary information for the other governmental special revenue funds. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new, or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. The budgets conform, in all material respects, to generally accepted accounting principles, which serves as the budgeting basis. Appropriations lapse at year-end.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS
AND
SCHEDULES**

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CITY OF SAN FERNANDO
Other Governmental Funds
June 30, 2011

The City maintains 23 other governmental funds and they are as follows:

- 19 Special Revenue Funds
- 2 Debt Service Funds
- 2 Capital Projects Fund

CITY OF SAN FERNANDO
Combining Balance Sheet
Other Governmental Funds
June 30, 2011

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Totals
<u>Assets</u>				
Cash and investments	\$ 3,185,754	\$ 387,398	\$ -	\$ 3,573,152
Receivables:				
Taxes	245,211	9,636	-	254,847
Accounts	61,304	-	-	61,304
Grants	342,510	-	-	342,510
Due from other funds	-	30,000	-	30,000
Loans receivable	430,600	-	-	430,600
Advances to other funds	531,054	-	-	531,054
Prepaid items	9,989	-	-	9,989
Land held for resale	-	-	468,733	468,733
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,806,422</u>	<u>\$ 427,034</u>	<u>\$ 468,733</u>	<u>\$ 5,702,189</u>
<u>Liabilities and fund balances</u>				
Liabilities:				
Accounts payable	\$ 773,060	\$ 27,556	\$ 85,442	\$ 886,058
Accrued liabilities	31,742	-	4,879	36,621
Deposits	1,067	-	-	1,067
Retentions payable	108,898	-	-	108,898
Deferred revenue	445,500	-	-	445,500
Due to other funds	1,501,795	-	1,550,735	3,052,530
Advances from other funds	-	248,855	-	248,855
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,862,062</u>	<u>276,411</u>	<u>1,641,056</u>	<u>4,779,529</u>
Fund balances (deficit):				
Nonspendable:				
Long-term receivables	430,600	-	-	430,600
Advances to other funds	531,054	-	-	531,054
Prepaid items	9,989	-	-	9,989
Land held for resale	-	-	468,733	468,733
Restricted for:				
Transportation	2,218,119	-	-	2,218,119
Air pollution	42,113	-	-	42,113
Parks and recreation	385,993	-	-	385,993
Public safety	605	-	-	605
Debt service	-	150,623	-	150,623
Unassigned	(1,674,113)	-	(1,641,056)	(3,315,169)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>1,944,360</u>	<u>150,623</u>	<u>(1,172,323)</u>	<u>922,660</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,806,422</u>	<u>\$ 427,034</u>	<u>\$ 468,733</u>	<u>\$ 5,702,189</u>

See independent auditors' report.

CITY SAN FERNANDO**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Other Governmental Funds****For the year ended June 30, 2011**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Totals
Revenues:				
Taxes	\$ 3,908,369	\$ 513,928	\$ -	\$ 4,422,297
Charges for services	718,537	-	-	718,537
Fines and forfeitures	169,333	-	-	169,333
Investment earnings	20,391	2,010	28	22,429
Intergovernmental	2,576,228	-	-	2,576,228
Other	285,304	-	-	285,304
Total revenues	<u>7,678,162</u>	<u>515,938</u>	<u>28</u>	<u>8,194,128</u>
Expenditures:				
Current:				
General government	1,144,555	44,999	173,477	1,363,031
Public safety	15,000	-	-	15,000
Community development	169,272	-	1,241,002	1,410,274
Public works	724,927	-	149,962	874,889
Parks and recreation	1,051,920	-	-	1,051,920
Pass-throughs	-	171,712	-	171,712
SERAF	-	32,294	-	32,294
Capital outlay	1,640,659	-	-	1,640,659
Debt service:				
Principal	238,000	5,893	-	243,893
Interest and fiscal charges	96,580	35,487	-	132,067
Total expenditures	<u>5,080,913</u>	<u>290,385</u>	<u>1,564,441</u>	<u>6,935,739</u>
Excess of revenues over (under) expenditures	<u>2,597,249</u>	<u>225,553</u>	<u>(1,564,413)</u>	<u>1,258,389</u>
Other financing sources (uses):				
Transfers in	390,404	-	1,715,913	2,106,317
Transfers out	<u>(3,549,762)</u>	<u>(1,106,176)</u>	<u>(32,606)</u>	<u>(4,688,544)</u>
Total other financing sources (uses)	<u>(3,159,358)</u>	<u>(1,106,176)</u>	<u>1,683,307</u>	<u>(2,582,227)</u>
Net change in fund balance	(562,109)	(880,623)	118,894	(1,323,838)
Fund balances (deficit), beginning of year	<u>2,506,469</u>	<u>1,031,246</u>	<u>(1,291,217)</u>	<u>2,246,498</u>
Fund balances (deficit), end of year	<u>\$ 1,944,360</u>	<u>\$ 150,623</u>	<u>\$ (1,172,323)</u>	<u>\$ 922,660</u>

See independent auditors' report.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenues that are legally restricted to expenditures for particular purposes. The 19 other special revenue funds include:

Proposition A Local Transit - accounts for receipt and approved Local Transit Fund projects from a voter approved sales tax override for public transportation.

Proposition C Discretionary - accounts for the maintenance of the mile-long bike path along the Metrolink Corridor in San Fernando.

State Gas Tax - accounts for the City's share of motor fuel tax revenue restricted to maintenance and capital projects associated with motor vehicle travel.

Traffic Safety - accounts for receipts from traffic fines as levied by local courts. Some of these funds are transferred to the General Fund for traffic safety purposes. The fund is required by Section 1463(b) of the California Penal Code.

Parking Maintenance and Operations - accounts for parking receipts and maintenance of Business District parking facilities.

Local Transportation - accounts for state funds allocated by the State for local pedestrian facility development or improvement.

Recreation - accounts for receipts and the related expenditures from various recreation programs to be used for a specific program, such as sport leagues, craft and music classes, special events and concerts.

Quimby Act Fees - accounts for revenues from real estate developers, who are required under state law to provide and support park facilities.

Street Lighting - accounts for revenues and costs associated with the City's street lighting program.

Measure R - accounts for the receipt of Measure R funds. These funds are to be used to provide traffic relief.

State Asset Forfeiture - accounts for the receipts and disbursements of state seized and forfeited assets from sale of controlled substances.

Federal Asset Forfeiture - accounts for the receipts and disbursements of federal seized and forfeited assets from sale of controlled substances.

CITY OF SAN FERNANDO
Other Special Revenue Funds (Continued)
June 30, 2011

SPECIAL REVENUE FUNDS (CONTINUED)

AQMD - accounts for South Coast Air Quality Management District revenues. These funds may be used for various programs to reduce air pollution.

State of Emergency - accounts for the receipt and disbursement of disaster fund assistance as a result of the January 1994 earthquake.

Cash-in-Lieu of Parking - accounts for revenues and related expenditures from developers or builders who elect to pay a specified amount to the City instead of providing required parking.

Pavement Management - accounts for all of the pavement impact fees that are generated and the expenditures that are made related to the streets and highway infrastructure.

Proposition C - accounts for the receipt of the "half-cent" sales tax allocated by LACMTA. These funds are to be used to reduce traffic congestion, improve air quality, improve conditions of streets/freeways, and reduce foreign fuel dependence.

Retirement Tax - accounts for receipts from a voter approved special tax levy that is used to pay for a portion of the cost of the City's membership in the Public Employees Retirement System.

Community Development Block Grant (CDBG) - accounts for expenses of the Community Development Block Grant received through the County of Los Angeles.

CITY OF SAN FERNANDO
Combining Balance Sheet
Other Special Revenue Funds
June 30, 2011

	Proposition A Local Transit	Proposition C Discretionary	State Gas Tax
<u>Assets</u>			
Cash and investments	\$ 452,936	\$ 20,378	\$ 758,232
Receivables:			
Taxes	-	-	78,240
Accounts	-	-	-
Grants	-	-	-
Loans receivable	-	-	-
Advances to other funds	-	-	-
Prepaid items	-	-	-
	<u>\$ 452,936</u>	<u>\$ 20,378</u>	<u>\$ 836,472</u>
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable	\$ 47,611	\$ -	\$ 220,830
Accrued liabilities	5,702	-	-
Deposits	-	-	-
Retentions payable	-	-	23,835
Deferred revenue	-	-	-
Due to other funds	-	-	-
	<u>53,313</u>	<u>-</u>	<u>244,665</u>
Fund balances (deficits):			
Nonspendable:			
Long-term receivables	-	-	-
Advances to other funds	-	-	-
Prepaid items	-	-	-
Restricted for:			
Transportation	399,623	20,378	591,807
Air pollution	-	-	-
Parks and recreation	-	-	-
Public safety	-	-	-
Unassigned	-	-	-
	<u>399,623</u>	<u>20,378</u>	<u>591,807</u>
Total fund balances (deficits)	<u>399,623</u>	<u>20,378</u>	<u>591,807</u>
Total liabilities and fund balances	<u>\$ 452,936</u>	<u>\$ 20,378</u>	<u>\$ 836,472</u>

See independent auditors' report.

<u>Traffic Safety</u>	<u>Parking Maintenance and Operations</u>	<u>Local Transportation</u>	<u>Recreation</u>	<u>Quimby Act Fees</u>	<u>Street Lighting</u>	<u>Measure R</u>
\$ 165,390	\$ 27,038	\$ 13,088	\$ -	\$ 365,497	\$ 5,626	\$ 219,368
-	-	-	-	-	14,838	-
5,813	-	-	-	-	-	-
-	-	849	43,835	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	9,989	-	-	-
<u>\$ 171,203</u>	<u>\$ 27,038</u>	<u>\$ 13,937</u>	<u>\$ 53,824</u>	<u>\$ 365,497</u>	<u>\$ 20,464</u>	<u>\$ 219,368</u>
\$ 4,253	\$ 2,291	\$ 7,275	\$ 3,207	\$ 1,978	\$ 40,781	\$ 154,800
288	1,146	-	11,639	60	3,576	-
-	1,067	-	-	-	-	-
-	-	-	-	-	-	17,200
-	-	-	14,900	-	-	-
-	-	-	83,870	-	-	-
<u>4,541</u>	<u>4,504</u>	<u>7,275</u>	<u>113,616</u>	<u>2,038</u>	<u>44,357</u>	<u>172,000</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	9,989	-	-	-
166,662	-	6,662	-	-	-	47,368
-	-	-	-	-	-	-
-	22,534	-	-	363,459	-	-
-	-	-	-	-	-	-
-	-	-	(69,781)	-	(23,893)	-
<u>166,662</u>	<u>22,534</u>	<u>6,662</u>	<u>(59,792)</u>	<u>363,459</u>	<u>(23,893)</u>	<u>47,368</u>
<u>\$ 171,203</u>	<u>\$ 27,038</u>	<u>\$ 13,937</u>	<u>\$ 53,824</u>	<u>\$ 365,497</u>	<u>\$ 20,464</u>	<u>\$ 219,368</u>

(Continued)

CITY OF SAN FERNANDO
Combining Balance Sheet (Continued)
Other Special Revenue Funds
June 30, 2011

	State Asset Forfeiture	Federal Asset Forfeiture	AQMD
<u>Assets</u>			
Cash and investments	\$ 143	\$ 462	\$ 36,721
Receivables:			
Taxes	-	-	5,392
Accounts	-	-	-
Grants	-	-	-
Loans receivable	-	-	-
Advances to other funds	-	-	-
Prepaid items	-	-	-
	<u>143</u>	<u>462</u>	<u>42,113</u>
Total assets	\$ 143	\$ 462	\$ 42,113
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Deposits	-	-	-
Retentions payable	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	-	-
Fund balances (deficits):			
Nonspendable:			
Long-term receivables	-	-	-
Advances to other funds	-	-	-
Prepaid items	-	-	-
Restricted for:			
Transportation	-	-	-
Air pollution	-	-	42,113
Parks and recreation	-	-	-
Public safety	143	462	-
Unassigned	-	-	-
	<u>143</u>	<u>462</u>	<u>42,113</u>
Total fund balances (deficits)	143	462	42,113
Total liabilities and fund balances	\$ 143	\$ 462	\$ 42,113

See independent auditors' report.

<u>State of Emergency</u>	<u>Cash-in-Lieu of Parking</u>	<u>Pavement Management</u>	<u>Proposition C</u>	<u>Retirement Tax</u>	<u>Community Development Block Grant</u>	<u>Totals</u>
\$ -	\$ 71,672	\$ 499,082	\$ 550,121	\$ -	\$ -	\$ 3,185,754
-	-	-	-	146,741	-	245,211
-	-	55,491	-	-	-	61,304
-	-	-	-	-	297,826	342,510
-	-	-	-	-	430,600	430,600
-	-	-	-	531,054	-	531,054
-	-	-	-	-	-	9,989
<u>\$ -</u>	<u>\$ 71,672</u>	<u>\$ 554,573</u>	<u>\$ 550,121</u>	<u>\$ 677,795</u>	<u>\$ 728,426</u>	<u>\$ 4,806,422</u>
\$ -	\$ -	\$ 167,693	\$ -	\$ -	\$ 122,341	\$ 773,060
-	-	4,718	579	-	4,034	31,742
-	-	-	-	-	-	1,067
-	-	17,757	-	-	50,106	108,898
-	-	-	-	-	430,600	445,500
-	-	-	-	1,289,546	128,379	1,501,795
-	-	190,168	579	1,289,546	735,460	2,862,062
-	-	-	-	-	430,600	430,600
-	-	-	-	531,054	-	531,054
-	-	-	-	-	-	9,989
-	71,672	364,405	549,542	-	-	2,218,119
-	-	-	-	-	-	42,113
-	-	-	-	-	-	385,993
-	-	-	-	-	-	605
-	-	-	-	(1,142,805)	(437,634)	(1,674,113)
-	71,672	364,405	549,542	(611,751)	(7,034)	1,944,360
<u>\$ -</u>	<u>\$ 71,672</u>	<u>\$ 554,573</u>	<u>\$ 550,121</u>	<u>\$ 677,795</u>	<u>\$ 728,426</u>	<u>\$ 4,806,422</u>

CITY OF SAN FERNANDO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Special Revenue Funds
For the year ended June 30, 2011

	Proposition A Local Transit	Proposition C Discretionary	State Gas Tax
Revenues:			
Taxes	\$ 342,068	\$ -	\$ -
Charges for services	23,963	-	-
Fines and forfeitures	-	-	-
Investment earnings	859	30	1,027
Intergovernmental	-	-	980,993
Other	-	-	-
Total revenues	<u>366,890</u>	<u>30</u>	<u>982,020</u>
Expenditures:			
Current:			
General government	42,639	-	50,372
Public safety	-	-	-
Community development	-	-	-
Public works	-	-	910
Parks and recreation	634,648	-	-
Capital outlay	-	-	333,862
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>677,287</u>	<u>-</u>	<u>385,144</u>
Excess of revenues over (under) expenditures	<u>(310,397)</u>	<u>30</u>	<u>596,876</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(597,678)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(597,678)</u>
Net change in fund balances	(310,397)	30	(802)
Fund balances (deficits), beginning of year	<u>710,020</u>	<u>20,348</u>	<u>592,609</u>
Fund balances (deficits), end of year	<u>\$ 399,623</u>	<u>\$ 20,378</u>	<u>\$ 591,807</u>

See independent auditors' report.

Traffic Safety	Parking Maintenance and Operations	Local Transportation	Recreation	Quimby Act Fees	Street Lighting	Measure R
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336,113	\$ 212,085
-	193,952	-	500,622	-	-	-
168,539	-	-	-	-	-	-
-	12,800	3	-	530	-	312
-	-	15,992	-	-	-	-
-	-	-	-	-	-	-
168,539	206,752	15,995	500,622	530	336,113	212,397
-	-	3	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,130	94,254	-	-	-	369,121	-
-	-	-	407,025	10,247	-	-
30,134	13,802	9,330	-	-	-	172,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
53,264	108,056	9,333	407,025	10,247	369,121	172,000
115,275	98,696	6,662	93,597	(9,717)	(33,008)	40,397
-	-	-	-	-	153,375	-
(30,000)	-	-	(164,992)	-	-	(153,375)
(30,000)	-	-	(164,992)	-	153,375	(153,375)
85,275	98,696	6,662	(71,395)	(9,717)	120,367	(112,978)
81,387	(76,162)	-	11,603	373,176	(144,260)	160,346
\$ 166,662	\$ 22,534	\$ 6,662	\$ (59,792)	\$ 363,459	\$ (23,893)	\$ 47,368

(Continued)

CITY OF SAN FERNANDO

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

Other Special Revenue Funds

For the year ended June 30, 2010

	State Asset Forfeiture	Federal Asset Forfeiture	AQMD
Revenues:			
Taxes	\$ -	\$ -	\$ -
Charges for services	-	-	-
Fines and forfeitures	794	-	-
Investment earnings	-	13	34
Intergovernmental	-	-	27,158
Other	-	-	-
Total revenues	794	13	27,192
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	15,000	-
Community development	-	-	-
Public works	-	-	-
Parks and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	15,000	-
Excess of revenues over (under) expenditures	794	(14,987)	27,192
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(18,536)	(1,001)	-
Total other financing sources (uses)	(18,536)	(1,001)	-
Net change in fund balances	(17,742)	(15,988)	27,192
Fund balances (deficits), beginning of year	17,885	16,450	14,921
Fund balances (deficits), end of year	\$ 143	\$ 462	\$ 42,113

See independent auditors' report.

State of Emergency	Cash-in-Lieu of Parking	Pavement Management	Proposition C	Retirement Tax	Community Development Block Grant	Totals
\$ -	\$ -	\$ -	\$ 283,930	\$ 2,734,173	\$ -	\$ 3,908,369
-	-	-	-	-	-	718,537
-	-	-	-	-	-	169,333
-	303	925	693	2,862	-	20,391
-	-	-	-	41,273	1,510,812	2,576,228
-	-	229,926	-	53,543	1,835	285,304
-	303	230,851	284,623	2,831,851	1,512,647	7,678,162
-	-	-	11,081	1,040,460	-	1,144,555
-	-	-	-	-	-	15,000
-	-	-	-	-	169,272	169,272
-	-	97,483	21,044	-	118,985	724,927
-	-	-	-	-	-	1,051,920
-	-	183,720	-	-	897,811	1,640,659
-	-	-	-	-	238,000	238,000
-	-	-	-	-	96,580	96,580
-	-	281,203	32,125	1,040,460	1,520,648	5,080,913
-	303	(50,352)	252,498	1,791,391	(8,001)	2,597,249
136,663	-	-	-	100,366	-	390,404
-	-	(240,000)	(115,908)	(2,228,272)	-	(3,549,762)
136,663	-	(240,000)	(115,908)	(2,127,906)	-	(3,159,358)
136,663	303	(290,352)	136,590	(336,515)	(8,001)	(562,109)
(136,663)	71,369	654,757	412,952	(275,236)	967	2,506,469
\$ -	\$ 71,672	\$ 364,405	\$ 549,542	\$ (611,751)	\$ (7,034)	\$ 1,944,360

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Proposition A Local Transit
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 340,883	\$ 340,883	\$ 342,068	\$ 1,185
Charges for services	30,000	30,000	23,963	(6,037)
Investment earnings	5,000	5,000	859	(4,141)
Total revenues	375,883	375,883	366,890	(8,993)
Expenditures:				
Current:				
General government	42,639	42,639	42,639	-
Parks and recreation	722,117	722,117	634,648	87,469
Total expenditures	764,756	764,756	677,287	87,469
Excess of revenues over (under) expenditures	(388,873)	(388,873)	(310,397)	78,476
Fund balance, beginning of year	710,020	710,020	710,020	-
Fund balance, end of year	<u>\$ 321,147</u>	<u>\$ 321,147</u>	<u>\$ 399,623</u>	<u>\$ 78,476</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Proposition C Discretionary
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ 200	\$ 200	\$ 30	\$ (170)
Fund balance, beginning of year	20,348	20,348	20,348	-
Fund balance, end of year	<u>\$ 20,548</u>	<u>\$ 20,548</u>	<u>\$ 20,378</u>	<u>\$ (170)</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
State Gas Tax
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ -	\$ -	\$ 1,027	\$ 1,027
Intergovernmental	574,383	574,383	980,993	406,610
Total revenues	574,383	574,383	982,020	407,637
Expenditures:				
Current:				
General government	21,070	21,070	50,372	(29,302)
Public works	-	-	910	(910)
Capital outlay	403,148	403,148	333,862	69,286
Total expenditures	424,218	424,218	385,144	39,074
Excess of revenues over (under) expenditures	150,165	150,165	596,876	446,711
Other financing uses:				
Transfers out	(661,000)	(661,000)	(597,678)	63,322
Net change in fund balance	(510,835)	(510,835)	(802)	510,033
Fund balance, beginning of year	592,609	592,609	592,609	-
Fund balance, end of year	\$ 81,774	\$ 81,774	\$ 591,807	\$ 510,033

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Traffic Safety
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 135,959	\$ 135,959	\$ 168,539	\$ 32,580
Expenditures:				
Current:				
Public works	56,500	56,500	23,130	33,370
Capital outlay	67,000	67,000	30,134	36,866
Total expenditures	123,500	123,500	53,264	70,236
Excess of revenues over (under) expenditures	12,459	12,459	115,275	102,816
Other financing uses:				
Transfers out	-	-	(30,000)	(30,000)
Net change in fund balance	12,459	12,459	85,275	72,816
Fund balance, beginning of year	81,387	81,387	81,387	-
Fund balance, end of year	<u>\$ 93,846</u>	<u>\$ 93,846</u>	<u>\$ 166,662</u>	<u>\$ 72,816</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Parking Maintenance and Operations
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 220,688	\$ 220,688	\$ 193,952	\$ (26,736)
Investment earnings	12,800	12,800	12,800	-
Total revenues	233,488	233,488	206,752	(26,736)
Expenditures:				
Current:				
Public works	135,183	135,183	94,254	40,929
Capital outlay	38,225	38,225	13,802	24,423
Total expenditures	173,408	173,408	108,056	65,352
Excess of revenues over (under) expenditures	60,080	60,080	98,696	38,616
Fund balance (deficit), beginning of year	(76,162)	(76,162)	(76,162)	-
Fund balance, end of year	<u>\$ (16,082)</u>	<u>\$ (16,082)</u>	<u>\$ 22,534</u>	<u>\$ 38,616</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Local Transportation
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 3	\$ 3
Intergovernmental	-	-	15,992	15,992
Total revenues	-	-	15,995	15,995
Expenditures:				
Current:				
General government	3	3	3	-
Capital outlay	10,800	10,800	9,330	1,470
Total expenditures	10,803	10,803	9,333	1,470
Excess of revenues over (under) expenditures	(10,803)	(10,803)	6,662	17,465
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (10,803)</u>	<u>\$ (10,803)</u>	<u>\$ 6,662</u>	<u>\$ 17,465</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Recreation
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 765,083	\$ 765,083	\$ 500,622	\$ (264,461)
Expenditures:				
Current:				
Parks and recreation	690,996	690,996	407,025	283,971
Excess of revenues over (under) expenditures	74,087	74,087	93,597	19,510
Other financing uses:				
Transfers out	(164,992)	(164,992)	(164,992)	-
Net change in fund balance	(90,905)	(90,905)	(71,395)	19,510
Fund balance, beginning of year	11,603	11,603	11,603	-
Fund balance (deficit), end of year	\$ (79,302)	\$ (79,302)	\$ (59,792)	\$ 19,510

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Quimby Act Fees
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 530	\$ 530
Total revenues	-	-	530	530
Expenditures:				
Current:				
Parks and recreation	9,000	9,000	10,247	(1,247)
Capital outlay	200,000	200,000	-	200,000
Total expenditures	209,000	209,000	10,247	198,753
Excess of revenues over (under) expenditures	(209,000)	(209,000)	(9,717)	199,283
Fund balance, beginning of year	373,176	373,176	373,176	-
Fund balance, end of year	<u>\$ 164,176</u>	<u>\$ 164,176</u>	<u>\$ 363,459</u>	<u>\$ 199,283</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Street Lighting
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 474,649	\$ 474,649	\$ 336,113	\$ (138,536)
Expenditures:				
Current:				
Public works	370,095	370,095	369,121	974
Capital outlay	4,000	4,000	-	4,000
Total expenditures	374,095	374,095	369,121	4,974
Excess of revenues over (under) expenditures	100,554	100,554	(33,008)	(133,562)
Other financing sources:				
Transfers in	-	-	153,375	153,375
Net change in fund balance	100,554	100,554	120,367	19,813
Fund balance (deficit), beginning of year	(144,260)	(144,260)	(144,260)	-
Fund balance (deficit), end of year	<u>\$ (43,706)</u>	<u>\$ (43,706)</u>	<u>\$ (23,893)</u>	<u>\$ 19,813</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Measure R
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 212,065	\$ 212,065	\$ 212,085	\$ 20
Investment earnings	-	-	312	312
Total revenues	212,065	212,065	212,397	332
Expenditures:				
Capital outlay	-	172,000	172,000	-
Excess of revenues over (under) expenditures	212,065	40,065	40,397	332
Other financing uses:				
Transfers out	(153,375)	(153,375)	(153,375)	-
Net change in fund balance	58,690	(113,310)	(112,978)	332
Fund balance, beginning of year	160,346	160,346	160,346	-
Fund balance, end of year	<u>\$ 219,036</u>	<u>\$ 47,036</u>	<u>\$ 47,368</u>	<u>\$ 332</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
State Asset Forfeiture
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 794	\$ 794
Other financing uses:				
Transfers out	(19,463)	(19,463)	(18,536)	927
Net change in fund balance	(19,463)	(19,463)	(17,742)	1,721
Fund balance, beginning of year	17,885	17,885	17,885	-
Fund balance, end of year	<u>\$ (1,578)</u>	<u>\$ (1,578)</u>	<u>\$ 143</u>	<u>\$ 1,721</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Federal Asset Forfeiture
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 13	\$ 13
Expenditures:				
Current:				
Public safety	15,000	15,000	15,000	-
Excess of revenues over (under) expenditures	(15,000)	(15,000)	(14,987)	13
Other financing uses:				
Transfers out	(1,001)	(1,001)	(1,001)	-
Net change in fund balance	(16,001)	(16,001)	(15,988)	13
Fund balance, beginning of year	16,450	16,450	16,450	-
Fund balance, end of year	<u>\$ 449</u>	<u>\$ 449</u>	<u>\$ 462</u>	<u>\$ 13</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
AQMD
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 34	\$ 34
Intergovernmental	29,000	29,000	27,158	(1,842)
Total revenues	29,000	29,000	27,192	(1,808)
Fund balance, beginning of year	14,921	14,921	14,921	-
Fund balance, end of year	<u>\$ 43,921</u>	<u>\$ 43,921</u>	<u>\$ 42,113</u>	<u>\$ (1,808)</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Cash-in-Lieu of Parking
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 303	\$ 303
Fund balance, beginning of year	71,369	71,369	71,369	-
Fund balance, end of year	<u>\$ 71,369</u>	<u>\$ 71,369</u>	<u>\$ 71,672</u>	<u>\$ 303</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Pavement Management
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ 2,000	\$ 2,000	\$ 925	\$ (1,075)
Other	241,667	241,667	229,926	(11,741)
Total revenues	243,667	243,667	230,851	(12,816)
Expenditures:				
Current:				
Public works	112,998	112,998	97,483	15,515
Capital outlay	100,000	187,912	183,720	4,192
Total expenditures	212,998	300,910	281,203	19,707
Excess of revenues over (under) expenditures	30,669	(57,243)	(50,352)	6,891
Other financing uses:				
Transfers out	(240,000)	(240,000)	(240,000)	-
Net change in fund balance	(209,331)	(297,243)	(290,352)	6,891
Fund balance, beginning of year	654,757	654,757	654,757	-
Fund balance, end of year	\$ 445,426	\$ 357,514	\$ 364,405	\$ 6,891

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Proposition C
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 282,753	\$ 282,753	\$ 283,930	\$ 1,177
Investment earnings	-	-	693	693
Total revenues	282,753	282,753	284,623	1,870
Expenditures:				
Current:				
General government	11,081	11,081	11,081	-
Public works	77,905	77,905	21,044	56,861
Total expenditures	88,986	88,986	32,125	56,861
Excess of revenues over (under) expenditures	193,767	193,767	252,498	58,731
Other financing uses:				
Transfers out	(115,908)	(115,908)	(115,908)	-
Net change in fund balance	77,859	77,859	136,590	58,731
Fund balance, beginning of year	412,952	412,952	412,952	-
Fund balance, end of year	\$ 490,811	\$ 490,811	\$ 549,542	\$ 58,731

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Retirement Tax
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 2,837,310	\$ 2,837,310	\$ 2,734,173	\$ (103,137)
Investment earnings	4,100	4,100	2,862	(1,238)
Intergovernmental	40,700	40,700	41,273	573
Other	-	-	53,543	53,543
Total revenues	2,882,110	2,882,110	2,831,851	(50,259)
Expenditures:				
Current:				
General government	968,286	968,286	1,040,460	(72,174)
Excess of revenues over (under) expenditures	1,913,824	1,913,824	1,791,391	(122,433)
Other financing sources (uses):				
Transfers in	-	-	100,366	100,366
Transfers out	(2,215,407)	(2,215,407)	(2,228,272)	(12,865)
Total other financing sources (uses)	(2,215,407)	(2,215,407)	(2,127,906)	87,501
Net change in fund balance	(301,583)	(301,583)	(336,515)	(34,932)
Fund balance (deficit), beginning of year	(275,236)	(275,236)	(275,236)	-
Fund balance (deficit), end of year	<u>\$ (576,819)</u>	<u>\$ (576,819)</u>	<u>\$ (611,751)</u>	<u>\$ (34,932)</u>

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Community Development Block Grant
For the year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,656,690	\$ 1,691,590	\$ 1,510,812	\$ (180,778)
Other	-	-	1,835	1,835
Total revenues	1,656,690	1,691,590	1,512,647	(178,943)
Expenditures:				
Current:				
Community development	1,539,651	143,588	169,272	(25,684)
Public works	-	118,987	118,985	2
Capital outlay	-	709,461	897,811	(188,350)
Debt service:				
Principal	238,000	238,000	238,000	-
Interest and fiscal charges	105,995	105,995	96,580	9,415
Total expenditures	1,883,646	1,316,031	1,520,648	(204,617)
Excess of revenues over (under) expenditures	(226,956)	375,559	(8,001)	(383,560)
Fund balance, beginning of year	967	967	967	-
Fund balance (deficit), end of year	\$ (225,989)	\$ 376,526	\$ (7,034)	\$ (383,560)

See independent auditors' report.

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CITY OF SAN FERNANDO
Other Debt Service Funds
June 30, 2011

DEBT SERVICE FUNDS

Debt service funds are used to account for the resources accumulated and payments made for interest and principal on general obligation debt, including tax allocation bonds and long-term notes payable, of governmental funds. The 2 other debt service funds include:

- Redevelopment Project Area #1A
- Public Financing Authority

CITY OF SAN FERNANDO
Combining Balance Sheet
Other Debt Service Funds
June 30, 2011

	Redevelopment Project Area #1A	Public Financing Authority	Totals
<u>Assets</u>			
Cash and investments	\$ 387,398	\$ -	\$ 387,398
Receivables:			
Taxes	9,636	-	9,636
Due from other funds	30,000	-	30,000
 Total assets	 \$ 427,034	 \$ -	 \$ 427,034
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable	\$ 27,556	\$ -	\$ 27,556
Advances from other funds	248,855	-	248,855
 Total liabilities	 276,411	 -	 276,411
Fund balances:			
Restricted for:			
Debt service	150,623	-	150,623
 Total liabilities and fund balances	 \$ 427,034	 \$ -	 \$ 427,034

See independent auditors' report.

CITY OF SAN FERNANDO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Debt Service Funds

For the year ended June 30, 2011

	Redevelopment Project Area #1A	Public Financing Authority	Totals
Revenues:			
Taxes	\$ 513,928	\$ -	\$ 513,928
Investment earnings	2,010	-	2,010
Total revenues	515,938	-	515,938
Expenditures:			
Current:			
General government	44,999	-	44,999
Pass-throughs	171,712	-	171,712
SERAF	32,294	-	32,294
Debt service:			
Principal	5,893	-	5,893
Interest and fiscal charges	35,487	-	35,487
Total expenditures	290,385	-	290,385
Excess of revenues over (under) expenditures	225,553	-	225,553
Other financing uses:			
Transfers out	(1,106,176)	-	(1,106,176)
Net change in fund balance	(880,623)	-	(880,623)
Fund balances, beginning of year	1,031,246	-	1,031,246
Fund balances, end of year	\$ 150,623	\$ -	\$ 150,623

See independent auditors' report.

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CITY OF SAN FERNANDO
Other Capital Projects Funds
June 30, 2011

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. The 2 other capital projects funds include:

- Redevelopment Merged Project Area #1, 2, 3 and 4
- Redevelopment Project Area #1A

CITY OF SAN FERNANDO
Combining Balance Sheet
Other Capital Projects Funds
June 30, 2011

	Redevelopment Merged Project Area #1, 2, 3, 4	Redevelopment Project Area #1A	Totals
<u>Assets</u>			
Land held for resale	\$ 271,193	\$ 197,540	\$ 468,733
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable	\$ 85,442	\$ -	\$ 85,442
Accrued liabilities	4,879	-	4,879
Due to other funds	353,195	1,197,540	1,550,735
Total liabilities	443,516	1,197,540	1,641,056
Fund balances (deficits):			
Nonspendable:			
Land held for resale	271,193	197,540	468,733
Unassigned	(443,516)	(1,197,540)	(1,641,056)
Total fund balances (deficits)	(172,323)	(1,000,000)	(1,172,323)
Total liabilities and fund balances	\$ 271,193	\$ 197,540	\$ 468,733

See independent auditors' report.

CITY OF SAN FERNANDO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Capital Projects Funds
June 30, 2011

	Redevelopment Merged Project Area #1, 2, 3, 4	Redevelopment Project Area #1A	Totals
Revenues:			
Investment earnings	\$ 28	\$ -	\$ 28
Expenditures:			
Current:			
General government	173,477	-	173,477
Community development	241,002	1,000,000	1,241,002
Public works	149,962	-	149,962
Total expenditures	564,441	1,000,000	1,564,441
Excess of revenues over (under) expenditures	(564,413)	(1,000,000)	(1,564,413)
Other financing sources (uses):			
Transfers in	712,523	1,003,390	1,715,913
Transfers out	(32,606)	-	(32,606)
Total other financing sources (uses)	679,917	1,003,390	1,683,307
Net change in fund balance	115,504	3,390	118,894
Fund balances (deficits), beginning of year	(287,827)	(1,003,390)	(1,291,217)
Fund balances (deficits), end of year	\$ (172,323)	\$ (1,000,000)	\$ (1,172,323)

See independent auditors' report.

CITY OF SAN FERNANDO
Schedule of Revenues, Expenditures and Change in
Fund Balance - Budget and Actual
Low-income Housing Capital Projects Fund - MAJOR FUND
For the year ended June 30, 2011

	Budgeted Amount			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Investment earnings	\$ 38,000	\$ 38,000	\$ 48,647	\$ 10,647
Other	412,762	412,762	104,175	(308,587)
Total revenues	450,762	450,762	152,822	(297,940)
Expenditures:				
Current:				
General government	648,979	659,979	537,866	122,113
Community development	728,201	728,201	401,911	326,290
Debt service:				
Principal	-	-	300,000	(300,000)
Total expenditures	1,377,180	1,388,180	1,239,777	148,403
Excess of revenues over (under) expenditures	(926,418)	(937,418)	(1,086,955)	(149,537)
Other financing sources (uses):				
Transfers in	1,406,800	1,406,800	1,347,128	(59,672)
Transfer out	-	(800,000)	(500,000)	300,000
Total other financing sources (uses)	1,406,800	606,800	847,128	240,328
Net change in fund balance	480,382	(330,618)	(239,827)	90,791
Fund balance, beginning of year	2,381,408	2,381,408	2,381,408	-
Fund balance, end of year	\$ 2,861,790	\$ 2,050,790	\$ 2,141,581	\$ 90,791

See independent auditors' report.

CITY OF SAN FERNANDO
Fiduciary Fund
June 30, 2011

FIDUCIARY FUND

Agency Fund - This fund is used to account for funds received by the City as an agent for other entities.

CITY OF SAN FERNANDO
Schedule of Changes in Assets and Liabilities
Agency Fund
June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
ASSETS:				
Cash and investments	\$ 101,316	\$ 119,184	\$ 112,243	\$ 108,257
Prepaid expenses	-	808	-	808
TOTAL ASSETS	<u>\$ 101,316</u>	<u>\$ 119,992</u>	<u>\$ 112,243</u>	<u>\$ 109,065</u>
LIABILITIES:				
Accounts payable	\$ -	\$ 41,250	\$ 40,028	\$ 1,222
Deposits	101,316	119,183	112,656	107,843
TOTAL ASSETS	<u>\$ 101,316</u>	<u>\$ 160,433</u>	<u>\$ 152,684</u>	<u>\$ 109,065</u>

See independent auditors' report.

STATISTICAL SECTION

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CITY OF SAN FERNANDO
Description of Statistical Section Contents
June 30, 2011

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	114
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	124
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	131
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	136
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	139

CITY OF SAN FERNANDO
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 15,320,572	\$ 16,844,545	\$ 18,598,023	\$ 19,972,495
Restricted	924,063	924,257	931,708	8,528,754
Unrestricted	(4,377,772)	(4,811,226)	(5,875,097)	(7,970,119)
Total governmental activities net assets	<u>\$ 11,866,863</u>	<u>\$ 12,957,576</u>	<u>\$ 13,654,634</u>	<u>\$ 20,531,130</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 7,097,735	\$ 7,606,136	\$ 7,635,859	\$ 7,321,367
Restricted	-	-	-	-
Unrestricted	7,834,074	6,723,623	7,701,850	8,523,702
Total business-type activities net assets	<u>\$ 14,931,809</u>	<u>\$ 14,329,759</u>	<u>\$ 15,337,709</u>	<u>\$ 15,845,069</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 22,418,307	\$ 24,450,681	\$ 26,233,882	\$ 27,293,862
Restricted	924,063	924,257	931,708	8,528,754
Unrestricted	3,456,302	1,912,397	1,826,753	553,583
Total primary government net assets	<u>\$ 26,798,672</u>	<u>\$ 27,287,335</u>	<u>\$ 28,992,343</u>	<u>\$ 36,376,199</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 43,237,994	\$ 42,548,031	\$ 42,804,903	\$ 42,262,518	\$ 43,598,683
11,957,932	13,204,186	14,329,955	14,364,410	13,040,082
(10,844,681)	(11,650,513)	(14,751,986)	(17,503,004)	(19,365,287)
<u>\$ 44,351,245</u>	<u>\$ 44,101,704</u>	<u>\$ 42,382,872</u>	<u>\$ 39,123,924</u>	<u>\$ 37,273,478</u>
\$ 17,439,596	\$ 16,950,800	\$ 16,267,470	\$ 15,547,758	\$ 15,324,618
-	-	-	-	-
7,858,369	7,846,843	7,920,801	7,206,906	7,733,239
<u>\$ 25,297,965</u>	<u>\$ 24,797,643</u>	<u>\$ 24,188,271</u>	<u>\$ 22,754,664</u>	<u>\$ 23,057,857</u>
\$ 60,677,590	\$ 59,498,831	\$ 59,072,373	\$ 57,810,276	\$ 58,923,301
11,957,932	13,204,186	14,329,955	14,364,410	13,040,082
(2,986,312)	(3,803,670)	(6,831,185)	(10,296,098)	(11,632,048)
<u>\$ 69,649,210</u>	<u>\$ 68,899,347</u>	<u>\$ 66,571,143</u>	<u>\$ 61,878,588</u>	<u>\$ 60,331,335</u>

CITY OF SAN FERNANDO
Changes in Net Assets - Expenses and Program Revenues
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 6,414,558	\$ 5,781,612	\$ 7,701,673	\$ 7,065,983
Public safety	7,093,437	8,091,125	8,588,373	8,761,669
Community development	3,756,565	3,560,256	3,149,303	2,859,514
Public works	1,946,221	2,060,745	1,938,912	2,001,888
Parks and recreation	1,924,353	1,648,096	3,090,098	1,667,800
Capital outlay	13,244	-	-	-
Interest expense	529,764	488,119	583,454	667,366
Total governmental activities expenses	<u>21,678,142</u>	<u>21,629,953</u>	<u>25,051,813</u>	<u>23,024,220</u>
Business-type activities:				
Water	1,997,625	2,098,936	2,286,754	3,023,474
Sewer	2,409,689	2,178,353	1,632,168	1,723,353
Waste disposal	1,017,323	965,278	1,181,607	1,182,631
Total business-type activities expenses	<u>5,424,637</u>	<u>5,242,567</u>	<u>5,100,529</u>	<u>5,929,458</u>
Total primary government expenses	<u>27,102,779</u>	<u>26,872,520</u>	<u>30,152,342</u>	<u>28,953,678</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	2,704,730	4,015,856	4,962,322	2,977,575
Public safety	1,109,206	815,564	1,084,958	358,088
Community development	323,122	66,301	2,500	604,626
Public works	694,893	404,496	649,641	655,844
Parks and recreation	692,109	566,844	544,675	357,345
Operating grants and contributions	-	-	-	1,924,581
Capital grants and contributions	1,727,313	1,365,732	3,147,589	2,196,347
Total governmental activities program revenues	<u>7,251,373</u>	<u>7,234,793</u>	<u>10,391,685</u>	<u>9,074,406</u>
Business-type activities:				
Charges for services:				
Water	2,260,704	2,388,730	2,667,963	2,809,324
Sewer	1,893,343	1,979,065	2,381,596	2,498,588
Waste disposal	988,394	989,224	1,111,776	1,159,112
Total business-type activities program revenues	<u>5,142,441</u>	<u>5,357,019</u>	<u>6,161,335</u>	<u>6,467,024</u>
Total primary government program revenues	<u>12,393,814</u>	<u>12,591,812</u>	<u>16,553,020</u>	<u>15,541,430</u>
Net revenues (expenses):				
Governmental activities	(14,426,769)	(14,395,160)	(14,660,128)	(13,949,814)
Business-type activities	(282,196)	114,452	1,060,806	537,566
Total net revenues (expenses)	<u>\$ (14,708,965)</u>	<u>\$ (14,280,708)</u>	<u>\$ (13,599,322)</u>	<u>\$ (13,412,248)</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Source: City Finance Department

Fiscal Year				
2007	2008	2009	2010	2011
\$ 6,472,343	\$ 9,724,823	\$ 7,343,319	\$ 8,393,942	\$ 9,051,209
9,322,543	9,881,438	10,101,285	9,917,154	10,137,119
1,945,956	2,891,460	3,220,792	5,547,132	3,658,552
5,764,469	5,383,561	6,102,140	5,591,332	4,960,530
1,944,663	2,123,999	3,745,511	2,960,683	2,375,034
-	-	-	-	-
1,009,135	1,045,722	963,737	1,141,113	1,092,731
26,459,109	31,051,003	31,476,784	33,551,356	31,275,175
3,380,128	2,946,107	3,183,923	3,282,758	3,227,843
2,969,735	2,812,307	2,731,323	2,614,749	1,867,044
1,261,254	1,142,613	1,125,434	1,098,303	1,077,641
7,611,117	6,901,027	7,040,680	6,995,810	6,172,528
34,070,226	37,952,030	38,517,464	40,547,166	37,447,703
2,351,218	2,095,604	2,455,039	2,698,964	2,503,993
1,192,594	1,383,612	1,710,327	1,642,838	1,583,487
308,974	287,403	334,666	425,299	581,323
931,094	903,091	916,211	975,160	903,323
575,260	1,702,639	878,659	871,337	526,198
2,371,022	2,100,154	3,425,677	3,287,154	4,432,649
2,314,280	1,674,190	2,063,580	1,094,301	1,896,595
10,044,442	10,146,693	11,784,159	10,995,053	12,427,568
2,878,972	2,839,207	2,795,599	2,737,198	3,064,458
2,482,039	2,458,857	2,562,997	2,367,243	2,383,329
1,153,329	1,063,799	1,097,873	1,110,869	1,125,037
6,514,340	6,361,863	6,456,469	6,215,310	6,572,824
16,558,782	16,508,556	18,240,628	17,210,363	19,000,392
(16,414,667)	(20,904,310)	(19,692,625)	(22,556,303)	(18,847,607)
(1,096,777)	(539,164)	(584,211)	(780,500)	400,296
\$ (17,511,444)	\$ (21,443,474)	\$ (20,276,836)	\$ (23,336,803)	\$ (18,447,311)

CITY OF SAN FERNANDO
Changes in Net Assets - General Revenues
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property	\$ 5,387,292	\$ 5,591,534	\$ 8,664,486	\$ 9,868,621
Sales and use	5,301,408	5,566,868	6,437,044	6,992,207
Property taxes in lieu of sales and use taxes	-	-	-	-
Franchise	1,948,844	1,956,149	2,067,293	350,718
Motor fuel	1,425,275	1,122,019	-	-
Intergovernmental, unrestricted	-	-	575,837	180,687
Investment income	387,443	429,153	400,074	198,089
Gain on sale of property	-	-	-	-
Other	89,428	-	-	15,178
Transfers	20,000	820,150	222,321	220,810
Total governmental activities	<u>14,559,690</u>	<u>15,485,873</u>	<u>18,367,055</u>	<u>17,826,310</u>
Business-type activities:				
Investment income	269,380	103,648	169,465	260,460
Other	-	-	-	(69,856)
Transfers	(20,000)	(820,150)	(222,321)	(220,810)
Total business-type activities	<u>249,380</u>	<u>(716,502)</u>	<u>(52,856)</u>	<u>(30,206)</u>
Total primary government	<u>14,809,070</u>	<u>14,769,371</u>	<u>18,314,199</u>	<u>17,796,104</u>
Changes in net assets				
Governmental activities	132,921	1,090,713	3,706,927	3,876,496
Business-type activities	(32,816)	(602,050)	1,007,950	507,360
Total primary government	<u>\$ 100,105</u>	<u>\$ 488,663</u>	<u>\$ 4,714,877</u>	<u>\$ 4,383,856</u>

GASB 34 was implemented for the fiscal year ended June 30, 2003.
Information prior to implementation of GASB 34 is not available.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 10,591,345	\$ 11,937,517	\$ 12,976,749	\$ 13,101,490	\$ 12,596,288
3,673,550	3,154,930	2,599,450	2,478,957	2,323,994
-	1,029,267	998,834	927,430	596,449
373,991	325,742	418,974	341,642	333,522
-	-	-	-	-
1,873,488	100,464	85,783	74,236	115,898
796,038	472,572	108,972	264,448	244,419
-	2,569,335	-	-	298,411
729,944	832,593	892,153	1,014,000	1,467,179
220,810	232,349	222,623	340,902	121,000
18,259,166	20,654,769	18,303,538	18,543,105	18,097,160
354,850	271,191	197,462	45,256	23,897
-	-	-	-	-
(220,810)	(232,349)	(222,623)	(340,902)	(121,000)
134,040	38,842	(25,161)	(295,646)	(97,103)
18,393,206	20,693,611	18,278,377	18,247,459	18,000,057
1,844,499	(249,541)	(1,389,087)	(4,013,198)	(750,447)
(962,737)	(500,322)	(609,372)	(1,076,146)	303,193
\$ 881,762	\$ (749,863)	\$ (1,998,459)	\$ (5,089,344)	\$ (447,254)

CITY OF SAN FERNANDO
Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$ 30,327	\$ 44,779	\$ 49,532	\$ 183,608
Unreserved	179,768	397,592	3,026,464	4,984,271
Total general fund	<u>\$ 210,095</u>	<u>\$ 442,371</u>	<u>\$ 3,075,996</u>	<u>\$ 5,167,879</u>
All other governmental funds:				
Reserved	\$ 3,157,797	\$ 3,147,147	\$ 6,942,187	\$ 9,375,226
Unreserved, reported in:				
Special revenue funds	2,905,681	(2,230,704)	(2,101,096)	(2,923,775)
Debt service funds	1,206,357	(450,962)	87,989	(84,361)
Capital projects funds	(880,729)	2,002,942	816,814	29,777
Other	-	2,824,596	2,136,295	2,131,887
Total all other governmental funds	<u>\$ 6,389,106</u>	<u>\$ 5,293,019</u>	<u>\$ 7,882,189</u>	<u>\$ 8,528,754</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: GASB 54 was implement in 2011, prior year's have no comparable data

The City has elected to show only nine years of data for this schedule.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 2,055,539	\$ 69,999	\$ 639,172	\$ 768,679	\$ -
3,992,140	2,362,813	(492,513)	(666,295)	-
<u>\$ 6,047,679</u>	<u>\$ 2,432,812</u>	<u>\$ 146,659</u>	<u>\$ 102,384</u>	<u>\$ -</u>
\$ 12,189,553	\$ 8,760,628	\$ 7,112,657	\$ 8,245,010	\$ -
(2,020,353)	(3,636,210)	(422,538)	(614,082)	-
(565,199)	(611,346)	611,990	(2,222,757)	-
4,979,008	(1,105,235)	(2,896,209)	(2,759,950)	-
-	-	-	-	-
<u>\$ 14,583,009</u>	<u>\$ 3,407,837</u>	<u>\$ 4,405,900</u>	<u>\$ 2,648,221</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 237,378
-	-	-	-	(856,695)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (619,317)</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,448,274
-	-	-	-	2,890,223
-	-	-	-	(7,022,933)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,315,564</u>

CITY OF SAN FERNANDO
Changes in Fund Balances of Governmental Funds
Last Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes	\$ 12,731,567	\$ 13,223,074	\$ 17,116,611	\$ 18,160,481
Licenses and permits	2,339,702	2,068,941	1,591,609	1,321,998
Charges for services	294,477	380,555	481,095	499,624
Fines and forfeitures	476,013	608,780	850,464	970,687
Investment earnings	372,443	429,153	400,074	807,847
Intergovernmental	3,880,576	4,390,068	6,521,737	4,297,805
Administrative overhead	930,468	930,628	930,628	1,672,248
Community development	211,520	-	-	-
Sale of inventory	-	-	-	-
Other	475,251	1,443,986	894,473	1,148,455
Total revenues	<u>21,712,017</u>	<u>23,475,185</u>	<u>28,786,691</u>	<u>28,879,145</u>
Expenditures				
Current:				
General government	5,817,665	6,630,988	8,037,230	7,834,515
Public safety	7,183,020	7,830,932	8,375,379	8,466,474
Community development	1,924,352	1,636,810	1,344,615	3,069,196
Public works	3,626,185	4,595,811	5,206,946	3,798,336
Parks and recreation	1,867,457	2,124,210	1,918,860	1,939,812
Pass-throughs	-	-	-	-
SERAF	-	-	-	-
Capital outlay	2,074,668	1,418,383	1,717,999	-
Other	-	168	2,321	-
Debt service:				
Principal	505,000	540,000	575,000	787,000
Interest and fiscal charges	437,496	381,845	432,867	498,414
Cost of issuance	-	-	-	-
Total expenditures	<u>23,435,843</u>	<u>25,159,147</u>	<u>27,611,217</u>	<u>26,393,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,723,826)</u>	<u>(1,683,962)</u>	<u>1,175,474</u>	<u>2,485,398</u>
Other financing sources (uses):				
Transfers in	2,757,080	4,878,792	7,496,266	4,817,583
Transfers out	(2,737,080)	(4,058,642)	(4,273,945)	(4,596,773)
Payment to/from bond escrow agent	-	-	-	32,240
Issuance of debt	-	-	-	-
Discount	-	-	-	-
Sale of property	-	-	-	-
Total other financing sources (uses)	<u>20,000</u>	<u>820,150</u>	<u>3,222,321</u>	<u>253,050</u>
Net change in fund balances	<u>\$ (1,703,826)</u>	<u>\$ (863,812)</u>	<u>\$ 4,397,795</u>	<u>\$ 2,738,448</u>
Debt service as a percentage of noncapital expenditures	4.6%	4.0%	4.0%	5.3%

The City has elected to show only nine years of data for this schedule.

Source: City Finance Department

Fiscal Year				
2007	2008	2009	2010	2011
\$ 17,869,675	\$ 19,597,729	\$ 20,136,147	\$ 18,114,573	\$ 17,433,856
235,143	254,159	260,071	223,748	249,754
1,997,264	3,307,933	2,814,217	2,876,980	2,697,601
886,395	1,074,122	1,268,174	1,226,322	1,183,299
1,084,708	731,934	699,154	700,719	570,661
5,607,795	3,608,832	5,481,477	6,017,833	7,005,399
-	-	-	-	-
-	-	-	-	-
-	500,000	125,000	-	-
1,563,678	1,424,980	1,931,944	2,177,633	2,331,930
29,244,658	30,499,689	32,716,184	31,337,808	31,472,500
7,499,986	8,998,389	8,362,675	7,870,484	7,710,354
9,664,425	9,977,618	10,620,149	10,382,127	10,556,689
2,189,345	5,051,488	2,033,620	1,636,343	2,364,956
9,192,018	7,060,897	4,383,266	3,274,845	3,085,317
1,925,068	5,093,249	3,731,142	2,921,263	2,332,198
927,114	1,004,484	1,367,117	1,745,906	1,712,477
-	-	-	2,063,811	424,902
2,826,135	6,167,164	1,538,552	989,588	2,835,433
-	-	-	-	-
832,000	1,309,000	1,418,388	1,663,887	1,933,535
682,275	859,788	771,988	932,410	870,409
383,621	-	-	-	-
36,121,987	45,522,077	34,226,897	33,480,664	33,826,270
(6,877,329)	(15,022,388)	(1,510,713)	(2,142,856)	(2,353,770)
4,078,292	4,451,217	5,468,685	6,818,161	7,603,439
(3,857,482)	(4,218,868)	(5,246,062)	(6,477,259)	(7,482,439)
-	-	-	-	-
11,490,000	-	-	-	-
(74,426)	-	-	-	-
-	-	-	-	178,411
11,636,384	232,349	222,623	340,902	299,411
\$ 4,759,055	\$ (14,790,039)	\$ (1,288,090)	\$ (1,801,954)	\$ (2,054,359)
7.0%	6.6%	7.0%	8.0%	8.6%

CITY OF SAN FERNANDO
Assessed Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Other</u>
2002	\$ 488,938,266	\$ 151,372,758	\$ 150,792,175	\$ 19,564,058
2003	522,844,101	169,484,766	159,491,948	19,873,642
2004	567,902,157	177,295,352	165,048,900	23,765,942
2005	623,693,705	188,143,522	170,451,341	22,958,543
2006	701,620,690	204,017,895	183,844,983	23,324,074
2007	802,084,309	218,355,001	198,477,251	27,888,079
2008	900,052,366	240,006,510	216,095,061	25,461,983
2009	924,249,336	254,066,849	223,073,530	35,618,563
2010	834,108,715	256,442,463	258,825,850	32,405,858
2011	796,187,198	259,924,017	257,840,462	31,707,331

Notes:

Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of the property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At this point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Unsecured	Unknown	Taxable Assessed Value	Total Direct Tax Rate
\$ 73,350,429	\$ 6,703,467	\$ 890,721,153	0.58850%
75,912,741	6,080,544	953,687,742	0.59360%
77,422,782	15,121,604	1,026,556,737	0.59653%
82,517,735	16,996,055	1,104,760,901	0.68950%
78,503,390	17,719,324	1,209,030,356	0.69569%
82,754,213	9,954,395	1,339,513,248	0.68705%
76,947,962	-	1,458,563,882	0.68705%
78,152,281	-	1,515,160,559	0.68605%
112,691,566	-	1,494,474,452	0.73077%
108,228,918	-	1,453,887,926	0.73507%

CITY OF SAN FERNANDO
Direct and Overlapping Property Tax Rates
(rate per \$100 of assessed value)
Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
City Direct Rate:				
City basic rate	0.3320	0.3320	0.3320	0.4320
Redevelopment agency/Other	0.2199	0.1929	0.1919	0.2913
Total City Direct Debt	0.5885	0.5936	0.5965	0.6895

Notes:

- (1) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (3) City's share of 1.00% levy is based on the City's share of the general fund tax rate area within the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) Redevelopment Agency rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (5) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

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

Fiscal Year					
2006	2007	2008	2009	2010	2011
0.4320	0.4291	0.4320	0.4298	0.4298	0.4298
0.2904	0.2868	0.2887	0.2886	0.2885	0.2879
0.6957	0.6871	0.6794	0.6861	0.7308	0.7351

CITY OF SAN FERNANDO
Principal Property Taxpayers
(top ten)
Current Year and Nine Years Ago

Taxpayer	2011		Taxpayer	2002	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value		Taxable Assessed Value	Percent of Total City Taxable Assessed Value
CPF San Fernando LLC	\$ 68,836,466	4.73%	CPF San Fernando LLC	\$ 41,560,000	4.67%
Pharmavite LLC	39,821,448	2.74%	Regency Realty Group	26,614,560	2.99%
SFVS Company LLC	19,793,708	1.36%	G & S Partnership	10,375,704	1.16%
Foothill HD Retail Center LLC	18,700,049	1.29%	San Fernando Associates	9,794,302	1.10%
Ahi Glenoaks Inc.	15,200,201	1.05%	GMS Realty LLC	8,650,000	0.97%
San Fernando Gateway LLC	14,083,140	0.97%	Puretek Corporation	5,422,584	0.61%
315 Partners LLC	13,437,853	0.92%	Nathan O. Shaw Trust	5,420,107	0.61%
San Fernando Associates	9,989,900	0.69%	555 First St Inc.	5,270,330	0.59%
NNN California Auto Services	9,628,551	0.66%	Samco Scientific	5,100,188	0.57%
San Fernando Valley Automotive LLC	9,023,998	0.62%	Mission Plaza Partners	4,300,000	0.48%
Total Top Ten	\$ 218,515,314	15.03%	Total Top Ten	\$ 122,507,775	13.75%
Total Property Taxes	\$ 1,453,887,926		Total Property Taxes	\$ 890,721,153	

Source: HdL, Coren & Cone

CITY OF SAN FERNANDO
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	\$ 5,272,343	\$ 5,837,938	110.73%	\$ 40,997	\$ 5,878,935	111.51%
2003	6,021,584	6,119,018	101.62%	55,752	6,174,770	102.54%
2004	6,481,679	6,342,738	97.86%	74,254	6,416,992	99.00%
2005	7,862,160	8,045,587	102.33%	65,771	8,111,358	103.17%
2006	8,694,574	9,015,419	103.69%	142,693	9,158,112	105.33%
2007	9,197,054	9,901,528	107.66%	102,464	10,003,992	108.77%
2008	9,909,383	10,361,519	104.56%	70,019	10,431,538	105.27%
2009	9,661,994	10,977,764	113.62%	352,262	11,330,026	117.26%
2010	9,754,979	11,049,754	113.27%	426,417	11,476,171	117.64%
2011	9,693,186	11,146,361	114.99%	10,929	11,157,290	115.10%

Note:

The amounts presented include City property taxes and Redevelopment Agency tax increment. This schedule also includes amounts collected by the City and Redevelopment Agency that were passed-through to other agencies.

CITY OF SAN FERNANDO
Water Customers
Current Year and Nine Years Ago

2011			2002		
Water Customer	Water Charges	Percent of Total Water Revenues	Water Customer	Water Charges	Percent of Total Water Revenues
Pharmavite Corporation	\$ 26,362	1.00%	Oh Boy! Corporation	\$ 13,443	0.61%
Pharmavite Corporation	18,409	0.70%	Puretek Corporation	13,082	0.59%
Puretek Corporation	17,249	0.65%	LACO-Int Service Dept	9,277	0.42%
Puretek Corporation	10,234	0.39%	Pharmavite Corporation	6,543	0.30%
Mission Park Apartments	10,162	0.39%	Flex-Link Products	6,097	0.28%
Olin Majers	9,354	0.35%	Mission Park Apartments	6,029	0.27%
Fresenius Medical CA	8,029	0.30%	LA Board of Education	5,813	0.26%
Martin & Denise Rile	7,348	0.28%	OL Swimmin Hole	4,932	0.22%
Home Depot #609	7,165	0.27%	KV Mart #19	4,829	0.22%
MacLay Coin Laundry	6,802	0.26%	Pharmavite Corporation	4,683	0.21%
Total Top Ten	\$ 121,114	4.59%	Total Top Ten	\$ 74,728	3.39%
Total Water Revenue	\$ 2,638,917		Total Water Revenue	\$ 2,202,874	

Source: Eden UB System (Water only)

CITY OF SAN FERNANDO
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Percentage of Personal Income	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Loans	Total Governmental Activities		
2002	\$ -	\$ 7,570,000	\$ -	\$ 7,570,000	1.83%	\$ 314
2003	-	7,065,000	1,521,839	8,586,839	2.01%	354
2004	-	6,525,000	2,299,775	8,824,775	1.95%	363
2005	-	5,340,000	6,023,726	11,363,726	2.36%	469
2006	-	5,340,000	6,023,726	11,363,726	2.21%	471
2007	-	16,113,506	6,348,789	22,462,295	4.17%	943
2008	-	15,075,000	6,610,671	21,685,671	3.93%	917
2009	-	13,985,000	6,643,296	20,628,296	3.74%	799
2010	-	12,850,000	6,582,631	19,432,631	5.41%	819
2011	-	11,620,158	6,307,069	17,927,227	Not Available	76

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 Personal income numbers not available for 2011.

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CITY OF SAN FERNANDO
Direct and Overlapping Bonded Debt
June 30, 2011

	Gross Bonded Debt Balance	Percent Applicable to City	Net Bonded Debt
Direct Debt:			
1998 Tallocation Bonds Project Area 1	\$ 430,000	100.000%	\$ 430,000
1998 Tallocation Bonds Project Area 3	2,030,000	100.000%	2,030,000
2006 Tallocation Bonds Project	9,210,000	100.000%	9,210,000
Total Direct Debt:			11,670,000
Overlapping Debt:			
*Metropolitan Water District Area 1117 DS	107,259,876	0.109	116,666
LA City Community College Dist 2001 Ser A	10,590,000	0.253	26,834
LA City Community College 2003 Ser B	71,760,000	0.253	181,343
LA City Community College Dist 2003 Ser 2004B	17,935,000	0.253	45,323
LA City Community College Dist 2001 Ser 2004A	74,760,000	0.253	188,924
LACC DS REF 2001 Series 2005 A	431,075,000	0.253	1,089,359
LA City Community College DS Ref 2001 2006 Series B	382,830,000	0.253	967,440
LA City Community College DS Ref 2003 2006 Series C	292,480,000	0.253	739,119
LACC DS 2001 2008 Series E-1	276,500,000	0.253	698,736
LACC DS 2001 2008 Taxable Series E-2	2,420,000	0.253	6,116
LACC DS 2003 2008 Series F-1	344,915,000	0.253	871,626
LACC DS 2003 2008 Taxable Series F-2	6,480,000	0.253	16,375
LACC DS 2008 2009 Taxable Series A	350,000,000	0.253	884,476
LACC DS 2008 2009 Taxable Series B	75,000,000	0.253	189,531
LACC DS 2008 2010 Taxable Series D	175,000,000	0.253	442,292
LACC DS 2010 Taxable Series E (BABS)	900,000,000	0.253	2,274,644
LACC DS 2008 2010 Taxable Series C	125,000,000	0.253	315,923
Los Angeles Unif Sch Dis 2010 QSCBS	290,195,000	0.314	911,820
Los Angeles Unif Sch Dis 1997 Ser A	77,885,000	0.313	244,124
Los Angeles Unif Sch Dis 1997 Ser C	318,800,000	0.314	1,001,700
Los Angeles Unif Sch Dis 1997 Ser E	30,605,000	0.313	95,929
Los Angeles Unif Sch Dis 2002 Refdg BD	244,115,000	0.313	765,160
Los Angeles Unif Sch Dis 1997 Ser F	388,440,000	0.313	1,217,535
Los Angeles Unif Sch Dis 2002 Ser A	267,465,000	0.313	838,348
Los Angeles Unif Sch Dis 2004 Series C 2004	41,835,000	0.314	131,450
Los Angeles Unif Sch Dis 2004 Ref Bonds A-1	90,270,000	0.313	282,944
Los Angeles Unif Sch Dis 2004 Ref Bonds A-2	127,315,000	0.313	399,059
Los Angeles Unif Sch Dis 2004 Series E	329,680,000	0.313	1,033,356
Los Angeles Unif Sch Dis 2005 Ref Bds A-1	346,750,000	0.313	1,086,861
	120,925,000	0.313	379,030
Los Angeles Unif Sch Dis 2004 Series F	449,880,000	0.313	1,410,114
LA USD DS 2006 Ref BD Series A	132,325,000	0.313	414,762
LA USD DS 2005 Series A (2006)	290,090,000	0.313	909,265
LA USD DS 2005 Series B (2006)	344,175,000	0.313	1,078,790
LA USD DS 2005 Series C (2007)	462,605,000	0.313	1,450,000
LA USD DS 2005 Series D (2007)	906,905,000	0.313	2,842,623
LA USD DS 2006 Refunding Series B	559,585,000	0.313	1,753,976
LA USD DS 2007 Refunding Series A-1	1,136,865,000	0.313	3,563,415
LA USD DS 2007 Refunding Series A-2	136,055,000	0.313	426,454
LA USD DS 2002 Series B (2009)	240,885,000	0.313	755,035
LA USD DS 2007 Ref BDS Series B	24,650,000	0.313	77,264
LA USD DS 2002 Series C	531,245,000	0.313	1,665,146
LA USD DS 2004 Series H	144,755,000	0.313	453,723
LA USD DS 2005 Series E	36,995,000	0.313	115,958
LA USD DS 2002 Series D	168,790,000	0.313	529,059
LA USD DS 2004 Series I	5,615,000	0.313	17,600
LA USD DS 2005 Series F	145,250,000	0.313	455,275
LA USD DS 2002 Series E	157,165,000	0.313	492,622
LA USD DS 2004 Series J	130,450,000	0.313	408,885
LA USD DS 2005 Series G	3,795,000	0.314	11,924
LA USD DS 2005 Series H	159,495,000	0.313	499,925
LA USD DS 2009 Refunding Measure R Bonds	20,930,000	0.313	65,613
LA USD DS Measure R Series 2009	39,000,000	0.313	122,261
LA USD DS Measure R Series 2009 KRY BABS	200,000,000	0.313	626,979
LA USD DS Measure Y Series 2009 KRY BABS	363,005,000	0.313	1,137,982
LA USD DS 2010 Refunding Prop BB Bonds	74,080,000	0.313	232,233
LA USD DS Measure R Series 2010 KRY BABS	806,795,000	0.313	2,529,217
LA USD DS Measure R Series 2010 KRY BABS	1,250,585,000	0.313	3,920,451
Total Overlapping Debt:			45,408,596
Total Direct & Overlapping Debt:			\$ 57,078,596

2010/11 Assessed Valuation: \$923,720,935 after deducting \$530,166,991 Redevelopment Increment.

Debt to Assessed Valuation Ratios:

Direct Debt	1.26%
Overlapping Debt	4.92%
Total Debt	6.18%

Notes:

- (1) In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
- (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (3) City's share of 1.00% levy is based on the City's share of the general fund tax rate area within the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
- (4) The total debt is assessed valuation ratio is calculated by the total direct and overlapping debt divided by the 2010/11 Assessed Valuation.
- (5) Redevelopment Agency rate is based on the largest RDA tax rate area (TRA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values.
- (6) Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

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

Source: L.A. County Assessor 2001/02 - 2010/11 tax rate table prepared on August 24, 2011 by MV

CITY OF SAN FERNANDO
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation	\$ 953,687,742	\$ 1,026,556,737	\$ 1,104,760,901	\$ 1,209,030,356
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	238,421,936	256,639,184	276,190,225	302,257,589
Debt limit percentage	15%	15%	15%	15%
Debt limit	35,763,290	38,495,878	41,428,534	45,338,638
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 35,763,290</u>	<u>\$ 38,495,878</u>	<u>\$ 41,428,534</u>	<u>\$ 45,338,638</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 1,245,984,173	\$ 1,339,513,248	\$ 1,458,563,882	\$ 1,515,160,559	\$ 1,494,474,452	\$ 1,453,887,926
25%	25%	25%	25%	25%	25%
311,496,043	334,878,312	364,640,971	378,790,140	373,618,613	363,471,982
15%	15%	15%	15%	15%	15%
46,724,406	50,231,747	54,696,146	56,818,521	56,042,792	54,520,797
-	-	-	-	-	-
<u>\$ 46,724,406</u>	<u>\$ 50,231,747</u>	<u>\$ 54,696,146</u>	<u>\$ 56,818,521</u>	<u>\$ 56,042,792</u>	<u>\$ 54,520,797</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CITY OF SAN FERNANDO
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population ¹	Calif. Metropolitan Personal Income (in thousands) ²	Calif. Metropolitan Per Capita Personal Income ²	Unemployment Rate ³
2002	24,078	\$ 412,753,239	\$ 32,544	6.1%
2003	24,253	427,549,556	33,435	6.6%
2004	24,304	452,200,899	35,170	7.2%
2005	24,207	482,011,274	37,441	7.8%
2006	24,119	513,123,392	39,880	7.8%
2007	23,818	539,163,000	41,875	7.8%
2008	23,645	552,449,876	42,916	7.6%
2009	25,833	551,271,235	42,818	11.9%
2010	23,728	359,081,000	14,156	12.9%
2011	23,712	Not Available	Not Available	12.9%

Sources: ¹ US Census Bureau

HdL Report/Bureau of Economic Analysis (data shown is for the metropolitan area of L.A.-Long Beach-Santa Ana)

² Santa Ana through 2009; thereafter it is specific to the City of San Fernando

³ US Census Bureau/Personal Profile for years 2005-2007. Estimates for previous years

CITY OF SAN FERNANDO
Miscellaneous and Demographic Statistics

Date Incorporated	August 31, 1911		
Form of Government	Council-City Administrator		
Land Area	2.42 square miles		
Land Use (Estimated % of City)	Residential		40.1%
	Commercial		8.3%
	Industrial		12.9%
	Open space		9.0%
	Highway and streets, rights-of-way		29.7%
	Undeveloped land		0.0%
			<u>100.0%</u>
Building Permits	Calendar	# Permits	Valuation
	<u>Year</u>		
	1995	650	\$ 4,802,623
	1996	354	5,321,998
	1997	379	6,229,912
	1998	241	5,314,484
	1999	277	6,879,355
	2000	481	8,530,618
	2001	499	11,829,627
	2002	527	5,852,529
	2003	985	9,610,033
	2004	551	10,249,858
	2005	1,390	15,845,473
	2006	1,421	13,860,435
	2007	1,137	9,549,375
	2008	1,035	15,742,359
	2009	858	9,888,598
	2010	797	8,024,919
	2011	760	7,146,062

Source: Various City Departments

CITY OF SAN FERNANDO
Principal Employers
(top twenty)
Current Year

2011			
Company	Number of Employees	Percent of Total City Employers	Type
Los Angeles Unified School District	580	5.49%	Public Education
JT Contractors	400	3.79%	Clothing Manufacturer
Puretek	400	3.79%	Pharmaceutical Products
Pepsi Bottling Co.	300	2.84%	Wholesale Beverages
Los Angeles County	265	2.51%	County Government
Home Depot	250	2.37%	Home Improvement Supplies
Linzer Products	250	2.37%	Painters Equipment & Supplies
Samco Scientific	250	2.37%	Physicians & Surgeons Equip
Future Graphics	220	2.08%	Wholesale Printer Cartridges
Bernards Brothers	200	1.89%	Building Contractor
City of San Fernando	157	1.49%	City Government
Medical Illumination International	155	1.47%	Physicians & Surgeons Equip
Sam's Club	140	1.33%	Retail
McDonald's	119	1.13%	Restaurant
7 Up RC Bottling	100	0.95%	Wholesale Beverages
J & M Products	100	0.95%	Clamp Manufacturer
Premier Accessories Manufacturing	100	0.95%	Wholesale Apparel
Rydell's San Fernando	100	0.95%	Automotive Dealership
Santana Formal Accessories	100	0.95%	Formal Accessories
Wic Nutrition Program	99	0.94%	Social Service & Welfare
Total Top Twenty Employers	<u>4,285</u>	<u>40.58%</u>	
Total Employed within the City	<u>10,560</u>		

Note: Figures have been rounded to the nearest tenth. Information as of August 2010. Information from 10 years ago is not available.

Disclaimer: The City of San Fernando makes no claims concerning the accuracy of data provided nor assumes any liability resulting from the use of information herein.

Source: HDL Report

CITY OF SAN FERNANDO
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007*	2008	2009	2010	2011
General government	42	41	42	38	37	37	36	35	50	48
Public safety	61	61	62	61	59	59	62	65	65	60
Public works	40	41	41	42	48	43	46	47	38	38
Community development	9	10	10	10	9	11	10	10	6	5
Total	<u>152</u>	<u>153</u>	<u>155</u>	<u>151</u>	<u>153</u>	<u>150</u>	<u>154</u>	<u>157</u>	<u>159</u>	<u>151</u>

* - Revised 2007

CITY OF SAN FERNANDO
Operating Indicators by Function
Last Ten Calendar Years

Function	Calendar Year			
	2001	2002	2003	2004
Police:				
Arrests	1,238	1,045	1,310	1,481
Parking citations issued	10,476	12,556	16,233	16,129

Source: City of San Fernando Police Department

Calendar Year					
2005	2006	2007	2008	2009	2010
1,432	1,377	1,571	2,471	2,721	1,424
15,860	15,205	16,074	19,096	16,966	14,799

CITY OF SAN FERNANDO
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year			
	2002	2003	2004	2005
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	-	-	-	-
Public works:				
Street (miles)	50.00	50.00	50.00	50.00
Streetlights	1,678	1,678	1,678	1,678
Traffic signals	45	45	45	45
Parks and recreation:				
Parks	4	4	5	5
Recreation centers	2	2	2	2
Water:				
Water mains (miles)	66.50	66.50	66.50	66.50
Maximum daily capacity (thousands of gallons)	600	600	600	600
Wastewater:				
Sanitary sewers (miles)	40.00	40.00	40.00	40.00
Storm sewers (miles)	0.68	0.68	0.68	0.68

Source: City of San Fernando

Fiscal Year					
2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
-	-	-	-	-	-
50.00	50.00	50.00	50.00	50.00	50.00
1,678	1,678	1,678	1,678	1,848	1,848
45	45	45	45	45	45
5	6	6	6	6	6
2	2	2	2	2	2
66.50	66.50	66.50	66.50	66.50	66.50
600	600	600	600	600	600
40.00	40.00	40.00	40.00	40.00	40.00
0.68	0.68	0.68	0.68	0.68	0.68

CITY OF SAN FERNANDO
Pertinent Address Information
For the year ended June 30, 2011

Address information for the City of San Fernando, City of San Fernando Redevelopment Agency, and Public Finance Authority is as follows:

City Administrator
117 MacNeil Street
San Fernando, California 91340-2993
Website: www.sfcity.org