

CITY OF NATIONAL CITY

Presentation to the City Council
For the Fiscal Year Ended June 30, 2023

November 19, 2024



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REQUIRED COMMUNICATIONS (AU-C 260)

Required Communications (AU-C 260)

- **Independence**
 - We complied with ALL relevant requirements regarding independence
- **Significant Accounting Policies**
 - The City disclosed all significant accounting policies in Note 1 to the financial statements.
 - The City implemented GASB Statement No. 96, *Subscription-Based IT Arrangements*
- **Significant Estimates**
 - Fair value on investments
 - Depreciation/amortization on capital assets
 - Net pension liability actuarial inputs
 - Net other postemployment benefit liability actuarial inputs



Required Communications (AU-C 260)

- **Sensitive Disclosures**

- Note 1 – Reporting Entity and Summary of Significant Accounting Policies
- Note 3 – Leases Receivable
- Note 4 – Loans Receivable
- Note 11 – Pension Plans
- Note 12 – Other Postemployment Healthcare Benefits
- Note 13 – Commitments and Contingencies
- Note 14 – Classification of Fund Balances

- **Misstatements**

- There were no uncorrected misstatements reported.

- **Consultation with Other Accountants**

- Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.

Required Communications (AU-C 260)

- **Significant Difficulties**
 - We encountered no significant difficulties in dealing with management.
- **Disagreements with Management**
 - We did not have any disagreements with management in terms of accounting treatments or audit procedures performed.
- **Non-Authoritative Guidance**
 - We did not come across any instances where transactions occurred that did not have authoritative guidance.

AUDIT RESPONSIBILITIES

Management's Responsibilities

- Responsible for the financial statements
- Present the financial statements in accordance with accounting principles generally accepted in the United States of America
- Adopt sound accounting policies
- Establish and maintain internal controls over financial reporting and compliance
- Provide evidence supporting the amounts and disclosures in the financial statements
- Prevent and detect fraud

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with Board oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America
- Plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- Consider internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

OVERVIEW OF THE FINANCIAL STATEMENTS



City of National City Government-Wide Condensed Statement of Net Position June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Assets	\$ 387,302,222	\$ 364,732,363	\$ 22,569,859	6.19%
Deferred Outflows of Resources	36,158,165	98,478,194	(62,320,029)	-63.28%
Liabilities	178,426,419	209,383,827	(30,957,408)	-14.79%
Deferred Inflows of Resources	8,483,849	32,947,598	(24,463,749)	-74.25%
Net Position:				
Net investment in capital assets	170,389,264	161,453,603	8,935,661	5.53%
Restricted	106,369,320	100,825,314	5,544,006	5.50%
Unrestricted (deficit)	(40,208,465)	(41,399,785)	1,191,320	-2.88%
Total Net Position	<u>\$ 236,550,119</u>	<u>\$ 220,879,132</u>	<u>\$ 15,670,987</u>	7.09%



**City of National City
Government-Wide Summary
Statement of Activities
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Expenses	\$ (111,669,488)	\$ (102,429,004)	\$ (9,240,484)	9.02%
Program Revenues				
Charges for services	38,087,351	28,356,650	9,730,701	34.32%
Operating grants and contributions	18,456,518	18,533,739	(77,221)	-0.42%
Capital grants and contributions	7,090,261	3,514,394	3,575,867	101.75%
Total program revenues	<u>63,634,130</u>	<u>50,404,783</u>	<u>13,229,347</u>	26.25%
Net Cost of Services	(48,035,358)	(52,024,221)	3,988,863	-7.67%
General Revenues - Taxes	62,152,849	62,318,372	(165,523)	-0.27%
Investment earnings (loss)	1,358,614	(3,007,949)	4,366,563	-145.17%
Miscellaneous	194,882	97,010	97,872	100.89%
Change in Net Position	<u>\$ 15,670,987</u>	<u>\$ 7,383,212</u>	<u>\$ 8,287,775</u>	112.25%



City of National City General Fund Condensed Balance Sheet June 30, 2022 and 2021

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Assets	\$ 72,283,735	\$ 67,687,041	\$ 4,596,694	6.79%
Liabilities	6,879,016	7,131,452	(252,436)	-3.54%
Deferred Inflows of Resources	3,029,498	3,491,986	(462,488)	100.00%
Fund Balance				
Nonspendable	4,094,518	3,966,629	127,889	3.22%
Restricted	9,956,427	9,546,733	409,694	4.29%
Committed	15,680,000	15,680,000	-	0.00%
Assigned	9,604,056	8,400,718	1,203,338	14.32%
Unassigned	23,040,220	19,469,523	3,570,697	18.34%
Total Fund Balance	62,375,221	57,063,603	5,311,618	9.31%
Total Liabilities and Fund Balance	\$ 72,283,735	\$ 67,687,041	\$ 4,596,694	6.79%



City of National City
General Fund
Condensed Statement of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues	\$ 69,802,150	\$ 65,556,521	\$ 4,245,629	6.48%
Expenditures	(63,928,822)	(56,525,463)	(7,403,359)	13.10%
Revenues over Expenditures	5,873,328	9,031,058	(3,157,730)	-34.97%
Other Financing Sources and Uses				
Transfers (Net)	(561,710)	(2,858,489)	2,296,779	-80.35%
Pass-through payments to other agencies	-	(2,017)	2,017	-100.00%
Total other financing sources/uses	(561,710)	(2,860,506)	2,298,796	-80.36%
Change in Fund Balance	<u>\$ 5,311,618</u>	<u>\$ 6,170,552</u>	<u>\$ (858,934)</u>	13.92%

AUDIT RESULTS

Audit Results

- Opinions
 - *Unmodified Opinions issued to all Opinion Units*
 - Financial statements are fairly presented in all material respects
 - Accounting policies have been consistently applied
 - Estimates used are reasonable
 - Disclosures are properly reflected in the financial statements



Audit Findings

2023-001 – Delay in Financial Reporting (Significant Deficiency) – Repeat Finding

- **Condition:** The City experienced delays in the issuance of the 2023 Single Audit required under Uniform Guidance.
- **Effect:** Delays in processing year-end closing procedures caused the financial statements release to be delayed. In addition, the City is neither in compliance with Uniform Guidance nor is it meeting its current demands for external financial reporting.



Other Results

- No disagreements with management
- One material significant deficiency was identified in internal control over financial reporting and/or compliance (2023-001 Delay in Financial Reporting)
- No findings were noted as relate to compliance with the City's federal grant activity
- No inappropriate activities or fraud, waste, or abuse were noted



Thank you!



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