

City of National City

National City, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

Prepared By the
Finance Department
of the City of National City

**City of National City
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014**

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Office of the City Manager

December 18, 2014

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

It is our pleasure to submit the Comprehensive Annual Financial Report (“CAFR”) of the City of National City (the “City”) for the fiscal year ended June 30, 2014. The CAFR has been prepared in conformity with generally accepted accounting principles (“GAAP”) and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants.

This report consists of management’s representations concerning the finances of the City. 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, 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, 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 in all material respects. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

Pun & McGeady LLP, an independent auditing firm of certified public accountants, has issued an unmodified (“clean”) opinion on the City’s financial statements for the fiscal year ended June 30, 2014. The independent auditor’s report is presented as the first component of the financial section of this CAFR.

Management’s Discussion and Analysis (“MD&A”), which immediately follows the independent auditor’s report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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 standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. The City’s Single Audit Report is issued separately.

PROFILE OF THE CITY OF NATIONAL CITY

The City of National City, incorporated on September 17, 1887, is located in southwestern San Diego County, bordered by the City of San Diego to the north and east, San Diego Bay to the west, and the City of Chula Vista to the south. The City is home to a fairly constant population of about 60,000 residents and occupies 9.2 square miles.

Transmittal Letter

The City is a general law city and operates under the council/manager form of government. The City Council comprises five members, including the mayor, who are elected at large for four-year overlapping terms. The mayor is the presiding officer of the Council. The citizens of National City also elect the City Treasurer and the City Clerk.

The City Council is responsible for enacting ordinances, adopting the budget, establishing policies, reviewing the General Plan, appointing committees, and appointing the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, overseeing the day-to-day operations of the City, and appointing the heads of departments. The City Attorney is the legal counsel for the City and the Community Development Commission and advises the City Council, the City's boards and commissions, and City staff.

The City provides a full range of services, which include general government, public safety (police, fire, disaster preparedness, and building inspection), construction and maintenance of the City's infrastructure, economic development, affordable housing, cultural and recreational programs, library and literacy programs, and senior and nutrition services.

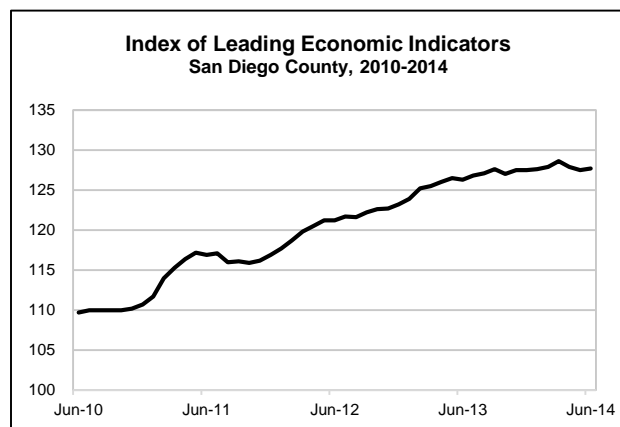
BUDGETARY CONTROL

The annual budget serves as the foundation for the City's financial planning and control. The proposed budget is presented to the City Council for review and adoption prior to the beginning of each fiscal year, July 1st. The Council is required to hold public hearings on the proposed budget prior to adoption. The state mandates a structurally balanced budget. The budget is prepared by fund and department. After budget adoption, in accordance with budget policy, an increase in a department's total appropriation must be approved by the Council when it involves the use of fund balance or an appropriation of unanticipated or over-realized revenue identified to a specific source. The City Manager is authorized to make budgetary revisions between budget line items within a fund. And department directors may transfer appropriations within their respective departments. The budget is regularly monitored and the Council receives quarterly updates. Budget-to-actual comparisons are provided in this report for each major governmental fund for which an annual budget has been adopted. For the General Fund, this comparison is presented on page 86 as part of the basic financial statements for the governmental funds. For governmental funds other than the General Fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 87.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Profile

The University of San Diego (USD) tracks six variables to evaluate and monitor the health of the San Diego County economy: unemployment filings, help wanted advertising, local stock prices, consumer confidence, building permits and the strength of the national economy. The results are consolidated and summarized in USD's "Index of Leading Economic Indicators for San Diego County" ("Index"). Although the rate of improvement slowed to 1.1% in Fiscal Year 2014, the Index reflects an overall positive year-over-year trend for the past five years.

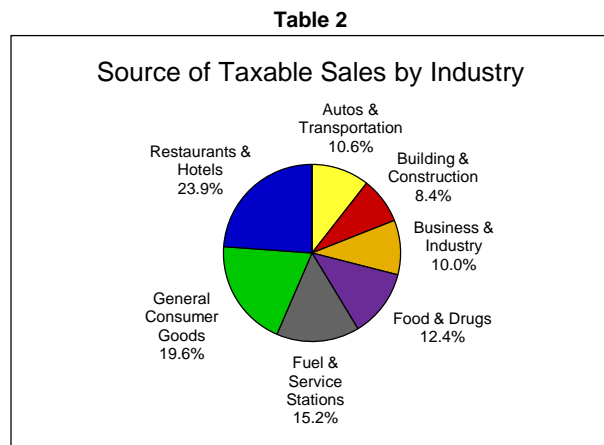


A key factor in the improving economy is the decline in unemployment rates for the June 2013 to June 2014 period, which fell 1.5% at both the state and local levels – California’s from 8.9% to 7.4% and the San Diego County metropolitan area’s from 7.7% to 6.2%. Also contributing to the recovery is a return to growth over the last two years in assessed property values in both National City and the County, as a whole, after three years of declining or flat values.

General Fund revenue trends suggest National City is benefitting from the improving economic climate. The City continues to recover from past revenue declines with sustained overall revenue growth, led by the City’s major revenue sources, sales- and property-related taxes, as shown in Table 1. In Fiscal Year 2014, sales & use tax revenues were boosted by

Table 1

Prior Years Sales- & Property-Related Taxes			Projection
FY 12	FY 13	FY 14	FY 15
\$29.8M	\$30.8M	\$32.8M	\$33.6M



continued strong sales in the autos & transportation sector (which accounted for more than 40% of total sales revenues) and exceptionally strong business & industry results. Revenues generated by the City’s voter-approved 1% district (Proposition “D”) sales tax were helped by gains in a variety of retail segments, with business & industry receipts the single largest contributor to the growth and the general consumer goods, autos & transportation, and restaurant groups improving as well. Though the City is heavily dependent upon sales-related tax revenues, as Table 2 illustrates, it has a diversified commercial, retail, and industrial presence, which reduces the impacts of economic downturns and helps it rebound steadily.

Property tax revenue, although a much smaller revenue source than sales tax, has been boosted by the City’s highest assessed property value in more than fifteen years. Net taxable assessed value rose by 4.7% in 2014, the second largest change in San Diego County, driven by sharp increases in average and median housing prices. Despite these surges, prices remain well below their respective peaks, leaving significant room for additional growth.

Table 3
Net Taxable Assessed Property Value History

Fiscal Year Ended June 30	Total Assessed Valuation	Increase Over Prior Year	Percent Increase Prior Year	Cumulative Increase Since 2005
2005	2,063,075,166	-	-	-
2006	2,355,008,346	291,933,180	14.2%	291,933,180
2007	2,703,243,809	348,235,463	14.8%	640,168,643
2008	2,923,482,096	220,238,287	8.1%	860,406,930
2009	3,127,120,736	203,638,640	7.0%	1,064,045,570
2010	3,030,591,425	-96,529,311	-3.1%	967,516,259
2011	2,991,549,736	-39,041,689	-1.3%	928,474,570
2012	2,993,669,068	2,119,332	0.1%	930,593,902
2013	3,109,969,070	116,300,002	3.9%	1,046,893,904
2014	3,254,789,852	144,820,782	4.7%	1,191,714,686

Led by sales- and property-related taxes, which represent three-quarters of the General Fund’s revenue total, General Fund general purpose revenues are projected to increase 3.9%, or \$1.6 million in Fiscal Year 2015.

National City has a progressive history of commercial development, including the “Mile of Cars,” San Diego County’s first major auto park, and Westfield Plaza Bonita, the County’s first indoor mall and largest enclosed mall in the South San Diego Bay area. Both attract shoppers from throughout the County and outlying areas and continue to be major revenue sources for the City, directly supporting local programs and services. The Walmart Supercenter is the retail hub of the City’s central section, generating significant tax revenue and bringing shoppers to nearby stores and restaurants. Despite these successes, however,

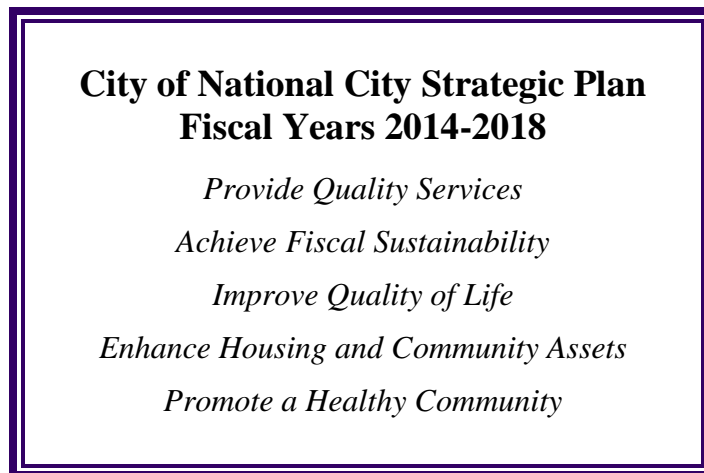
National City has experienced economic ebbs and flows which have directly impacted service levels to the community. In 2005 and 2006, the City faced revenue shortfalls and structural deficits that led to reductions in services and service hours. In response, National City voters in 2006 approved the Proposition “D” transactions & use tax, which now produces nearly \$10 million of revenue per year. And in November 2014, voters approved a measure extending the tax for an additional twenty years. Proposition “D” has allowed the City to continue to provide important programs and services to its citizens.

Additional setbacks occurred with the global recession beginning in 2008 and the State of California’s dissolution of redevelopment agencies in February 2012. The recession impacted City general purpose revenues and the operations of the City, but the dissolution of redevelopment agencies hampered completion of economic development projects and, in some cases, stopped them all together. National City’s Redevelopment Agency was a critical partner in planning and implementing improvements to the City’s infrastructure, as well as in meeting the housing needs for low and moderate income residents, and the loss of it resulted in the loss of millions of dollars in revenue needed to address these priorities.

Long-term Financial Planning

During the Fiscal Year 2014 budget process, City management reviewed and updated the City’s five-year Strategic Plan. The Strategic Plan is approved by the Council every two years in conjunction with adoption of the annual budget. Its purpose is to:

- establish a long-range vision and direction for the City;
- ensure all participants are working toward the same goals and objectives;
- assess/adjust the direction of the organization given the current (and changing) environment;
- communicate goals and initiatives of the organization; and
- provide a basis for developing a work plan to ensure the goals and initiatives of the Strategic Plan are carried out.



The City updates its five-year Capital Improvement Program (“CIP”) annually. The CIP encompasses and highlights some of the City’s needed infrastructure improvements. Planned capital expenditures during Fiscal Years 2015-2019 total approximately \$63.0 million. Funding comes from multiple sources, including available fund balance, general purpose revenues, user fees, special tax revenues, and regional, state, and federal funds. In addition to routine sewer, drainage, and transportation-related projects, the CIP includes improvements to Parks, Recreation, and Community Services facilities and municipal buildings and facilities, such as the library, community center, police department, and fire stations.

Financial Policies

A portion of the fund balance of the General Fund, the “Contingency Reserve,” is committed to strengthening the City’s ability to withstand unexpected financial emergencies and to accumulate funds for large-scale purchases. The City’s recently updated reserve policy establishes that the City will strive to accumulate and maintain an amount equal to between twenty-five percent (25%) and fifty percent (50%) of a single year’s General Fund operating expenditures for these purposes. The operational surplus generated by the City’s Fiscal Year 2014 activities, when combined with the fund balance previously committed by the Council to the Contingency Reserve is sufficient to fund the Contingency Reserve at its minimum threshold. In addition, the City maintains a number of other reserves, most of which have accumulated their minimum target balances, as of June 30, 2014.

Cash Management Policies and Practices

As National City’s governing body, the City Council is granted the authority to manage the City’s investment program, pursuant to California Government Code Section 53600 *et seq.* Management responsibility for the cash and investment management of City funds to be delegated to the Director of Finance and/or Financial Service Officer.

The City annually adopts a comprehensive investment policy specifying investment objectives, such as type and term of investments, reporting requirements, and investment oversight. The City’s investments generally include US Treasury and Agency securities, Certificate of Deposit Account Registry Service deposits, medium-term corporate notes, negotiable certificates of deposit, commercial paper, the State of California’s Local Agency Investment Fund, and the County of San Diego Pooled Money Fund. See Note 2 for a list of the City’s authorized investments. The investment policy complies in all respects with State laws governing deposit and investment of public funds.

The objective of the investment portfolio is to enhance the City’s cash resources, while meeting the short and long term cash flow demands of the City. To achieve this objective, the portfolio is structured to provide safety of principal and liquidity, while providing a reasonable return on investments.

MAJOR ACCOMPLISHMENTS AND INITIATIVES

The City of National City’s Capital Improvement Program addresses the City’s initiatives of improving quality of life, enhancing housing and community assets, and promoting a healthy community. Amongst the most notable projects planned or recently completed are the following:

Infrastructure

8th Street Smart Growth Revitalization

Phase I includes undergrounding overhead utilities between National City Boulevard and Highland Avenue and replacing the sewer between the 8th Street trolley station and K Avenue. Traffic calming and pedestrian and streetscape enhancements between the 8th Street trolley station and Highland Avenue are planned for Phase II. The 8th Street Project will tie together previous urban core redevelopment efforts, including the award-winning Southwestern College Education Village at the intersection of National City Boulevard and 8th Street, new Chamber of Commerce building, state-of-the-art public library, and renovation of historic Brick Row at A Avenue and 9th Street, along with several new mixed-use development projects.

8th Street Safety Enhancements (complete)

The 8th Street safety enhancements focused on East 8th Street between K and Palm Avenues, to increase the safety of drivers and pedestrians with improvements including a new signalized intersection, enhanced crosswalks, Americans with Disabilities Act (“ADA”) improvements, and traffic calming. Another aspect of this project was the construction of retaining walls on the north and south sides of East 8th Street between K and L Avenues, to prevent further erosion of the weathered slopes adjacent to the sidewalk. In addition to improving safety, the project plan included various streetscape enhancements, such as new sidewalks, pedestrian ramps, landscaping, and paved median islands.

Highland Ave Community Corridor

This project includes traffic safety enhancements on Highland Avenue between Division and East 8th Streets within the public right of way, to calm traffic, reduce collisions, and improve access for pedestrians. It will reduce travel lanes from four lanes to two lanes with protected left-turn pockets at intersections, to reduce rear-end and left-turn versus opposing thru traffic collisions; provide ADA improvements, enhanced signing and striping, corner bulb-outs, and refuge islands, to calm traffic and reduce pedestrian crossing distances at intersections; construct landscaped islands mid-block, to calm traffic and beautify the corridor; and convert parallel parking to angle parking on the east side of the street, to provide more parking and improve access to local businesses.

A Avenue “Green” Street

The A Avenue “Green” Street project will create a “Green” street, which implements Low Impact Development infiltration measures, to improve water quality of urban runoff entering the storm drain system, which discharges downstream into Paradise Creek at Kimball Park. It will create a safe, environmentally friendly walking path along A Avenue, to connect Historic Brick Row, Morgan Square, and the 8th Street Revitalization District to City Hall, National City Public Library, and Kimball Park. It will also provide educational opportunities through implementation of interpretative signage and creek-themed art.

Safe Routes to School (complete)

Approximately ten years ago, the Safe Routes to School Program Task Force was formed. The purpose of the Task Force, a partnership between the City of National City, National School District, Sweetwater Union High School District, school principals, parents, volunteers and community organizations, was to identify barriers between school zones and feeder neighborhoods that precluded many children from walking to school. The Task Force provided direction to City engineers and planners regarding the areas in which to collect data, perform site evaluations, and develop projects to create safe walking corridors. The Safe Routes to School project is the culmination of this partnership’s work. The City was successful in securing approximately \$4 million in competitive grant funding over the past five years to provide much needed safety enhancements for children walking to school. These enhancements included in-roadway warning lights and pedestrian refuge islands at crosswalks, flashing beacons, radar speed feedback signs, new sidewalks, traffic calming bulb-outs, ADA curb ramps, and enhanced school zone signing and striping. In addition to these physical safety improvements, the National City Police Department, through its participation in the Task Force, was able to identify high priority locations for school zone traffic enforcement.

Bicycle Safety Enhancements (complete)

Bicycle safety enhancements were completed along 4th Street, 18th Street, and “D” Avenue, National City’s new bicycle corridors. The enhancements included creation of reverse angle parking and bike boxes and new bike lanes and sharrows, as well as upgrading current bike paths throughout the city to Class II bicycle lanes.

Housing

Westside Infill Transit Oriented Development (“WI-TOD”) Housing Project

The WI-TOD project is the preparation of the sites of the current Public Works yard and former Sun Diego Bus Charters (2100 and 2020 Hoover Avenue on the east side of Paradise Creek) for construction of a 201-unit affordable housing development, including on-site parking of more than 300 spaces, and the expansion of Paradise Creek Educational Park on the west side of Paradise Creek with a naturalized planting buffer along Paradise Creek, an expansive lawn area, a community garden, playgrounds, a plaza and kiosk, picnic tables and grills, hedgerows, a pedestrian/bicycle path along the length of the creek, and informal tree and shrub plantings along the western edge of the park.

Facilities

New City Public Works Facilities

In order to allow for the WI-TOD project to proceed, the existing City Public Works facilities located at 2100 Hoover Avenue will be relocated. The new home of the City’s Public Works’ Streets, Sewer, and Equipment Maintenance divisions will be 1726 Wilson Avenue. The project will provide tenant improvements, including electrical and plumbing system upgrades, new offices, break room, bathrooms, locker room, conference room, computers, and an equipment maintenance facility.

Police Station Upgrades

A number of building improvements of the National City Police Station will be completed to improve the evidence room’s capacity and efficiency, update fire suppression systems in key areas, complete some deferred maintenance items, and upgrade the electrical system, to meet current and future demands.

Parks & Recreation

Waterfront Adventure Center

This 4,663 square foot public facility will be owned by the City of National City upon leased premises (10,000 square feet) in Pepper Park, National City, under the jurisdiction of the San Diego Unified Port District. The structure will include two multi-purpose classrooms that can be opened as one larger room; an office for facility staff; storefront for National City Police and/or Harbor Police; locker, shower, and restroom spaces; boat and equipment storage; and decorative lighting, landscaping, and public art. The South Bay Family YMCA will manage programming at the Center, which will include kayaking, rowing, and environmental education courses. The Center will also be available for public events.

Information on the City’s CIP projects can be found at nationalcityprojects.com.

Awards and Acknowledgements

The Government Finance Officers Association awards a Certificate of Achievement for Excellence in Financial Reporting. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized CAFR that conforms to program standards. Such reports must satisfy both GAAP and applicable legal requirements. The City of National City will seek this prestigious award with the submission of the Fiscal Year 2014 CAFR.

The preparation of this report would not have been possible without the dedicated service of the staff of the Department of Finance. We would like to express our appreciation to those who devoted significant hours in preparing the report. We appreciate and would like to commend all the City departments who assisted and contributed materials to this document. We also recognize and would like to acknowledge the Mayor

and members of the City Council for their interest, dedication, and constant support for planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Leslie Deese". The signature is fluid and cursive, with a long horizontal stroke at the end.

Leslie Deese
City Manager

A handwritten signature in blue ink, appearing to read "Mark Roberts". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark Roberts
Director of Finance

City of National City
CITY OFFICIALS
For the year ended June 30, 2014



City Council

Ron Morrison
Mayor

Luis Natividad
Vice Mayor

Jerry Cano
Council Member

Mona Rios
Council Member

Alejandra Sotelo-Solis
Council Member

City Treasurer
R. Mitchell Beauchamp

City Clerk
Michael R. Dalla

City Manager
Leslie Deese

City Attorney
Claudia Silva

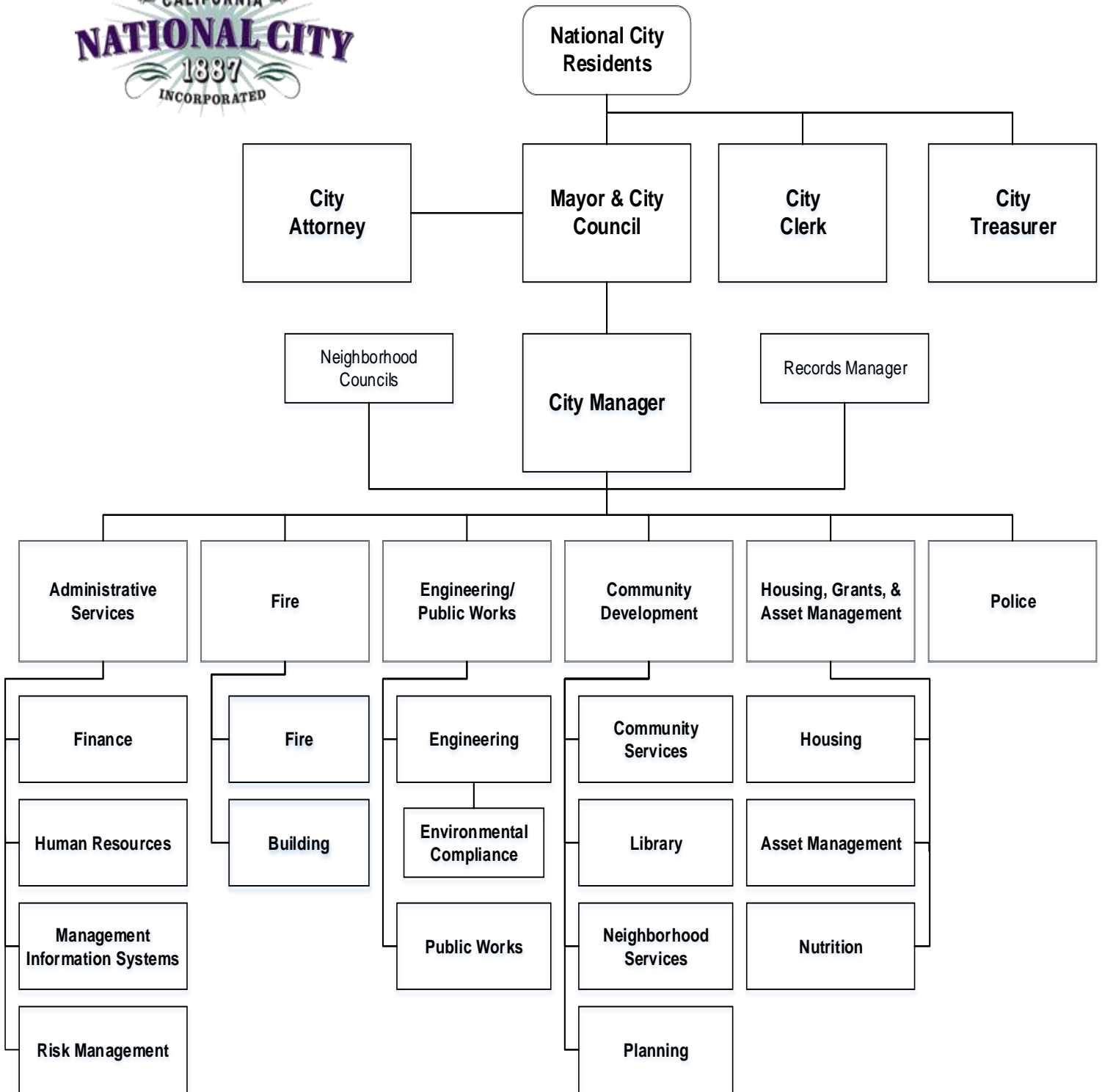
Department Heads

Vacant
Manuel Rodriguez
Minh Duong
Brad Raulston
Stacey Stevenson
Frank Parra
Stephen Manganiello
Mark Roberts
Alfredo Ybarra

Assistant City Manager
Chief of Police
City Librarian
Community Development Director
Director of Administrative Services
Director of Emergency Services
Director of Engineering / Public Works
Director of Finance
Director of Housing, Grants, & Asset Management



CITY ORGANIZATIONAL CHART





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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of National City, California (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of GASB Statement No. 65

As discussed in Note 1 to the basic financial statements, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standards required retrospective application of previously reported net position and reclassification of certain accounts at July 1, 2013 as described in Note 14 to the basic financial statements. Our opinion is not modified with respect to this matter.

GASB Statement No. 68

As further discussed in Note 15 to the basic financial statements, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. This statement requires state and local governments to display the actuarially determined Net Pension Liability in its financial statements effective with fiscal year 2014-2015. This Net Pension Liability is expected to be substantial. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Fund Budgetary Comparison Schedules and Schedules of Funding Progress for Pensions and OPEB Plans, as listed in the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be 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 Required Supplementary Information 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedules, and Statistical Section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and Fund Budgetary Comparison Schedules on pages 97 through 181 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 Combining and Individual Nonmajor Fund Financial Statements and Fund Budgetary Comparison Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of National City
National City, California
Page 3

The Introductory and Statistical Sections have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the City's internal control over financial reporting and compliance.

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San Diego, California
December 18, 2014



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

Independent Auditors' Report

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of National City, California (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of the City Council
of the City of National City
National City, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a large, stylized "P" and "M".

San Diego, California
December 18, 2014

Management's Discussion and Analysis

Management of the City of National City (the "City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with our letter of transmittal, which can be found on page v of this report. The intent of this discussion and analysis is to provide a summarized view of the City's financial performance, as a whole; therefore, readers should also review the basic financial statements and supporting notes to enhance their understanding of the City's financial performance.

Overview of the Financial Statements

This Management's Discussion & Analysis ("MD&A") is intended to serve as an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information.

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 *government-wide financial statements* consist of the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The *government-wide financial statements* distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, community development, health, and culture and recreation. The business-type activities of the City include Kimball Towers and Morgan Towers activities, housing for low and moderate income seniors.

The *government-wide financial statements* include the activities of the City and three blended component units: Housing Authority of the City of National City, Parking Authority of the City of National City, and National City Joint Powers Financing Authority. Although legally separate, these entities function, for all practical purposes, as departments of the City and, therefore, have been blended, as part of the primary government. The Successor Agency to the Community Development Commission as the National City Redevelopment Agency ("Successor Agency") is included as a fiduciary component unit, since it would be misleading to exclude it, due to the nature and significance of the relationship between it and the City. The activity of the Successor Agency is reported with the City's fiduciary funds, which is not included in the government-wide statements, because the resources of those funds are not available to support the City's own programs.

The *government-wide financial statements* are presented using the accrual basis of accounting, which differs from the modified accrual basis of accounting used for preparing the *governmental fund financial statements*. Note 1 of the Notes to Basic Financial Statements section fully describes these bases of accounting. Proprietary funds, discussed below, also are reported using the accrual basis of accounting.

The *government-wide financial statements* can be found on pages 20-23 of this report.

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

Governmental Funds. Governmental funds are used to account for the same functions reported as governmental activities in the *government-wide financial statements*. However, unlike the *government-wide financial statements*, the *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 financing 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 can better understand the long-term impact of the government's near-term financing decisions. Reconciliations between the *government-wide financial statements* and the *fund financial statements* are included as part of the basic financial statements. The major reconciling items relate to capital assets and debt. In the governmental funds, acquisitions of capital assets are treated as "expenditures," because, upon purchase of a capital asset, cash used to acquire it is no longer available for other purposes. The issuance of debt provides cash, which is then available for specified purposes. At the end of the fiscal year, the unassigned fund balances in the *governmental fund financial statements* reflect spendable resources available for appropriation by the City Council. Spendable balances are not presented on the face of the *government-wide financial statements*.

The City maintains twenty-one individual governmental funds, including the General Fund. 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, Housing Fund, Housing Choice Voucher Fund (aka "Section 8"), and Sewer Service Fund, all of which are major funds. The City's other governmental funds are considered non-major, and their data are combined into a single, aggregated presentation.

The *governmental fund financial statements* can be found on pages 29-33. Individual fund information for each of the non-major governmental funds is provided in the form of combining statements and can be found on pages 97-104.

The City adopts annual budgets for its General, Housing, Housing Choice Voucher, and Sewer Service Funds. Budgetary comparison statements, found on pages 86-90, have been provided, to demonstrate compliance with these budgets.

Proprietary Funds. The City maintains two types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the *government-wide financial statements*. The City's enterprise funds account for activities relating to the operations of Kimball Towers and Morgan Towers, which provide housing to low and moderate income

seniors. Internal service funds are used to accumulate and allocate costs internally among the City's functions. The City has seven internal service funds: the Facilities Maintenance Fund, the Liability Insurance Fund, the Information Systems Maintenance Fund, the Motor Vehicle Services Fund, the Equipment Replacement Reserve Fund, the Office Equipment Depreciation Fund, and the Telecommunications Revolving Fund. Because these services predominantly benefit governmental, rather than business-type, functions, they are included within the governmental activities in the *government-wide financial statements*.

Proprietary fund financial statements provide the same type of information as the *government-wide financial statements* (business-type activities), only in more detail. The *proprietary fund financial statements* provide separate information for Kimball Towers and Morgan Towers. The internal service funds are combined into a single, aggregated presentation in the *proprietary fund financial statements*.

The *proprietary fund financial statements* can be found on pages 36-39. Individual fund data for the internal service funds is provided in the form of supplementary combining statements and can be found on pages 121-128.

Fiduciary Funds. Fiduciary funds are used to account for activities for which the City's role is purely custodial. The fiduciary funds of the City are the Agency Funds (comprising the Cobra Insurance Fund and Miscellaneous Deposits Fund), the Library Trust Fund, and the Successor Agency to the Community Development Commission of the City of National City Private-purpose Trust Fund. Fiduciary funds are not reflected in the *government-wide financial statements*, because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The *fiduciary fund financial statements* can be found on pages 41-42, and the combining Statement of Changes in Assets and Liabilities for the Agency Funds can be found on page 131.

Notes to Basic Financial Statements. The Notes to Basic Financial Statements section provides additional information essential for a full understanding of the data provided in the *government-wide financial statements*. Notes to Basic Financial Statements begins on page 43.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found on pages 85-91.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented on pages 97-104 and 121-128, respectively.

Government-wide Financial Analysis

Table 1 below presents a summarization of the City's assets, liabilities, deferred outflows and inflows, and net position for its governmental and business-type activities. As noted earlier, over time, a government's net position may serve as a useful indicator of its financial position.

TABLE 1
NET POSITION
For the year ended June 30, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 93,170,831	\$ 87,667,687	\$ 2,321,672	\$ 2,521,928	\$ 95,492,503	\$ 90,189,615
Capital Assets, Net	122,901,094	114,873,200	6,302,056	6,595,917	129,203,150	121,469,117
TOTAL ASSETS	216,071,925	202,540,887	8,623,728	9,117,845	224,695,653	211,658,732
Deferred Outflows of Resources	58,800				58,800	
Current Liabilities	13,422,195	9,782,693	460,578	551,371	13,882,773	10,334,064
Long-term Liabilities	18,743,734	18,612,331	1,311,137	1,586,419	20,054,871	20,198,750
TOTAL LIABILITIES	32,165,929	28,395,024	1,771,715	2,137,790	33,937,644	30,532,814
Net Position:						
Invested in Capital Assets, Net of Related Debt	108,881,192	99,343,176	4,725,523	4,760,761	113,606,715	104,103,937
Restricted	34,673,951	3,340,422	2,121,988	1,953,838	36,795,939	5,294,260
Unrestricted	40,409,653	71,462,265	4,502	265,456	40,414,155	71,727,721
TOTAL NET POSITION	\$ 183,964,796	\$ 174,145,863	\$ 6,852,013	\$ 6,980,055	\$ 190,816,809	\$ 181,125,918

Deferred inflows, as of June 30, 2014, were \$0.

The City's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by \$190,816,809 at June 30, 2014, an increase of \$9,690,891 from June 30, 2013. By far, the largest portion of the City's net position, \$113,606,715 (59.5%), is its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), net of accumulated depreciation and any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens and, consequently, are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate the liabilities.

An additional portion of the City's net position (19.3%) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position of \$40,414,155 (21.2%) may be used to meet the City's ongoing obligations to citizens and creditors.

The \$9,690,891 (5.4%) increase in the City's total net position resulted from a growth in governmental activities of \$9,818,933 and decline in business-type activities of \$128,042. Governmental operating results are discussed on page 33 and business-type operating results are discussed on page 37. Table 2 provides a condensed summary of activities of the City's governmental and business-type operations for the period ended June 30, 2014, with the prior fiscal year presented for comparative purposes.

TABLE 2
CHANGES IN NET POSITION
For the year ended June 30, 2014

	Governmental Activities		Business-Type Activity		Total	
	2014	2013	2014	2013	2014	2013
REVENUES:						
Program Revenues:						
Charges for Services	\$ 18,446,113	\$ 15,566,475	\$ 2,340,688	\$ 2,314,335	\$ 20,786,801	\$ 17,880,810
Operating Grants and Contributions	15,818,335	14,732,996			15,818,335	14,732,996
Capital Grants and Contributions	6,284,789	1,006,059			6,284,789	1,006,059
General Revenues:	40,549,237	31,305,530	2,340,688	2,314,335	42,889,925	33,619,865
Taxes:						
Property Taxes	9,908,109	4,724,959			9,908,109	4,724,959
Sales Taxes	25,586,661	23,757,635			25,586,661	23,757,635
Franchise Taxes	1,718,023	1,602,891			1,718,023	1,602,891
Utility User Tax	825,388	815,136			825,388	815,136
Motor Vehicle in-lieu Taxes	27,056				27,056	-
Transient Occupancy Taxes	1,082,339	5,154,530			1,082,339	5,154,530
Investment Earnings	459,019	1,873,896	2,520	3,685	461,539	1,877,581
Gain on Sale of Capital Assets		151,879		14,776	-	166,655
Miscellaneous	-		15,353		15,353	-
Gain on Sale of Capital Assets					-	-
Loss on Disposition of Capital Assets	(268,224)	-	-	-	(268,224)	-
TOTAL REVENUES	79,887,608	69,386,456	2,358,561	2,332,796	82,246,169	71,719,252
EXPENSES:						
General Government	5,240,947	443,592			5,240,947	443,592
Public Safety	29,045,583	28,024,676			29,045,583	28,024,676
Transportation	6,315,524	3,061,647			6,315,524	3,061,647
Community Development	11,669,866	11,991,339			11,669,866	11,991,339
Health	7,026,857	8,477,778			7,026,857	8,477,778
Culture and Leisure	6,712,036	5,784,578			6,712,036	5,784,578
Depreciation (1)		4,423,669	369,396	394,204	369,396	4,817,873
Interest on Long-term Debt	439,367	633,338			439,367	633,338
Kimball Towers			1,174,910	908,223	1,174,910	908,223
Morgan Towers			942,297	964,867	942,297	964,867
TOTAL EXPENSES	66,450,180	62,840,617	2,486,603	2,267,294	68,936,783	65,107,911
	13,437,428	6,545,839	(128,042)	65,502	13,309,386	6,611,341
Restatement of Net Assets (See Note 14)	(3,618,495)	-	-	-	(3,618,495)	-
NET POSITION, BEGINNING OF YEAR	174,145,863	167,600,024	6,980,055	6,914,553	181,125,918	174,514,577
NET POSITION, END OF YEAR	\$ 183,964,796	\$ 174,145,863	\$ 6,852,013	\$ 6,980,055	\$ 190,816,809	\$ 181,125,918

(1) The City did not allocate depreciation to the functions in Fiscal Year 2013 but did in Fiscal Year 2014.

Certain prior year amounts have been reclassified to match current presentation.

As noted above, net position for governmental activities increased by \$9,818,933. Key elements of the change include increases in:

- capital grants proceeds received toward the Westside Infill Transit Oriented Development (“WI-TOD”) project and the Waterfront Adventure Center;
- charges for services, resulting from implementation of a cost allocation plan to recover overhead costs from internal departments; and
- sales-related tax revenues, due to improving economic conditions.

In addition, the City implemented the provisions of the Governmental Accounting Standards Board’s Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during Fiscal Year 2014, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources

or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The changes resulted in a restatement of net assets which decreased the governmental activities Fiscal Year 2014 starting net position by \$3,618,495.

Governmental Activities. The City's total revenues from governmental activities were \$79,887,608 for the fiscal year ended June 30, 2014. The largest source of revenue for the City, at 32.0 percent, is sales-related taxes (which consist of sales & use taxes, district sales taxes, and property tax in lieu of sales tax). Revenues from sales-related taxes grew \$1,829,026, or 7.7 percent, year over year. Revenues from other taxes, the most significant of which is property-related taxes (real property taxes, personal property taxes, and property tax in lieu of vehicle license fee ["VLF"]), increased by \$1,263,399, or 10.3 percent, and represented 17.0 percent of total revenues at the end of the current fiscal year (Fiscal Year 2014). However, the large upswing in the property taxes revenue reported and corresponding sharp decline of the transient occupancy taxes total is the result of the incorrect classification of property tax in lieu of VLF revenues in the Fiscal Year 2013 financial statement presentation.

Charges for services for governmental activities ended the fiscal year at \$18,446,113, increasing approximately 18.5 percent from the prior year, and operating grants and contributions increased 7.4 percent to \$15,818,335.

The City's expenses for governmental activities cover a wide array of services, with \$29,045,583, or 43.7 percent, for Fiscal Year 2014 related to public safety and \$11,669,866, or 17.6 percent, to community development. Overall, expenses for governmental activities rose \$3,609,563, or 5.7 percent, with a \$3,253,877, or 106.3 percent, increase in transportation expenses the primary driver of the change. This spike can be mainly attributed to greater spending for capital projects in this area.

The large increase in the general government activity total resulted from the erroneous allocation of general government expenses to other governmental activities, during preparation of the Fiscal Year 2013 financial statements. The elimination of unallocated depreciation expense for Fiscal Year 2014 was due to a change in the City's reporting approach, with the objective to better reflect the changes in net position attributable to each governmental activity. Depreciation expenses have been allocated to the individual governmental activities whose assets incurred it, rather than reported collectively, as in Fiscal Year 2013.

Business-type Activities. Business-type activities decreased the City's net position by \$128,042. The decline resulted from an increase of \$219,309, or 9.7 percent, in overall expenses for Kimball Tower and Morgan Tower, while combined revenues remained relatively flat. The operating expense increase was primarily attributable to the costs associated with repairs necessary due to flooding caused by a fire suppression pipeline break at Morgan Tower.

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 is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's classifications of fund balance comprise a hierarchy based on the extent to which the City is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance is

reported in five categories, based upon the following defining characteristics:

- non-spendable – either not in spendable form or legally or contractually required to be maintained intact;
- restricted fund – subject to externally enforceable limitations by law, enabling legislation, or limitations imposed by creditors or grantors;
- committed – may be spent only for the specific purposes determined by formal action of the government’s highest level of decision-making authority (City Council) and, therefore, may be used for different purposes only upon the government’s taking the same formal action that imposed the original constraint;
- assigned – constrained by the City’s intent to utilize fund balance for specific purposes;
- unassigned – fund balance not falling in any of the foregoing categories and available for spending at the City’s discretion.

The table below summarizes the balance sheet of the City’s General Fund and other governmental funds.

TABLE 3
GOVERNMENTAL FUNDS SUMMARY
For the year ended June 30, 2014

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2014	2013	2014	2013	2014	2013
Total Assets	\$ 43,387,756	\$ 30,022,423	\$ 43,590,342	\$ 45,309,663	\$ 86,978,098	\$ 75,332,086
Total Liabilities	5,898,713	6,437,462	10,701,126	3,258,122	16,599,839	9,695,584
Deferred Inflows of Resources			680,522		680,522	-
Fund Balances						
Non-spendable	4,952,830	10,162	7,926,759	8,164,235	12,879,589	8,174,397
Restricted	611,780	707,262	31,713,774	33,122,400	32,325,554	33,829,662
Committed	9,085,066	9,085,066	-	-	9,085,066	9,085,066
Assigned	15,042,191	6,787,396	733,384	740,177	15,775,575	7,527,573
Unassigned	7,797,176	6,995,075	(8,165,223)	24,729	(368,047)	7,019,804
Total Fund Balance	37,489,043	23,584,961	32,208,694	42,051,541	69,697,737	65,636,502
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 43,387,756	\$ 30,022,423	\$ 43,590,342	\$ 45,309,663	\$ 86,978,098	\$ 75,332,086

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$69,697,737, an increase of \$4,061,235 over the prior year. The restricted component represents the largest portion of ending fund balance, 46.4 percent, followed by assigned, at 22.6 percent, and non-spendable, 18.5 percent. Committed fund balance, the entirety of which the City has set aside for future economic contingencies, is 13.0 percent of the total. The primary cause of the negative unassigned fund balance for other governmental funds and resulting negative unassigned fund balance for total governmental funds is a \$4,941,000 promissory note (liability) issued by the Housing Authority, in addition to approximately \$3,600,000 in unreimbursed capital project expenses in various funds.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund equaled \$37,489,043 in comparison to \$23,584,961 the prior year, an increase of \$13,904,082. In addition to receiving approximately \$7,100,000 from the sale of the Public Works site (including the \$4,941,000 promissory note referenced above), the General Fund’s revenues grew \$7,238,562, and transfers into the General Fund were \$1,133,57 greater than the previous year’s, due to the closing of several funds into the General Fund. Expenses increased \$7,818,077 and transfers to other funds rose \$364,099.

The fund balance classification for the General Fund and other major funds can be found on page 80, in Note 13 of the Notes to Financial Statements section.

Proprietary Funds. As noted above, the City’s proprietary funds provide the same type of information found in the *government-wide financial statements*, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

TABLE 4

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	43,369,990	52,539,676	48,627,594	(3,912,082)
Expenditures:				
General Government	5,575,182	5,615,239	4,919,485	695,754
Public Safety	28,286,025	28,320,113	26,888,553	1,431,560
Transportation	2,304,667	2,334,967	1,976,132	358,835
Community Development	129,306	129,306	135,229	(5,923)
Culture and Leisure	2,620,072	2,635,192	2,294,091	341,101
Capital Outlay	2,836,400	15,824,640	6,740,846	9,083,794
Principal	201,386	201,386	196,871	4,515
Interest on Long-term Debt	8,928	8,928	15,362	(6,434)
Total Expenditures	41,961,966	55,069,771	43,166,569	11,903,202
Revenues Over (Under) Expenditures	1,408,024	(2,530,095)	5,461,025	(7,991,120)
Other Financing Sources	459,609	2,534,599	8,443,057	5,908,458
Net Change in Fund Balances	1,867,633	4,504	13,904,082	13,899,578
Beginning Fund Balance			23,584,961	
Ending Fund Balance			<u>37,489,043</u>	

Final budgeted revenues increased from the total originally budgeted for Fiscal Year 2014, as a result of one-time events and the accounting treatment of capital projects. In addition, final budgeted expenditures increased from the amount originally budgeted, as a result of appropriations for capital projects and other obligations carried forward from prior years.

Actual amounts differed from the final General Fund budget as follows:

- The negative \$3,912,082 variance between the original budgeted revenue amounts and the final budgeted revenue totals is primarily due to approximately \$9,100,000 of capital grant budget revenues added during the year for reimbursable capital projects, including WI-TOD and the Waterfront Adventure Center. Approximately \$4,300,000 was received for these projects during the current fiscal year.
- Actual expenditures were less than budgeted amounts by \$11,903,202. This variance is primarily associated with unspent appropriations for grants, capital projects, and other special programs that were not completed during the year (which are carried over to the next fiscal year). In addition, nearly \$1,700,000 in personnel cost savings were realized, most of which occurred in the Police Department, and more than \$1,000,000 was saved in maintenance & operations expenses.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities, as of June 30, 2014, amounted to \$129,203,150 (net of accumulated depreciation). This investment includes land, rights of ways, construction in progress, buildings and improvements, machinery, and infrastructure. Infrastructure assets represent 44.9 percent of total general governmental assets.

Major additions to capital assets during the current fiscal year included: construction in progress and land. Construction in progress totaled \$17,204,748 at June 30, 2014. Depreciation expense during the fiscal year was \$4,644,805 for governmental activities and \$369,396 for business-type activities. In addition, the City acquired, through a purchase agreement, 1.17 acres of land valued at \$1,652,089, increasing total land assets to \$20,247,687.

TABLE 5
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)
For the year ended June 30, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 20,247,687	\$ 18,595,598	\$ 528,382	\$ 528,382	\$ 20,776,069	\$ 19,123,980
Right-of-way	4,245,088	4,245,088	-	-	4,245,088	4,245,088
Construction in progress	17,204,748	7,221,469	-	-	17,204,748	7,221,469
Buildings and improvements	22,306,538	23,621,663	5,758,344	6,038,072	28,064,882	29,659,735
Machinery and equipment	3,669,917	4,076,903	15,330	29,463	3,685,247	4,106,366
Infrastructure	55,227,116	57,112,479	-	-	55,227,116	57,112,479
TOTALS	\$ 122,901,094	\$ 114,873,200	\$ 6,302,056	\$ 6,595,917	\$ 129,203,150	\$ 121,469,117

Additional information on the City's capital assets can be found in Note 5 on pages 64-65 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$25,064,721 which includes bonded debt of \$10,970,000.

TABLE 6
OUTSTANDING LONG-TERM DEBT
For the year ended June 30, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
2012 General Obligation Refunding Bonds	\$ 4,650,000	\$ 4,885,000	\$ -	\$ -	\$ 4,650,000	\$ 4,885,000
NCJFPA Lease Revenue Refunding Bonds	1,870,000	2,300,000	-	-	1,870,000	2,300,000
HUD 108 Bonds, Series A	4,450,000	4,965,000	-	-	4,450,000	4,965,000
Capital Leases	1,571,831	1,866,025	-	-	1,571,831	1,866,025
Morgan Towers Notes Payable	-	-	1,576,533	1,825,270	1,576,533	1,825,270
Compensated Absences	3,176,392	2,752,558	-	-	3,176,392	2,752,558
Claims Payable	7,443,000	6,776,000	-	-	7,443,000	6,776,000
OPEB Liability	326,965	237,779	-	-	326,965	237,779
TOTALS	\$ 23,488,188	\$ 23,782,362	\$ 1,576,533	\$ 1,825,270	\$ 25,064,721	\$ 25,607,632

The City's total debt decreased by \$542,911 or approximately 2.1% during the current fiscal year. The net decrease primarily resulted from normal scheduled principal payments and increases in claims payable and employees' compensated absences benefits.

The City's general obligation bond ratings are "A+". Additional information on the City's long-term debt can be found in Note 6 beginning on page 66 of this report.

Requests for Information

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

BASIC FINANCIAL STATEMENTS





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**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**



City of National City
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 77,937,820	\$ 22,147	\$ 77,959,967
Receivables:			
Accounts	864,618	2,848	867,466
Taxes	3,419,050	-	3,419,050
Interest	98,811	-	98,811
Due from other governments	2,422,410	-	2,422,410
Due from Successor Agency	411,216	-	411,216
Land held for resale	1,245,000	-	1,245,000
Inventories and prepaid items	36,918	174,689	211,607
Total current assets	86,435,843	199,684	86,635,527
Noncurrent assets:			
Restricted cash and investments:			
Held by city	42,895	-	42,895
Held by fiscal agent	10,334	2,121,988	2,132,322
Loans receivable	6,681,759	-	6,681,759
Non-depreciable capital assets	41,697,523	528,382	42,225,905
Depreciable capital assets, net	81,203,571	5,773,674	86,977,245
Total noncurrent assets	129,636,082	8,424,044	138,060,126
Total assets	216,071,925	8,623,728	224,695,653
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	58,800	-	58,800
Total deferred outflows of resources	58,800	-	58,800

City of National City
Statement of Net Position (Continued)
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,919,338	\$ 88,792	\$ 4,008,130
Accrued liabilities	1,944,666	8,518	1,953,184
Interest payable	189,225	8,540	197,765
Unearned revenue	2,428,364	-	2,428,364
Deposits payable	-	89,332	89,332
Compensated absences - due within one year	1,754,920	-	1,754,920
Claims payable - due within one year	1,976,254	-	1,976,254
Long-term debt - due within one year	1,209,659	265,396	1,475,055
Total current liabilities	13,422,426	460,578	13,883,004
Noncurrent liabilities:			
Developer deposits	173,680	-	173,680
Net OPEB obligation	326,965	-	326,965
Compensated absences - due in more than one year	1,421,472	-	1,421,472
Claims payable - due in more than one year	5,466,746	-	5,466,746
Long-term debt - due in more than one year	11,354,640	1,311,137	12,665,777
Total noncurrent liabilities	18,743,503	1,311,137	20,054,640
Total liabilities	32,165,929	1,771,715	33,937,644
NET POSITION			
Net investment in capital assets	108,881,192	4,725,523	113,606,715
Restricted:			
General services	25,690,372	-	25,690,372
Community development	4,522,562	-	4,522,562
Debt service	1,691,931	2,121,988	3,813,919
Capital projects	2,769,086	-	2,769,086
Total restricted	34,673,951	2,121,988	36,795,939
Unrestricted	40,409,653	4,502	40,414,155
Total net position	\$ 183,964,796	\$ 6,852,013	\$ 190,816,809

City of National City
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 5,240,947	\$ 2,371,861	\$ 812,550	\$ -	\$ 3,184,411
Public safety	29,045,583	3,150,630	1,081,423	-	4,232,053
Transportation	6,315,524	2,195,535	149,865	4,128,983	6,474,383
Community development	11,669,866	2,994,274	12,520,510	1,049,811	16,564,595
Health	7,026,857	7,534,320	-	-	7,534,320
Culture and leisure	6,712,036	199,493	1,253,987	1,105,995	2,559,475
Interest on long-term debt	439,367	-	-	-	-
Total governmental activities	66,450,180	18,446,113	15,818,335	6,284,789	40,549,237
Business-type activities:					
Kimball Towers	1,356,385	1,096,559	-	-	1,096,559
Morgan Towers	1,130,218	1,244,129	-	-	1,244,129
Total business-type activities	2,486,603	2,340,688	-	-	2,340,688
Total primary government	\$ 68,936,783	\$ 20,786,801	\$ 15,818,335	\$ 6,284,789	\$ 42,889,925

City of National City
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (2,056,536)	\$ -	\$ (2,056,536)
Public safety	(24,813,530)	-	(24,813,530)
Transportation	158,859	-	158,859
Community development	4,894,729	-	4,894,729
Health	507,463	-	507,463
Culture and leisure	(4,152,561)	-	(4,152,561)
Interest on long-term debt	(439,367)	-	(439,367)
Total governmental activities	(25,900,943)	-	(25,900,943)
Business-type activities:			
Kimball Towers	-	(259,826)	(259,826)
Morgan Towers	-	113,911	113,911
Total business-type activities	-	(145,915)	(145,915)
Total primary government	(25,900,943)	(145,915)	(26,046,858)
General revenues:			
Taxes:			
Property taxes	9,908,109	-	9,908,109
Sales taxes	25,586,661	-	25,586,661
Franchise taxes	1,718,023	-	1,718,023
Utilities user taxes	825,388	-	825,388
Motor vehicle in-lieu taxes	27,056	-	27,056
Transient occupancy taxes	1,082,339	-	1,082,339
Total taxes	39,147,576	-	39,147,576
Investment earnings	459,019	2,520	461,539
Loss on sale of assets	(268,224)	-	(268,224)
Miscellaneous	-	15,353	15,353
Total general revenues	39,338,371	17,873	39,356,244
Changes in net position	13,437,428	(128,042)	13,309,386
Net Position - beginning of year, as restated (Note 14)	170,527,368	6,980,055	177,507,423
Net Position - end of year	\$ 183,964,796	\$ 6,852,013	\$ 190,816,809



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FUND FINANCIAL STATEMENTS





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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund – This is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

Housing Fund - This fund is used to account for activities of housing assistance and assistance to low income families.

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

Other Special Revenue Fund - This represents a combination of minor and less active funds that the City has combined for reporting purposes.

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

**City of National City
Balance Sheet
Governmental Funds
June 30, 2014**

	Major Funds			
	General Fund	Housing Special Revenue Fund	Section 8 Housing Choice Vouchers	
			Special Revenue Fund	Other Special Revenue Fund
ASSETS				
Cash and investments	\$ 29,884,416	\$ 492,093	\$ 660,954	\$ 6,408,599
Receivables:				
Accounts	579,509	-	60,550	139,516
Taxes	3,400,633	-	-	-
Interest	69,209	691	-	1,569
Loans	-	5,544,953	-	-
Due from other funds	3,311,766	-	-	-
Due from other governments	1,189,393	-	-	898,252
Due from Successor Agency	-	-	-	-
Advances to other funds	4,941,000	-	-	-
Inventories and prepaid items	11,830	-	-	-
Land held for resale	-	1,245,000	-	-
Restricted cash and investments:				
Held by City	-	-	42,895	-
Total assets	\$ 43,387,756	\$ 7,282,737	\$ 764,399	\$ 7,447,936
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,768,534	\$ -	\$ 51,123	\$ 889,731
Accrued liabilities	1,690,396	11,303	23,501	25,365
Due to other funds	-	-	-	3,294,197
Advances from other funds	-	4,941,000	-	-
Deposits	11,419	-	-	162,261
Unearned revenue	2,428,364	-	-	-
Total liabilities	5,898,713	4,952,303	74,624	4,371,554
Deferred inflows of resources:				
Unavailable revenues	-	-	-	225,027
Total deferred inflows of resources	-	-	-	225,027
Fund Balances:				
Nonspendable	4,952,830	6,789,953	-	-
Restricted	611,780	-	689,775	5,711,720
Committed	9,085,066	-	-	-
Assigned	15,042,191	-	-	733,384
Unassigned	7,797,176	(4,459,519)	-	(3,593,749)
Total fund balances	37,489,043	2,330,434	689,775	2,851,355
Total liabilities, deferred inflows of resources and fund balances	\$ 43,387,756	\$ 7,282,737	\$ 764,399	\$ 7,447,936

**City of National City
Balance Sheet (Continued)
Governmental Funds
June 30, 2014**

	Sewer Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 16,026,086	\$ 9,639,860	\$ 63,112,008
Receivables:			
Accounts	9,193	75,850	864,618
Taxes	1,195	17,222	3,419,050
Interest	20,258	7,084	98,811
Loans	-	1,136,806	6,681,759
Due from other funds	-	-	3,311,766
Due from other governments	-	334,765	2,422,410
Due from Successor Agency	411,216	-	411,216
Advances to other funds	415,735	-	5,356,735
Inventories and prepaid items	-	-	11,830
Land held for resale	-	-	1,245,000
Restricted cash and investments:			
Held by City	-	-	42,895
Total assets	\$ 16,883,683	\$ 11,211,587	\$ 86,978,098
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 39,525	\$ 677,227	\$ 3,426,140
Accrued liabilities	12,253	140,336	1,903,154
Due to other funds	-	17,569	3,311,766
Advances from other funds	-	415,735	5,356,735
Deposits	-	-	173,680
Unearned revenue	-	-	2,428,364
Total liabilities	51,778	1,250,867	16,599,839
Deferred inflows of resources:			
Unavailable revenues	-	455,495	680,522
Total deferred inflows of resources	-	455,495	680,522
Fund Balances:			
Nonspendable	-	1,136,806	12,879,589
Restricted	16,831,905	8,480,374	32,325,554
Committed	-	-	9,085,066
Assigned	-	-	15,775,575
Unassigned	-	(111,955)	(368,047)
Total fund balances	16,831,905	9,505,225	69,697,737
Total liabilities, deferred inflows of resources and fund balances	\$ 16,883,683	\$ 11,211,587	\$ 86,978,098

City of National City
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2014

Total Fund Balances - Total Governmental Funds	<u>\$ 69,697,737</u>
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Government-Wide Financial Statements	122,901,094
Less: Internal Service Funds' Capital Assets	<u>(2,452,919)</u>
Total capital assets	<u>120,448,175</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	
	<u>(171,212)</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Amount reported in Government-Wide Statement of Net Position:	
Compensated absences - due within one year	(1,754,920)
Compensated absences - due in more than one year	(1,421,472)
Claims payable - due within one year	(1,976,254)
Claims payable - due in more than one year	(5,466,746)
Long-term debt - due within one year	(1,209,659)
Long-term debt - due in more than one year	(11,354,640)
Net OPEB liability	<u>(326,965)</u>
	<u>(23,510,656)</u>
Less: Amount reported in Internal Service Funds	
Capital leases payable - due within one year	102,230
Compensated absences - due within one year	91,496
Claims payable - due within one year	1,976,254
Capital leases payable - due in more than one year	1,353,373
Claims payable - due within one year	<u>5,466,746</u>
	<u>8,990,099</u>
Net long-term liabilities	<u>(14,520,557)</u>
Deferred inflows and outflows of resources are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds:	
Unavailable revenues	680,522
Deferred amount on refunding	58,800
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	
	<u>7,771,331</u>
Net Position of Governmental Activities	<u><u>\$ 183,964,796</u></u>

City of National City
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds			
	General Fund	Section 8 Housing Choice		
		Housing Special Revenue Fund	Vouchers Special Revenue Fund	Other Special Revenue Fund
		Fund	Fund	Fund
REVENUES:				
Taxes	\$ 36,919,253	\$ -	\$ -	\$ 324,025
Licenses and permits	901,728	-	-	197,370
Fines and forfeitures	946,019	-	50,252	1,119
Use of money and property	951,950	5,320	-	26,902
Intergovernmental	5,233,747	-	9,977,455	2,646,526
Charges for services	2,215,639	-	-	388,537
Other revenues	1,459,258	17,118	-	3,692
Total revenues	48,627,594	22,438	10,027,707	3,588,171
EXPENDITURES:				
Current:				
General Government	4,919,485	-	-	142,742
Public Safety	26,888,553	-	-	797,953
Transportation	1,976,132	-	-	-
Community Development	135,229	241,803	9,890,527	310,510
Health	-	-	-	107,215
Culture and Leisure	2,294,091	-	-	981,155
Capital outlay	6,740,846	4,941,000	-	4,495,499
Debt service:				
Principal	196,871	-	-	-
Interest and fiscal charges	15,362	-	-	183
Total expenditures	43,166,569	5,182,803	9,890,527	6,835,257
REVENUES OVER (UNDER) EXPENDITURES	5,461,025	(5,160,365)	137,180	(3,247,086)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	7,052,194	-	-	-
Transfers in	3,261,056	-	-	125,000
Transfers out	(1,870,193)	-	-	(2,801,446)
Total other financing sources (uses)	8,443,057	-	-	(2,676,446)
CHANGES IN FUND BALANCES	13,904,082	(5,160,365)	137,180	(5,923,532)
FUND BALANCES:				
Beginning of year	23,584,961	7,490,799	552,595	8,774,887
End of year	\$ 37,489,043	\$ 2,330,434	\$ 689,775	\$ 2,851,355

City of National City
Statement of Revenues, Expenditures and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2014

	<u>Major Funds</u>		
	<u>Sewer Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ -	\$ 4,143,033	\$ 41,386,311
Licenses and permits	831	-	1,099,929
Fines and forfeitures	-	114,571	1,111,961
Use of money and property	93,086	44,891	1,122,149
Intergovernmental	-	5,714,122	23,571,850
Charges for services	6,927,565	-	9,531,741
Other revenues	-	171,302	1,651,370
Total revenues	<u>7,021,482</u>	<u>10,187,919</u>	<u>79,475,311</u>
EXPENDITURES:			
Current:			
General Government	-	-	5,062,227
Public Safety	-	1,335	27,687,841
Transportation	-	1,697,338	3,673,470
Community Development	-	657,253	11,235,322
Health	6,171,807	715,081	6,994,103
Culture and Leisure	-	2,781,791	6,057,037
Capital outlay	49,210	4,135,393	20,361,948
Debt service:			
Principal	-	1,180,000	1,376,871
Interest and fiscal charges	306	461,210	477,061
Total expenditures	<u>6,221,323</u>	<u>11,629,401</u>	<u>82,925,880</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>800,159</u>	<u>(1,441,482)</u>	<u>(3,450,569)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of property	-	-	7,052,194
Transfers in	-	1,745,193	5,131,249
Transfers out	-	-	(4,671,639)
Total other financing sources (uses)	<u>-</u>	<u>1,745,193</u>	<u>7,511,804</u>
CHANGES IN FUND BALANCES	800,159	303,711	4,061,235
FUND BALANCES:			
Beginning of year	<u>16,031,746</u>	<u>9,201,514</u>	<u>65,636,502</u>
End of year	<u>\$ 16,831,905</u>	<u>\$ 9,505,225</u>	<u>\$ 69,697,737</u>

City of National City
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 4,061,235
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	
Purchase of capital assets	12,911,922
Interfund capital asset purchase capital outlay	7,035,036
Net adjustments	19,946,958
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount did not include the depreciation expense for Internal Service Funds in the amount of \$348,505.	
	(4,296,300)
Governmental funds reported sales of property to other governmental funds as revenue in the selling fund and expenditures in the purchasing funds. The effect of these transactions has no impact on the Government-Wide Statement of Activities and Changes in Net Position.	
Proceeds from sale of property - General Fund	(7,052,194)
Capital outlay - Home Program Fund	2,094,036
Capital outlay - Housing Special Revenue Fund	4,941,000
Net effect included in gain on sale of assets	17,158
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position.	
	(268,224)
Repayment of long-term liabilities was an expenditures in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Principal payment of long-term debt	1,376,871
Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.	
Bond premium and loss on refunding	(2,595)
Certain long-term liabilities were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, long-term liabilities were not reported as expenditures in governmental funds. These amounts represented the changes in long-term liabilities from prior year.	
Changes in compensated absences	(458,680)
Changes in net OPEB liabilities	(89,186)
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. This amount represented the change in accrued interest from prior year.	
	40,289
Unavailable revenues were reported as deferred inflows of resources in the Governmental Funds but were reported as revenues in the Government-Wide Statement of Statement of Activities as follows:	
Public Safety - Operating grants and contributions	110,592
Transportation - Operating grants and contributions	114,435
Community Development - Operating grants and contributions	455,495
Total adjustments on - Operating grants and contributions	680,522
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds was reported with governmental activities.	
	(501,268)
Change in Net Position of Governmental Activities	\$ 13,437,428

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

City of National City
Statement of Net Position
Proprietary Funds
June 30, 2014

	Major Funds			Governmental
	Kimball Towers	Morgan Towers	Total	Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 18,080	\$ 4,067	\$ 22,147	\$ 14,825,812
Accounts receivable	2,252	596	2,848	-
Prepaid items and deposits	87,014	87,675	174,689	25,088
Total current assets	<u>107,346</u>	<u>92,338</u>	<u>199,684</u>	<u>14,850,900</u>
Noncurrent assets:				
Restricted cash and investments with fiscal agents	1,389,775	732,213	2,121,988	10,334
Capital assets:				
Non-depreciable assets	315,814	212,568	528,382	-
Depreciable assets, net of accumulated depreciation	4,015,617	1,758,057	5,773,674	2,452,919
Total capital assets, net	<u>4,331,431</u>	<u>1,970,625</u>	<u>6,302,056</u>	<u>2,452,919</u>
Total noncurrent assets	<u>5,721,206</u>	<u>2,702,838</u>	<u>8,424,044</u>	<u>2,463,253</u>
Total assets	<u><u>5,828,552</u></u>	<u><u>2,795,176</u></u>	<u><u>8,623,728</u></u>	<u><u>17,314,153</u></u>
LIABILITIES AND NET POSITION				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	41,020	47,772	88,792	493,198
Salaries payable	4,928	3,590	8,518	41,512
Interest payable	-	8,540	8,540	18,013
Capital leases payable - due within one year	-	-	-	102,230
Compensated absences - due within one year	-	-	-	91,496
Note payable - due within one year	-	265,396	265,396	-
Claims payable - due within one year	-	-	-	1,976,254
Total current liabilities	<u>45,948</u>	<u>325,298</u>	<u>371,246</u>	<u>2,722,703</u>
Noncurrent liabilities:				
Tenant security deposit liability	45,185	44,147	89,332	-
Capital leases payable - due in more than one year	-	-	-	1,353,373
Note payable - due in more than one year	-	1,311,137	1,311,137	-
Self-insurance claims payable - due in more than one year	-	-	-	5,466,746
Total noncurrent liabilities	<u>45,185</u>	<u>1,355,284</u>	<u>1,400,469</u>	<u>6,820,119</u>
Total liabilities	<u>91,133</u>	<u>1,680,582</u>	<u>1,771,715</u>	<u>9,542,822</u>
Net Position:				
Net investment in capital assets	4,331,431	394,092	4,725,523	997,316
Restricted	1,389,775	732,213	2,121,988	10,334
Unrestricted	16,213	(11,711)	4,502	6,763,681
Total net position	<u><u>\$ 5,737,419</u></u>	<u><u>\$ 1,114,594</u></u>	<u><u>\$ 6,852,013</u></u>	<u><u>\$ 7,771,331</u></u>

City of National City
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds			Governmental
	Kimball Towers	Morgan Towers	Total	Activities Internal Service Funds
OPERATING REVENUES:				
Rental income	\$ 1,096,559	\$ 1,244,129	\$ 2,340,688	\$ -
Charges for services	-	-	-	8,898,824
Other	7,920	7,433	15,353	235,440
Total operating revenues	<u>1,104,479</u>	<u>1,251,562</u>	<u>2,356,041</u>	<u>9,134,264</u>
OPERATING EXPENSES:				
Operations and administration	560,381	450,270	1,010,651	4,445,866
Maintenance	614,529	373,601	988,130	4,289,661
Depreciation	181,475	187,921	369,396	348,505
Total operating expenses	<u>1,356,385</u>	<u>1,011,792</u>	<u>2,368,177</u>	<u>9,084,032</u>
OPERATING INCOME (LOSS)	<u>(251,906)</u>	<u>239,770</u>	<u>(12,136)</u>	<u>50,232</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	2,052	468	2,520	-
Interest expense	-	(118,426)	(118,426)	(91,890)
Total nonoperating revenues (expenses)	<u>2,052</u>	<u>(117,958)</u>	<u>(115,906)</u>	<u>(91,890)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(249,854)</u>	<u>121,812</u>	<u>(128,042)</u>	<u>(41,658)</u>
TRANSFERS:				
Transfers out	-	-	-	(459,610)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(459,610)</u>
CHANGES IN NET POSITION	<u>(249,854)</u>	<u>121,812</u>	<u>(128,042)</u>	<u>(501,268)</u>
NET POSITION:				
Beginning of year	<u>5,987,273</u>	<u>992,782</u>	<u>6,980,055</u>	<u>8,272,599</u>
End of year	<u>\$ 5,737,419</u>	<u>\$ 1,114,594</u>	<u>\$ 6,852,013</u>	<u>\$ 7,771,331</u>

City of National City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Major Funds			Governmental Activities Internal Service Funds
	Kimball Towers	Morgan Towers	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,094,307	\$ 1,245,483	\$ 2,339,790	\$ -
Cash received from (payments to) other funds	-	-	-	8,898,824
Cash payments to supplier and employees for goods and services	(1,277,595)	(1,105,722)	(2,383,317)	(8,109,237)
Other operating revenues	7,920	7,433	15,353	235,440
Net cash provided by (used in) operating activities	(175,368)	147,194	(28,174)	1,025,027
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	-	-	-	(98,526)
Acquisition of capital assets	-	(75,535)	(75,535)	(46,159)
Net cash provided by (used in) capital and related financing activities	-	(75,535)	(75,535)	(144,685)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interest expense	-	(118,426)	(118,426)	(91,890)
Transfers (out)	-	-	-	(459,610)
Net cash provided by (used in) noncapital financing activities	-	(118,426)	(118,426)	(551,500)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	2,052	468	2,520	-
Net cash provided by (used in) investing activities	2,052	468	2,520	-
Net change in cash and cash equivalents	(173,316)	(46,299)	(219,615)	346,855
CASH AND CASH EQUIVALENTS:				
Beginning of year	1,581,171	774,039	2,355,210	14,489,291
End of year	<u>\$ 1,407,855</u>	<u>\$ 727,740</u>	<u>\$ 2,135,595</u>	<u>\$ 14,836,146</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 18,080	\$ 4,067	\$ 22,147	\$ 14,825,812
Restricted cash and investments with fiscal agents	1,389,775	732,213	2,121,988	10,334
Total cash and cash equivalents	<u>\$ 1,407,855</u>	<u>\$ 736,280</u>	<u>\$ 2,144,135</u>	<u>\$ 14,836,146</u>

City of National City
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2014

	Major Funds			Governmental
	Kimball Towers	Morgan Towers	Total	Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (251,906)	\$ 239,770	\$ (12,136)	\$ 50,232
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	181,475	187,921	369,396	348,505
Changes in operating assets and liabilities:				
Accounts receivable	(2,252)	1,354	(898)	-
Prepaid items and deposits	(5,023)	(4,898)	(9,921)	-
Accounts payable and accrued liabilities	(81,369)	4,187	(77,182)	28,900
Salaries payable	(16,790)	(23,057)	(39,847)	(34,764)
Tenant security deposit liability	497	540	1,037	-
Compensated absences	-	-	-	(34,846)
Claims payable	-	-	-	667,000
Notes payable	-	(258,623)	(258,623)	-
Total adjustments	76,538	(92,576)	(16,038)	974,795
Net cash provided by (used in) operating activities	\$ (175,368)	\$ 147,194	\$ (28,174)	\$ 1,025,027

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Fund – This fund is used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments and/or other funds.

Library Trust Fund – This fund is used to account for a financial endowment made to the Library. Only interest earned on the principal can be used to purchase books and other library materials.

Successor Agency to the Community Development Commission of the National City Private Purpose Trust Fund – This fund is used to account for monies received from the San Diego County Auditor Controller for the repayment of the enforceable obligations of the former National City Redevelopment Agency. These funds are restricted for the sole purpose of payment of items on an approved Recognized Payment Obligation Schedule (ROPS).

City of National City
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds	Library Trust Fund	Successor Agency To the Community Development Commission of National City Private-purpose Trust Fund
ASSETS			
Cash and investments	\$ 820,971	\$ 50,341	\$ 43,287,341
Receivables:			
Account	-	-	12,192
Interest	-	64	18,243
Loans	-	-	6,030,018
Restricted cash and investments with fiscal agent	-	-	6,776,244
Land held for resale	-	-	9,845,509
Capital asset, net accumulated depreciation	-	-	2,483,333
Total assets	\$ 820,971	\$ 50,405	68,452,880
LIABILITIES			
Accounts payable and accrued liabilities	\$ 47,297	\$ -	2,093,879
Legal settlement payable	-	-	2,016,250
Due to City	-	-	411,216
Interest payable	-	-	1,537,699
Long-term debt	-	-	63,040,000
Developer deposits	-	-	25,000
Deposits payable	773,674	-	-
Total liabilities	\$ 820,971	-	69,124,044
NET POSITION			
Held in trust		50,405	(671,164)
Total net position		\$ 50,405	\$ (671,164)

City of National City
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	Library Private-purpose Trust Fund	Successor Agency To the Community Development Commission of National City Private-purpose Trust Fund
ADDITIONS:		
Property taxes	\$ -	\$ 13,608,368
Investment income	304	196,688
Total additions	304	13,805,056
DEDUCTIONS:		
Enforceable obligations	-	3,706,280
Legal settlement	-	2,016,250
Community development	-	697,516
Administrative expenses	-	446,555
Depreciation	-	41,667
Total deductions	-	6,908,268
Changes in Net Position	304	6,896,788
NET POSITION:		
Beginning of period, as restated (Note 14)	50,101	(7,567,952)
End of period	\$ 50,405	\$ (671,164)



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City of National City
Notes to Basic Financial Statements
For the year ended June 30, 2014

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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City of National City
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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

A. Reporting Entity

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

The financial reporting entity consists of the primary government, the City, and its component units. Component units are legally separate entities for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government is accountable and their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance part of the government’s operation and so data from these units are combined with data of the primary government. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

The City Council acts as the governing body and is able to impose its will on the following organizations, establishing financial accountability. As a result, these organizations are considered component units of the City and are included within the financial statements of the City using the blended method. All component units have a June 30 year-end. The City has no discretely presented component units.

National City Joint Powers Financing Authority

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

Parking Authority of the City of National City

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

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Community Development Commission of the City of National City

The Community Development Commission of the City of National City (the “CDC”) was established in April 1967 pursuant to provisions of the California Health and Safety Code. The CDC was created to undertake and carry out the redevelopment of certain areas within the City which the CDC has determined to be blighted areas by encouraging development of residential, commercial, industrial, recreational and public facilities and to assist neighborhood redevelopment through residential property improvement loans and housing assistance payments to low and moderate income earners. The City Council is the Governing Board of the CDC. Although the CDC dissolved on February 1, 2012, the Morgan Towers Enterprise Fund continues to issue annual HUD regulated financial statements under the CDC name.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government - Wide Financial Statements

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

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

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

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

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

Governmental Fund Financial Statements

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

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

Revenues are recognized as soon as they are both "measurable" and "available". Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

The City reports the following major Governmental Funds:

General Fund – This is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

Housing Fund - This fund is used to account for activities of housing assistance and assistance to low income families.

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

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Other Special Revenue Fund - This represents a combination of minor and less active funds that the City has combined for reporting purposes.

Sewer Service Special Revenue Fund - This fund is used to account for the collection of sewer connection fees and monthly sewer service charges used for the construction and maintenance of City sewers.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include eight individual funds which provide services directly to other City funds. These areas of service include Facilities Maintenance, Liability Insurance, Fleet and Vehicle Maintenance, Information Technology Replacement and Workers Compensation.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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

The City reports the following major proprietary funds:

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

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

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

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent agency funds and private purpose trust funds. Both agency funds and the private purpose trust funds are accounted for on the full accrual basis of accounting.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements (Continued)

Fiduciary fund types are accounted for according to the nature of the fund. The City's Agency Funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. These funds are used to account for money and property held by the City as trustee or custodian. The City's private purpose trust fund is a fiduciary fund type used by the City to report assets, liabilities and activities of the Successor Agency to the CDC. Its results of operations are presented on the Statement of Changes of Fiduciary Net Position.

The *Successor Agency of the Community Development Commission of National City* was created by the City Council of National City (City Council) in August 2012. It was established pursuant to Assembly Bill x1 26. Its purpose is to expeditiously wind down the affairs of the dissolved CDC. The governing body of the Successor Agency is comprised of the members of the Oversight Board selected by the County of San Diego, City of National City, school and special districts. The Successor Agency has been included in the accompanying basic financial statements as a private purpose trust fund.

C. Cash, Cash Equivalents and Investments

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

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The statement of cash flows requires presentation of "cash and cash equivalents". For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as "cash and cash equivalents", as such funds are available to the various funds as needed.

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

D. Inventories and Prepaid items

Inventories are valued on an average-cost basis which are adjusted to annual physical counts or estimates under the consumption method of accounting and are recorded in the internal service fund. Prepaid items are items the City has paid in advance and will receive future benefit from.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

E. Restricted Assets

Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificates of participation or tax allocation bonds and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

F. Interfund Transactions

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

G. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$5,000 (including infrastructure assets). Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

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

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the streets, water purification and distribution system, sewer collection and treatment system, parks and recreation, lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land.

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

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

H. Compensated Absences

In government-wide financial statements and the proprietary fund financial statements, compensated absences are recorded as expenses and liabilities as incurred.

In governmental fund financial statements, compensated absences are recorded as expenditures in the years paid, as it is the City’s policy to liquidate any unpaid vacation or sick leave at year-end from future resources rather than currently available and expendable resources. The General Fund is typically used to liquidate compensated absences.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

I. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed when incurred.

Fund Financial Statements

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

J. Property Taxes

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Diego, California (County) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected. No allowance for doubtful accounts was considered necessary.

K. Unearned Revenue

Unearned revenue recorded in the Government-Wide Statement of Net Position for governmental activities and the governmental fund financial statements consist of federal and state capital grants, representing voluntary nonexchange transactions, for which advance payments have been received from the provider for which eligibility requirements, other than timing requirements, have not been satisfied.

Unearned revenue recorded in the Government-Wide Statement of Net Position for business-type activities and the proprietary fund financial statements generally consist of program fees collected from customers prior to the statement of net position date for recreation programs that begin in the next fiscal year or donations for capital or work projects, for which the related expenses have not yet been incurred.

L. Community Development Commission Rental Revenue

Rental revenues received from tenants in the CDC's Morgan Towers Housing Project (an enterprise fund) are subsidized with Federal government funds under a Section 8 contract with the U.S. Department of Housing and Urban Development (HUD). The rent subsidy received from HUD is equal to the excess of the fair market rent of the apartment units over the amounts paid by the tenants. The amounts paid by the tenants are subject to certain Section 8 eligibility requirements and application procedures.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

M. Net Position

In governmental-wide and proprietary fund financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

N. Fund Balances

In governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager to determine and define the amount of assigned fund balances.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

O. Spending Policy

Government-Wide Financial Statements and the Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

P. Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates and assumptions.

Q. Accounting Changes

GASB has issued Statement No. 65, *Items previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This Statement became effective for periods beginning after December 14, 2012. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively and the impact is disclosed in Note 14 to the Basic Financial Statements.

GASB has issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The requirements of this statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on the City's financial statements for year ended June 30, 2014.

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The requirements of this statement enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also enhances the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement also augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. This statement became effective for period beginning after June 15, 2013 and did not have a significant impact on the City's financial statements for the year ended June 30, 2014.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments, including cash and investments with fiscal agents at June 30, 2014.

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 77,937,820	\$ 22,147	\$ 77,959,967	\$ 44,158,653	\$ 122,118,620
Restricted cash and investments:					
Held by City	42,895	-	42,895	-	42,895
Held by fiscal agents	10,334	2,121,988	2,132,322	6,776,244	8,908,566
Total restricted cash and investments	53,229	2,121,988	2,175,217	6,776,244	8,951,461
Total cash and investments	\$ 77,991,049	\$ 2,144,135	\$ 80,135,184	\$ 50,934,897	\$ 131,070,081

Cash, cash equivalents and investments consisted of the following at June 30, 2014:

Petty cash	\$ 3,798
Deposits with financial institution	23,636,502
Investments	98,521,215
Investments held by bond trustee	8,908,566
Total cash and investments	\$ 131,070,081

A. Deposits

The carrying amount of the City's cash deposits were \$23,636,502 at June 30, 2014. Bank balances before reconciling items were \$23,674,159 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments (Continued)

B. Investments

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Bankers' Acceptances	180 days	40%	30%
Negotiable Certificates of Deposits	5 years	30%	5%
Commercial Paper	270 days	25%	10%
State and Local Agency Bond Issues	5 years	None	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securitites	5 years	None	None
Repurchase Agreement	90 days	None	10%
Reverse-Purchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	5 years	30%	10%
Federally Insured Time Deposits	3 years	None	10%
Money Market Mutual Funds	N/A	15%	10%
Local Agency Investment Fund (LAIF)	N/A	None	\$50 Million**
Investment Trust of California (CalTrust)	N/A	None	10%
San Diego County Pool Money Fund	None	None	None
Asset-Backed Securities	5 years	20%	20%

* Excluding amounts held by bond trustee that are not subject to California Government Code restriction.

** Maximum is \$50 million per account.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreement rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Certificates of Deposit	None	None	None
Repurchase Agreements	None	None	None
Mortgage Pass-Through Securities	None	None	None
State Bonds or Notes	None	None	None
Municipal Bonds or Notes	None	None	None
San Diego County Pool Money Fund	None	None	None
Asset-Backed Securities	5 years	20%	20%

C. Restricted Cash and Investments of Morgan Towers and Kimball Towers

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

	Kimball Towers	Morgan Towers	Total
Replacement reserve	\$ -	\$ 422,301	\$ 422,301
Residual receipts reserve	309,108	300,207	609,315
MIP and insurance impounds reserve	-	9,705	9,705
Other	1,080,667	-	1,080,667
Total restricted cash and investments	\$ 1,389,775	\$ 732,213	\$ 2,121,988

Kimball Towers

Residual receipts reserve of \$309,108 is an accumulation of surplus cash as calculated by HUD's Computation of Surplus Cash, Distributions and Residual Receipts, which can be expended only with HUD's approval.

Other restricted cash and investments totaling \$1,080,667 are included in the accompanying basic financial statements.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments (Continued)

C. Restricted Cash and Investments of Morgan Towers and Kimball Towers (Continued)

Morgan Towers

Reserve for replacements of \$422,301 represents a monthly deposit of \$3,127, less current use for replacement, plus income earned thereon. The balance of this reserve will be used for the future replacement of property with HUD's approval.

Residual receipts reserve of \$300,207 is an accumulation of surplus cash as calculated by HUD's Computation of Surplus Cash, Distributions and Residual Receipts, which can be expended only with HUD's approval.

Reserve for MIP and insurance impounds of \$6,875 and \$2,830, respectively, totaling \$9,705, which represents amounts held for the future payment of property and mortgage insurance.

D. Risks Disclosures

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, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2014, the City's pooled cash and investments had the following maturities:

As of June 30, 2014, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		1 year or fewer	1 to 2 years	2-3 years	3-4 years	4-5 years
LAIF	\$ 70,545,605	\$70,545,605	\$ -	\$ -	\$ -	\$ -
Money Market Funds	13,035	13,035	-	-	-	-
San Diego County Investment Pool	5,035,547	5,035,547	-	-	-	-
Time Certificates of Deposits	2,000,000	2,000,000	-	-	-	-
U.S. Corporate	1,594,790	289,429	1,045,657	259,704	-	-
U.S. Treasury Obligations	4,548,026	939,857	2,530,521	1,077,648	-	-
U.S. Agency Securitites	14,784,212	3,319,557	5,752,079	4,132,916	1,579,660	-
Total Investments	\$ 98,521,215	\$ 82,143,030	\$ 9,328,257	\$ 5,470,268	\$ 1,579,660	\$ -

The weighted average maturity of the portfolio was 1.25 years.

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. To be eligible to receive City money, a bank, savings association, federal association, or federally insured industrial loan company shall have received an overall rating of not less than "satisfactory" in its most recent evaluation by the appropriate federal financial supervisory agency of its record of meeting the credit needs of California's communities, including low-and moderate income neighborhoods.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments (Continued)

D. Risks Disclosures (Continued)

Credit Risk (Continued)

The City's investments are rated by the nationally recognized statistical rating organizations as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's</u>	<u>Standard & Poor's</u>
LAIF	\$ 70,545,605	Not Rated	Not Rated
Time Deposits	13,035	Aaa	AAA
San Diego County Investment Pool	5,035,547	Not Rated	Not Rated
Corporate Bonds	2,000,000	Various	Various
Federal Home Loan Bank	1,594,790	Not Rated	Not Rated
Federal National Mortgage Association	4,548,026	Aaa	AA+
Federal Home Loan Mortgage Corporation	14,784,212	Aaa	AA+
	<u>\$ 98,521,215</u>		

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian (BNY Western Trust). BNY is a registered member of the Federal Reserve Bank.

Concentration of Credit Risk

The City's investment policy contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>
Local Agency Investment Fund (LAIF)	California Pooled Investment Fund	\$ 70,545,605
Federal National Mortgage Association	Federal Agency Securities	4,548,026
Federal Home Loan Mortgage Corporation	Federal Agency Securities	14,784,212

E. Investments in Local Agency Investment Fund

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2014 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 2 – Cash and Investments (Continued)

E. Investments in Local Agency Investment Fund (Continued)

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2014, the City had \$70,545,605 invested in LAIF, which had invested 1.86% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2014, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. The fair value of the City's position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2014.

F. Investments in San Diego County Investment Pool

The City also participates in the San Diego County Treasurer's Pooled Money Fund which is administered by the Treasurer-Tax Collector's Office. The fair value of Commission's investment in the pool is reported at amounts based upon the City's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). Earnings realized on investments based on amortized cost are distributed to Investment Pool participants. Earnings realized on investments based on amortized cost are distributed to Investment Pool participants. Section 27013 of the California Government Code authorizes the Treasurer's Office to deduct administrative fees related to investments. The net realized earnings on investments are apportioned to the Investment Pool participants quarterly, based on the participants' average daily balances. The County's annual financial report for the Pool can be obtained from the Treasurer-Tax Collector at 1600 Pacific Highway, Room 162, San Diego, California, 92101 and can also be accessed at <http://www.sdteastax.com>.

Note 3 – Loans Receivable

A. Government-Wide Financial Statements

At June 30, 2014, the City had the following loans receivable, including principal and accrued interest:

Copper Hills Apartments, LP	\$	7,596,232
Plaza City Apartments, LP		3,422,000
Home Improvement Loan Program		87,147
First Time Home Buyers Program		3,142,818
Owner Occupied Loan Program		525,962
Rental Rehabilitation Loan Program		3,332,500
Subtotal		18,106,659
Less: Contractual Allowance		(11,424,900)
Total	\$	6,681,759

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 3 – Loans Receivable (Continued)

A. Government-Wide Financial Statements (Continued)

Copper Hills Apartment, LP

In 1999, the former Community Development Commission of the City of National City (CDC) entered into several loan agreements with Copper Hills Apartments, LP. CDC Residual Receipts Note dated February 19, 1999 disclosed a loan of \$2,400,000 with 3% interest per annum for 55 years, funded by HOME and Low & Moderate Income Housing Funds. A second and junior to the CDC Residual Receipts Note was made on June 3, 1999 for \$4,400,000, referred to as CDC Rehabilitation Note with 3% interest per annum for 55 years and funded by Low & Moderate Income Housing Fund. These loans were made to acquire, develop, rehabilitate and operate the multi-family apartments located at “Q” Avenue in National City, Ca. This project will contain 134 apartment dwelling units following rehabilitation and renovation. At June 30, 2014, the outstanding balance was \$7,596,232.

Plaza City Apartments, LP

The CDC of the City of National City entered into a Loan Agreement with Plaza City Apartments, LP on November 1, 2005 in the amount of \$2,700,000 with 3% interest per annum for 55 years. It was amended per Resolution No. 2006-202 dated September 19, 2006 which increased the loan amount by \$722,000 for a total of \$3,422,000. This loan will be used by the borrower to pay the balance of the purchase price and additional costs relating to the acquisition, demolition and development of certain real property located at 1535 Plaza Blvd., National City, CA. At June 30, 2014, the outstanding balance of loans made was \$3,422,000.

Home Improvement Loan program

The City of National City Home Improvement Loan Program was administered by the Housing Authority and funded with Community Development Block Grant funds. The loan program provided loans to owners of single family residences that wished to rehabilitate their property, providing for safe, decent, and sanitary housing throughout National City. The loan program provided favorable terms of repayment and stopped issuing loans in 2002. At June 30, 2014, the outstanding balance of the loans made was \$87,147.

First Time Home Buyers program

The City of National City First-Time Homebuyer Assistance Program is currently funded through U.S. Department of Housing and Urban Development HOME Investment Partnerships Program and previously was also funded with the State of California Low- and Moderate-Income Housing Set-Aside funds. The Program is currently administered by Community Housing Works, a 501(c)3 affordable housing agency that offers equity share deferred home gap financing loans to qualified borrowers. At June 30, 2014, the outstanding balance of the loans made was \$3,142,818.

Owner Occupied Loan program

The City of National City Owner Occupied Loan Program is administered by the Housing Authority. The program provides loans to owners of single family residences that wish to rehabilitate their property, providing for safe, decent, and sanitary housing throughout National City. Principal payment on the loans provided is deferred for 30 years. At June 30, 2014, the outstanding balance of the loans made was \$525,962.

Rental Rehabilitation program

The City of National City Rental Rehabilitation Loan Program is administered by the Housing Authority and funded through U.S. Department of Housing and Urban Development HOME Investment Partnerships Program and the Low- and Moderate-Income Housing Asset Fund. The program offers gap financing to developers for the rehabilitation of multi-family complexes and also provides for long-term rental assistance to deed-restricted units. At June 30, 2014, the outstanding balance of loans made was \$3,332,500.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 3 – Loans Receivable (Continued)

B. Fiduciary Fund Financial Statements

At June 30, 2014, the Agency had the following loans receivable, including principal and accrued interest:

Paradise Creek, LP	\$	5,459,907
National City Mile of Cars		555,439
Other		14,672
Total	\$	6,030,018

Paradise Creek, LP

On June 21, 2011, the Community Development Commission of the City of National City (“Commission”), and Paradise Creek Housing Partners, L.P. (the “Developer”) entered into an agreement (Disposition and Development Agreement) for the development of 201-unit affordable housing as Phase I and II of the Transit-Oriented Infill Affordable Housing and Paradise Creek Enhancement Project (the “Project”). The Commission, in order to make the Project financially feasible, agreed to make a loan to Developer for the amount of \$6,000,000 for Phase I of the Project. As of June 30, 2014, the note receivable amount is \$5,459,907. The Developer will repay the loan with ground lease income and residual receipts to the Community Development Commission-Housing Authority of the City of National City (“CDC-HA”).

National City Mile of Cars

In July 20, 2010, the Community Development Commission of the City of National City (“Commission”), and Mile of Cars Association (“Participant”) entered into an agreement (Freeway Sign Rehabilitation Loan Agreement) for the rehabilitation of existing equipment and improvements constituting the signage. The Commission agrees to loan to the Participant the amount of \$675,000 for said improvements. As of June 30, 2014, the note receivable amount is \$555,439. The Participant agrees to execute a promissory note by which agree to repay the Commission the full amount of the rehabilitation loan plus interest.

Other Loans

In April 4, 1995, the Community Development Commission of the City of National City (“Commission”), and Ben Jackel Trust entered into a Memorandum of Understanding. The Commission agrees to make a rehabilitation loan to Ben Jackel Trust in the amount of \$200,000 to assist in the redevelopment of real property within a redevelopment area for the benefit to the public and the project area. As of June 30, 2014, the note receivable amount is \$14,672. The Ben Jackel Trust will repay the rehabilitation loan on a monthly basis plus interest.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 4 – Interfund Balances and Transactions

A. Due to/Due from other funds

At June 30, 2014, interfund receivables and payables were as follows:

Due From Other Funds	Due To Other Funds		
	Other Special Revenue Fund	Nonmajor Governmental Funds	Total
	General Fund	\$ 3,294,197	\$ 17,569
Total	\$ 3,294,197	\$ 17,569	\$ 3,311,766

Current interfund balances arise in the normal course of operations to cover cash shortages and are expected to be repaid shortly after the end of the fiscal year.

B. Long-Term Advances

At June 30, 2014, long-term advances balances were as follows:

Advances From Other Funds	Advances To Other Funds		
	General Fund	Nonmajor Governmental Funds	Total
Housing Fund	\$ 4,941,000	\$ -	\$ 4,941,000
Sewer Special Revenue Fund	-	415,735	415,735
Total	\$ 4,941,000	\$ 415,735	\$ 5,356,735

City Council authorized a loan to borrow funding for the purchasing of a new fire truck: the loan established a ten year re-payment agreement with the NCFD at an interest equal to 3.69% per annum and matures June 30, 2019. The balance was \$415,735 at June 30, 2014.

City Council authorized a loan from the City of National City to the Community Development Commission – Housing Authority (the “CDC-HA”) of the City of National City in the amount of \$4,941,000 for partial consideration of value owed on the purchase of 6.299 acres of land for the development of 201-unit affordable housing as phase I and II of the Transit-Oriented Infill Affordable Housing and Paradise Creek Enhancement Project. The CDC-HA of the City of National City would repay the loan with ground lease income and loan repayments made by the developer of the project.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 4 – Interfund Balances and Transactions (Continued)

C. Transfers In/Out

For the year ended June 30, 2014, interfund transfers were as follows:

	Transfers In			Total
	General Fund	Other Special Revenue Fund	Non-major Governmental Funds	
Transfers Out				
General Fund	\$ -	\$ 125,000	\$ 1,745,193	\$ 1,870,193
Other Special Revenue Fund	2,801,446	-	-	2,801,446
Governmental Activities Internal Service	459,610	-	-	459,610
Total	<u>\$ 3,261,056</u>	<u>\$ 125,000</u>	<u>\$ 1,745,193</u>	<u>\$ 5,131,249</u>

General Fund – Transfers were for operating support to subsidize library operations, park maintenance operations, and nutrition program for seniors operations. The total amount of operating support budgeted and transferred to the aforementioned operations and programs were \$1,745,193. In addition, a transfer was made to the fund retiree health benefits in the amount of \$125,000. The General Fund transfers out totaled \$1,870,193.

Other Special Revenue Fund – Transfers were made to consolidate and close out funds.

Non-major Governmental Funds – Transfers were made from the office equipment internal service fund to support funding for capital projects.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 5 – Capital Assets

A. Governmental Activities

A summary of changes in capital assets for governmental activities for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	CIP Transfers	Balance June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 18,595,598	\$ 1,652,089	\$ -	\$ -	\$ 20,247,687
Right of way	4,245,088	-	-	-	4,245,088
Construction in progress	7,221,469	10,565,155	(70,671)	(511,205)	17,204,748
Total capital assets, not being depreciated	30,062,155	12,217,244	(70,671)	(511,205)	41,697,523
Capital assets, being depreciated:					
Buildings and improvements	42,846,821	-	-	-	42,846,821
Machinery and equipment	14,924,428	394,289	(262,230)	-	15,056,487
Infrastructure	115,417,423	348,604	(817,320)	511,205	115,459,912
Subtotal	173,188,672	742,893	(1,079,550)	511,205	173,363,220
Less accumulated depreciation					
Buildings and improvements	(19,151,971)	(1,388,312)	-	-	(20,540,283)
Machinery and equipment	(10,920,712)	(726,032)	260,174	-	(11,386,570)
Infrastructure	(58,304,944)	(2,530,461)	602,609	-	(60,232,796)
Subtotal	(88,377,627)	(4,644,805)	862,783	-	(92,159,649)
Total capital assets, being depreciated	84,811,045	(3,901,912)	(216,767)	511,205	81,203,571
Total capital assets, net	\$ 114,873,200	\$ 8,315,332	\$ (287,438)	\$ -	\$ 122,901,094

Depreciation expense was charged to functions/programs as follows:

General Government	\$ 15,336
Public Safety	1,027,308
Transportation	2,604,688
Community Development	9,184
Culture and Leisure	639,784
Internal service fund	348,505
Total depreciation expense	\$ 4,644,805

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

A summary of changes in capital assets for business-type activities for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 528,382	\$ -	\$ -	\$ 528,382
Total capital assets, not being depreciated	528,382	-	-	528,382
Capital assets, being depreciated:				
Building and improvements	15,823,139	75,535	-	15,898,674
Furniture and equipment	323,600	-	-	323,600
Subtotal	16,146,739	75,535	-	16,222,274
Less accumulated depreciation				
Building and improvements	(9,785,067)	(355,263)	-	(10,140,330)
Furniture and equipment	(294,137)	(14,133)	-	(308,270)
Subtotal	(10,079,204)	(369,396)	-	(10,448,600)
Total capital assets, being depreciated	6,067,535	(293,861)	-	5,773,674
Total capital assets, net	\$ 6,595,917	\$ (293,861)	\$ -	\$ 6,302,056

Depreciation expense for business-type activities for the year ended June 30, 2014 was as follows:

Kimball Towers	\$ 181,475
Morgan Towers	187,921
Total depreciation expense	\$ 369,396

C. Fiduciary Funds Financial Statements

A summary of changes in capital assets for fiduciary funds for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 2,050,000	\$ -	\$ -	\$ 2,050,000
Total capital assets, not being depreciated	2,050,000	-	-	2,050,000
Capital assets, being depreciated:				
Buildings	2,450,000	-	-	2,450,000
Improvements other than buildings	-	-	-	-
Machinery and equipment	81,163	-	-	81,163
Subtotal	2,531,163	-	-	2,531,163
Less accumulated depreciation				
Buildings	(1,975,000)	(41,667)	-	(2,016,667)
Improvements other than buildings	-	-	-	-
Machinery and equipment	(81,163)	-	-	(81,163)
Subtotal	(2,056,163)	(41,667)	-	(2,097,830)
Total capital assets, being depreciated	475,000	(41,667)	-	433,333
Total capital assets, net	\$ 2,525,000	\$ (41,667)	\$ -	\$ 2,483,333

Depreciation expense for fiduciary fund financial statements for the year ended June 30, 2014 was \$41,667.

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-Term Debt

A. Governmental Activities

A summary of changes in governmental activities long-term debt for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due within One Year	Due in More Than One Year
Long-term Debt:						
2012 General Obligation Bonds	\$ 4,885,000	\$ -	\$ (235,000)	\$ 4,650,000	\$ 245,000	\$ 4,405,000
Bond Premium	24,073	-	(1,605)	22,468	-	22,468
Lease Revenue Refunding Bonds	2,300,000	-	(430,000)	1,870,000	445,000	1,425,000
Section 108 Bonds	4,965,000	-	(515,000)	4,450,000	310,000	4,140,000
Capital Leases	1,866,025	-	(294,194)	1,571,831	209,659	1,362,172
Total long-term debt	14,040,098	-	(1,475,799)	12,564,299	1,209,659	11,354,640
Deferred Outflows of Resources:						
Deferred Loss on Refunding	(63,000)	-	4,200	(58,800)	-	(58,800)
Total deferred inflows of resources	(63,000)	-	4,200	(58,800)	-	(58,800)
Total	\$ 13,977,098	\$ -	\$ (1,471,599)	\$ 12,505,499	\$ 1,209,659	\$ 11,295,840

2012 General Obligation Refunding Bonds

The City issued \$4,885,000 of general obligation bonds, 2012 General Obligation Refunding Bonds, on August 1, 2012 to refund the 2002 General Obligation Bonds. The bonds mature annually through August 1, 2028 in the amounts ranging from \$235,000 to \$395,000 beginning August 1, 2003. The interest of the bonds is payable semi-annually on each February 1 and August 1, commencing February 1, 2004. The interest rate of the bonds ranges from 2.00% to 3.500%. The bonds are payable solely from and secured by ad valorem taxes of all property subject to taxation by the City. The bonds are subject to optional and mandatory early redemption provisions. As of June 30, 2014 the outstanding balance is \$4,650,000.

The annual debt service requirements for the 2012 General Obligation Refunding Bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 245,000	\$ 132,900	\$ 377,900
2016	250,000	127,950	377,950
2017	255,000	122,263	377,263
2018	265,000	115,763	380,763
2019	275,000	109,013	384,013
2020-2024	1,515,000	424,300	1,939,300
2025-2029	1,845,000	163,001	2,008,001
Total	\$ 4,650,000	\$ 1,195,190	\$ 5,845,190

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

NCJPFA Lease Revenue Refunding Bonds

The NCJPFA issued \$3,115,000 of refunding bonds on September 28, 2010 to provide funds for the advance refunding of the previously issued bonds. Interest on the bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2011. The bonds are special obligations of NCJPFA secured by a pledge of revenues which consist of lease payments received by NCJPFA, as lessor, from the City, as lessee. As of June 30, 2014 the outstanding balance is \$1,870,000.

The annual debt service requirements for the NCJPFA Lease Revenue Refunding Bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 445,000	\$ 49,425	\$ 494,425
2016	460,000	35,850	495,850
2017	475,000	21,825	496,825
2018	490,000	7,350	497,350
Total	\$ 1,870,000	\$ 114,450	\$ 1,984,450

Section 108 Bonds

The City issued \$6,900,000 of HUD 108 Bonds, Series A on August 7, 2003 to provide funds for the construction of a fire station. The bonds mature annually through 2024 in the amount ranging from \$170,000 to \$635,000 beginning in 2005. The interest of the bonds is payable semi-annually on each February 1 and August 1, commencing February 1, 2004. As of June 30, 2014 the outstanding balance is \$4,450,000.

The annual debt service requirements for the Section 108 Bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 310,000	\$ 233,819	\$ 543,819
2016	335,000	217,685	552,685
2017	365,000	199,721	564,721
2018	390,000	179,934	569,934
2019	420,000	158,320	578,320
2020-2024	2,630,000	391,763	3,021,763
Total	\$ 4,450,000	\$ 1,381,242	\$ 5,831,242

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Capital Leases

	Balance July 1, 2013	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due within One Year	Due in More Than One Year
Honeywell Lease	\$ 1,552,926	\$ -	\$ (97,323)	\$ 1,455,603	\$ 102,230	\$ 1,353,373
800 MHz Radio System	281,398	-	(185,785)	95,613	95,844	(231)
CAT Loader Equipment	31,701	-	(11,086)	20,615	11,585	9,030
Total	\$ 1,866,025	\$ -	\$ (294,194)	\$ 1,571,831	\$ 209,659	\$ 1,362,172

Honeywell Lease

A fifteen year contract was entered into on March 16, 2010 for various energy efficient improvements, such as the installation of a new cooling town with variable speed fans (Civic Center), boiler replacement (Civic Center and Police Station), VFD (Police Station), and rooftop package unit replacement (Public Works, Police Station and MLK Community Center). Quarterly payments in arrears of principal and interest are \$43,101. The final payment will be made in 2025. The balance at June 30, 2014 on this contract was \$1,455,603.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 102,230	\$ 70,174	\$ 172,404
2016	107,385	65,019	172,404
2017	112,800	59,604	172,404
2018	118,488	53,916	172,404
2019	124,463	47,941	172,404
2020-2024	723,037	138,987	862,024
2025	167,200	5,205	172,405
Total	\$ 1,455,603	\$ 440,845	\$ 1,896,448

800 MHz Radio System

A ten year contract was entered into on December 15, 2004 for the purchase of an 800MHZ Regional Communication System to provide communication for law enforcement and public safety personnel. Annual payment of principal and interest are \$194,713. The balance at June 30, 2014 was \$95,613.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 95,844	\$ 1,512	\$ 97,356
Total	\$ 95,844	\$ 1,512	\$ 97,356

City of National City
Notes to Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

CAT Loader Equipment

A ten year contract was entered into on March 24, 2006 for the purchase of a Caterpillar wheel loader. Annual payments of principal and interest are \$12,308. The balance at June 30, 2014 was \$20,615.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 11,585	\$ 723	\$ 12,308
2016	9,030	201	9,231
Total	\$ 20,615	\$ 924	\$ 21,539

B. Business-Type Activities

	Balance July 1, 2013	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due within One Year	Due in More Than One Year
Morgan Towers Notes Payable	\$ 1,825,270	\$ -	\$ (248,737)	\$ 1,576,533	\$ 265,396	\$ 1,311,137
Total	\$ 1,825,270	\$ -	\$ (248,737)	\$ 1,576,533	\$ 265,396	\$ 1,311,137

Morgan Towers Notes Payable

The note payable is secured by a deed of trust and is payable to GMAC. The original note was dated March 1, 1978 in the amount of \$5,125,000. Payments of principal and interest at 6.5% aggregating \$30,005 are made monthly with the final payment due August 1, 2019. The note is insured by HUD and is secured by substantially all property and equipment of the Morgan Towers Enterprise Fund. As of June 30, 2014, the outstanding balance is \$1,576,533. The annual debt service payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 265,396	\$ 94,665	\$ 625,457
2016	283,170	76,890	643,230
2017	302,134	57,924	662,192
2018	322,368	37,692	682,429
2019	343,958	16,097	704,013
2020	59,507	484	119,497
Total	\$ 1,576,533	\$ 283,752	\$ 3,436,818

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds

A summary of changes in fiduciary funds long-term debt for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Debt Issued	Debt Retired	Balance June 30, 2014	Classification	
					Due within One Year	Due in More Than One Year
1999 Tax Allocation Bonds	\$ 3,700,000	\$ -	\$ (145,000)	\$ 3,555,000	\$ 150,000	\$ 3,405,000
2004 Tax Allocation Bonds	3,765,000	-	(305,000)	3,460,000	315,000	3,145,000
2005 Series A and B Tax Allocation Bonds	20,360,000	-	(3,345,000)	17,015,000	3,505,000	13,510,000
2011 Tax Allocation Bonds	39,335,000	-	(325,000)	39,010,000	320,000	38,690,000
Total	\$ 67,160,000	\$ -	\$ (4,120,000)	\$ 63,040,000	\$ 4,290,000	\$ 58,750,000

1999 Tax Allocation Bonds

In June 1999, the Commission issued \$5,050,000 in Tax Allocation Bonds for the Q Avenue Redevelopment project. The bonds consist of \$1,085,000 in serial bonds which mature from 2000 to 2010 in amounts ranging from \$45,000 to \$125,000, and \$1,425,000 in term bonds which mature in 2019, and \$2,540,000 in term bonds which mature in 2029. Interest is payable semi-annually on February 1 and August 1, at interest rates ranging from 3.30% to 4.50%.

The annual debt service requirements for the 1999 Tax Allocations Bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 150,000	\$ 177,175	\$ 327,175
2016	155,000	169,550	324,550
2017	165,000	161,550	326,550
2018	175,000	153,050	328,050
2019	180,000	144,175	324,175
2020-2024	1,055,000	569,910	1,624,910
2025-2029	1,360,000	261,888	1,621,888
2030	315,000	8,072	323,072
Total	\$ 3,555,000	\$ 1,645,370	\$ 5,200,370

2004 Tax Allocation Bonds

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

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

2004 Tax Allocation Bonds (Continued)

The annual debt service requirements for the 2004 Tax Allocations Bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 315,000	\$ 169,883	\$ 484,883
2016	330,000	156,413	486,413
2017	-	149,400	149,400
2018	-	149,400	149,400
2019	-	149,400	149,400
2020-2024	-	747,000	747,000
2025-2029	1,085,000	667,375	1,752,375
2030-2033	1,730,000	196,351	1,926,351
Total	\$ 3,460,000	\$ 2,385,222	\$ 5,845,222

2005 Series A and B Tax Allocation Bonds

In January 2005, the Commission issued 2005 Tax Allocation Bonds Series A & B, in the aggregate principal amount of \$27,940,000 and \$9,840,000, respectively. The bonds were issued for the purpose of refunding the 2001 Tax Allocation Refunding Bonds Series A & B. Interest on the bonds is payable semiannually on August 1 and February 1, commencing August 1, 2005, at rates ranging from 2.9% to 5.25% per annum.

The annual debt service requirements for the 2005 Series A and B Tax Allocation Bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 3,505,000	\$ 706,808	\$ 4,211,808
2016	3,670,000	622,688	4,292,688
2017	760,000	444,693	1,204,693
2018	790,000	415,813	1,205,813
2019	825,000	385,003	1,210,003
2020-2024	3,690,000	1,429,028	5,119,028
2025-2029	2,910,000	597,700	3,507,700
2030-2033	865,000	116,550	981,550
Total	\$ 17,015,000	\$ 4,718,280	\$ 21,733,280

2011 Tax Allocation Bonds

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

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

2011 Tax Allocation Bonds (Continued)

The annual debt service requirements for the 2011 Tax Allocation Bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 320,000	\$ 2,535,881	\$ 2,862,281
2016	315,000	2,522,591	2,844,481
2017	1,145,000	2,487,075	3,660,700
2018	1,255,000	2,427,075	3,713,450
2019	1,315,000	2,362,825	3,713,450
2020-2024	8,610,000	10,490,526	19,243,176
2025-2029	11,820,000	7,191,325	19,168,600
2030-2033	14,230,000	2,073,750	20,879,500
Total	\$ 39,010,000	\$ 32,091,048	\$ 76,085,638

Pledged Revenues

The Successor Agency has pledged tax revenues to the repayment of the RDA's debts transferred to it on February 1, 2012 through the final maturity of the Bonds, or early retirement of the Bonds, whichever comes first.

Tax revenues consist of property tax revenues allocated to the Redevelopment Property Tax Trust Fund (RPTTF) for the Successor Agency that is maintained by the County of San Diego Auditor and Controller. The amounts so allocated are those that would have been allocated to the RDA had the RDA not been dissolved. The Auditor and Controller (A&C) then distributes RPTTF revenues to the Successor Agency based on Recognized Obligation Payment Schedules (ROPS) as approved by the California State Department of Finance (DOF) and after deducting amounts for A&C administrative costs and amounts required to be paid under tax-sharing agreements unless the payment of such amounts has been subordinated to payment of debt services on the Bonds. Each ROPS covers a six-month period and includes the applicable debt service payments on the Bonds.

Property tax revenue allocated to the RPTTF for the Successor Agency totaled \$15,342,062 in fiscal year 2014. The RPTTF revenue available for distribution to the Successor Agency was \$13,808,664. The RPTTF revenue distributed to the Successor Agency in fiscal year 2014 was \$13,608,368. Total debt service of all Tax Allocation Bonds paid was \$7,905,306, 57% of the RPTTF revenue available for distribution to the Successor Agency. For the next three fiscal years, annual principal and interest payments on the Tax Allocation Bonds are expected to average 59% of the RPTTF revenue available to be distributed to the Successor Agency. Beyond the three year period, the percentage initially drops to 49% because the final payment on the 2005 Series A bonds will be made in fiscal year 2016. Beginning in fiscal year 2017, annual principal and interest payments decrease to approximately \$5.3 million and will remain at or near that level until the final maturity of all of the Bonds in fiscal year 2033. During this same time period, the amount of available RPTTF is expected to grow consistent with growth in assessed values attributable to the former redevelopment area. Hence, the percentage of the available RPTTF revenues that will be required for debt service is expected to gradually decline.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2014 is as follows:

	Balance			Balance June 30, 2014	Classification	
	July 1, 2013	Additions	Deletions		Due within One Year	Due in More Than One Year
Compensated Absences	\$ 2,752,558	\$ 2,178,754	\$ (1,754,920)	\$ 3,176,392	\$ 1,754,920	\$ 1,421,472
Total	\$ 2,752,558	\$ 2,178,754	\$ (1,754,920)	\$ 3,176,392	\$ 1,754,920	\$ 1,421,472

The City's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$3,176,392 at June 30, 2014. For the governmental activities claims and judgments and compensated absences are generally liquidated by the general fund.

Compensated absences at June 30, 2014 are obligations of the following funds:

Governmental Funds	\$ 3,084,896
Facilities Maintenance	45,748
Liability Insurance	3,361
Information Systems Maintenance	25,701
Motor Vehicle Services	16,686
Total	\$ 3,176,392

Note 8 – Other Required Fund Disclosures

At June 30, 2014, the following funds had deficit fund equity:

Fund Type	Funds	Deficit
Special Revenue	Community Development Block Grant	\$ (7,239)
Special Revenue	Brownfield Grant	(17,569)

Community Development Block Grant Special Revenue Fund - The Community Development Block Grant Special Revenue Fund had an accumulated deficit of \$(7,239). The City expects to repay the advances via transfers from other funds.

Brownfield Grant Special Revenue Fund - The Brownfield Grant Special Revenue Fund had an accumulated deficit of \$(17,569). The City expects to repay the deficit via transfers from other funds.

Note 9 – Self-Insurance Accrued Liabilities

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

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 9 – Self-Insurance Accrued Liabilities (Continued)

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

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

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

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

At June 30, 2014, the City accrued \$7,443,000 of workers’ compensation and general liability claims representing estimates of amounts to be paid for actual and incurred but not reported claims based upon past experience, modified for current trends and information. Allocated claim adjustment expenses are included in claim liabilities. While the ultimate amount of losses incurred through June 30, 2014 is dependent on future developments, based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. For the past three years, no settlements or claims payments have exceeded the amount of the applicable coverage. For the past two fiscal years, the changes in the City’s liability for claims payable are summarized as follows:

The aggregate change in the balance of claims payable as recorded in the Governmental Activities were as follows:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2011-2012	\$ 6,114,000	\$ 1,581,396	\$ (1,412,396)	\$ 6,283,000
2012-2013	6,283,000	2,664,990	(2,171,990)	6,776,000
2013-2014	6,776,000	2,643,254	(1,976,254)	7,443,000

Note 10 – Pension Plans

A. California Public Employees’ Retirement Plan

Plan Description

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

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 10 – Pension Plans (Continued)

A. California Public Employees’ Retirement Plan (Continued)

Funding Policy

Active plan members are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer is required to contribute at an actuarially determined rate of 21.237% of annual covered payroll for miscellaneous employees and 38.007% of annual covered payroll for safety employees for the fiscal year ended June 30, 2014.

Readers of this document are advised to refer directly to the full disclosure of actuarial and funding practices of the multi-employer CalPERS system, which this agency does not control. CalPERS may employ actuarial techniques such as extended smoothing and amortization periods that would result in future increases in required employer contributions which are not reflected in these financial statements, particularly in the event of any future changes in governmental financial reporting standards and system-wide funding practices. Further information on its financial practices should be requested from CalPERS.

Annual Pension Cost

For fiscal year 2014, the City’s annual pension cost of \$6,079,793 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.55% to 14.45% for miscellaneous employees and 3.55% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) for both miscellaneous and safety employees are being amortized as a level percentage of projected payrolls over a closed 20-year period for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous Employees	Safety Employees	Total		
6/30/2012	\$ 2,313,089	\$ 4,233,722	\$ 6,546,811	100%	\$ -
6/30/2013	2,231,490	4,426,130	6,657,620	100%	-
6/30/2014	1,955,935	4,123,858	6,079,793	100%	-

Most Recent Actuarial Study – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous:						
6/30/2013	\$ 73,932,668	\$ 99,312,093	\$ 25,379,425	74.44%	\$ 9,566,347	265.30%
Safety:						
6/30/2013	\$ 101,470,089	\$ 151,434,012	\$ 49,963,923	67.0%	\$ 10,598,943	471.40%

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 11 – Other Postemployment Benefits

Plan Description

The City provides a fixed dollar monthly contribution equal to \$5 (\$10 for management and executive employees) times the number of years of service. Safety employees may receive the contribution towards non-City health insurance, if evidence of coverage is provided. The City's contribution is payable to age 65 or Medicare eligibility, if earlier. Management and executive employees are eligible for the City's contribution during their lifetime.

Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 with at least 20 years of service. Membership of the plan consisted of the following at June 30, 2013, the date of the latest actuarial valuation:

	Executives & Management	Safety	Other	Total
Eligible active employee	30	118	128	276
Enrolled eligible retirees	23	18	7	48

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year 2013-14, the City contributed \$124,249 to the plan for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

	2014	2013	2012
Annual required contribution	\$ 216,311	\$ 213,079	\$ 128,176
Interest on net OPEB obligation	5,096	5,096	2,690
Adjustment to the annual required contribution	(7,972)	(7,972)	(2,690)
Net OPEB cost	213,435	210,203	128,176
Contribution made (includes premiums paid)	(124,249)	(99,836)	(105,993)
Increase in net OPEB obligation	89,186	110,367	22,183
Net OPEB obligation, beginning of the year	237,779	127,412	105,229
Net OPEB obligation, end of year	\$ 326,965	\$ 237,779	\$ 127,412

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 11 – Post Retirement Health Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013 and 2014 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 128,176	\$ 105,993	83%	\$ 127,412
2013	210,203	99,836	47%	237,779
2014	213,435	124,249	58%	326,965

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was not funded in its initial year of implementation. The actuarial accrued liability for benefits was \$2,114,382, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (“UAAL”) of \$2,114,382 and a funded ratio (actuarial value of assets as a percentage of the actuarial liability) of 0%.

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

Actuarial Methods and Assumptions

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

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

Most Recent Actuarial Study – Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Assets Value</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u>
6/30/2012	\$ -	\$ 2,114,382	\$ 2,114,382	0.00%	\$ 18,771,000	11.26%

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 12 – Commitments and Contingencies

Litigation

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

Grants

The City participates in a number of federally assisted grant programs, including those from the U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Treasury, U.S. Department of Transportation, and the U.S. Department of Education. Receipts from these grant programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes no significant liabilities will result on this audit.

City Loan to Successor Agency

The Sewer Special Revenue Fund has loaned a cumulative amount of \$411,216 to the Successor Agency for funding for street resurfacing improvements program. The loan establishes a 5 year re-payment agreement with the *TransNet* (Prop A) fund for the last two years at an interest rate of 0.75% per annum and matures June 30, 2015.

Successor Agency – Long Range Property Management Plan

The City, acting as the Successor Agency to the Community Development Commission of National City, is in the process of preparing a Long Range Property Management Plan (LRPMP) in compliance with AB 1484.

Legal Settlement Payable

On December 2, 2014, the Superior Court of California, County of San Diego issued a ruling in *Community Youth Athletic Center* (the "CYAC") vs. *City's Redevelopment Plan as Adopted by Ordinance 2007-2295 on July 17, 2007*, ordering the Successor Agency to the Community Development Commission of National City to pay \$2,016,250 to cover the legal fees of the CYAC related to the case. The City opposes the award of the attorney fees and may appeal the ruling. A legal settlement liability of \$2,016,250 has been accrued in the Fiduciary Financial Statements as of June 30, 2014.

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 13 – Classification of Fund Balances

	Major Funds					Other Governmental Funds	Total
	General	Housing	Section 8 Housing Choice Vouchers	Other Special Revenue	Sewer		
Nonspendable							
Loans receivable	\$ -	\$ 5,544,953	\$ -	\$ -	\$ -	\$ 1,136,806	\$ 6,681,759
Advances to other funds	4,941,000	-	-	-	-	-	4,941,000
Land held for resale	-	1,245,000	-	-	-	-	1,245,000
Inventories and prepaid items	11,830	-	-	-	-	-	11,830
Total nonspendable	4,952,830	6,789,953	-	-	-	1,136,806	12,879,589
Restricted							
Housing	-	-	689,775	-	-	-	689,775
Debt service	591,781	-	-	-	-	1,100,150	1,691,931
Community development	19,999	-	-	3,280,390	-	192,513	3,492,902
Public safety	-	-	-	407,842	-	531,311	939,153
Transportation	-	-	-	592,549	-	1,631,186	2,223,735
General Services	-	-	-	1,430,939	16,831,905	5,025,214	23,288,058
Total restricted	611,780	-	689,775	5,711,720	16,831,905	8,480,374	32,325,554
Committed							
Economic contingency	9,085,066	-	-	-	-	-	9,085,066
Total committed	9,085,066	-	-	-	-	-	9,085,066
Assigned							
Accrued employee benefits	3,084,894	-	-	-	-	-	3,084,894
Post-employment benefits	2,972,225	-	-	733,384	-	-	3,705,609
Community development	4,922,827	-	-	-	-	-	4,922,827
Public safety	609,186	-	-	-	-	-	609,186
Transportation	357,021	-	-	-	-	-	357,021
General Services	532,067	-	-	-	-	-	532,067
Housing	2,563,971	-	-	-	-	-	2,563,971
Total assigned	15,042,191	-	-	733,384	-	-	15,775,575
Unassigned	7,797,176	(4,459,519)	-	(3,593,749)	-	(111,955)	(368,047)
Total fund balances	\$ 37,489,043	\$ 2,330,434	\$ 689,775	\$ 2,851,355	\$ 16,831,905	\$ 9,505,225	\$ 69,697,737

Note 14 – Prior Period Adjustments

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during fiscal year 2014. Bond issuance costs are now recognized as an expense in the year they were incurred. Prior to the implementation, these items were deferred and amortized over the life of the existing debt. The City has reclassified the deferred amount on refunding previously reported as assets and liabilities as outflows of resources. The balance of Bond Issuance Costs, net in fiscal year 2013 as reported was \$141,261. The City also recognized revenues that had previously been deferred. The cumulative effect of applying GASB No. 65 has resulted in a decrease to fiscal year 2013 net position as follows:

	Governmental Activities
Net position at July 1, 2013	\$ 174,145,863
Deferred bond issuance costs expensed	(141,261)
Recognize deferred revenue	(3,618,495)
Net position at July 1, 2013, as restated	<u>\$ 170,527,368</u>

City of National City
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2014

Note 14 – Prior Period Adjustments (Continued)

The Successor Agency recorded a prior period adjustment to recognize notes receivable from the developer of the Transit-Oriented Infill Affordable Housing and Paradise Creek Enhancement Project. Amounts loaned to the developer had previously been expensed. The effect of this adjustment resulted in an increase to 2013 net position as follows:

	Successor Agency To the Community Development Commission of National City Private-purpose Trust Fund
Net position at July 1, 2013	\$ (8,705,291)
Record note receivable	1,137,339
Net position at July 1, 2013, as restated	<u><u>\$ (7,567,952)</u></u>

Note 15 – Subsequent Event

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Management is evaluating the impact of the adoption of this Standard on the financial statements and believes that its impact, when adopted, may be substantial to the City. GASB Statement No. 68 will be implemented effective with the fiscal year 2014-2015 financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



City of National City
Required Supplementary Information
For the Year Ended June 30, 2014

Note 1 – Budgetary Information

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

The City Manager is authorized to transfer budgeted amounts within a fund. However, any revisions that increase the total budget of any fund must be approved by the City Council. All necessary supplemental appropriations were adopted by the City Council and are included in the reported data. For the fiscal year ended June 30, 2013, supplemental appropriations requiring City Council approval were insignificant. The legal level of control for appropriations is exercised at the fund level.

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

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

City of National City
Required Supplementary Information (Continued)
For the Year Ended June 30, 2014

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 37,036,711	\$ 37,036,711	\$ 36,919,253	\$ (117,458)
Licenses and permits	679,140	679,140	901,728	222,588
Fines and forfeitures	717,270	752,270	946,019	193,749
Use of money and property	757,206	757,206	951,950	194,744
Intergovernmental	611,117	9,732,481	5,233,747	(4,498,734)
Charges for services	1,906,205	1,908,825	2,215,639	306,814
Other revenues	1,662,341	1,673,043	1,459,258	(213,785)
Total revenues	43,369,990	52,539,676	48,627,594	(3,912,082)
EXPENDITURES:				
Current:				
General government	5,575,182	5,615,239	4,919,485	695,754
Public safety	28,286,025	28,320,113	26,888,553	1,431,560
Transportation	2,304,667	2,334,967	1,976,132	358,835
Community development	129,306	129,306	135,229	(5,923)
Health	-	-	-	-
Culture and leisure	2,620,072	2,635,192	2,294,091	341,101
Capital outlay	2,836,400	15,824,640	6,740,846	9,083,794
Debt service:				
Principal	201,386	201,386	196,871	4,515
Interest and fiscal charges	8,928	8,928	15,362	(6,434)
Total expenditures	41,961,966	55,069,771	43,166,569	11,903,202
REVENUES OVER (UNDER) EXPENDITURES	1,408,024	(2,530,095)	5,461,025	7,991,120
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	-	-	7,052,194	7,052,194
Transfers in	459,609	2,074,990	3,261,056	1,186,066
Transfers out	-	459,609	(1,870,193)	(2,329,802)
Total other financing sources (uses)	459,609	2,534,599	8,443,057	5,908,458
Net change in fund balance	\$ 1,867,633	\$ 4,504	13,904,082	\$ 13,899,578
Fund Balance:				
Beginning of year			23,584,961	
End of year			<u>\$ 37,489,043</u>	

City of National City
Required Supplementary Information (Continued)
For the Year Ended June 30, 2014

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 46,000	\$ 46,000	\$ 5,320	\$ (40,680)
Other revenues	-	-	17,118	17,118
Total revenues	<u>46,000</u>	<u>46,000</u>	<u>22,438</u>	<u>(23,562)</u>
EXPENDITURES:				
Current:				
Community development	272,978	272,978	241,803	31,175
Capital outlay	-	-	4,941,000	(4,941,000)
Total expenditures	<u>272,978</u>	<u>272,978</u>	<u>5,182,803</u>	<u>(4,909,825)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(226,978)</u>	<u>(226,978)</u>	<u>(5,160,365)</u>	<u>(4,933,387)</u>
Net change in fund balance	<u>\$ (226,978)</u>	<u>\$ (226,978)</u>	<u>(5,160,365)</u>	<u>\$ (4,933,387)</u>
Fund Balance:				
Beginning of year			<u>7,490,799</u>	
End of year			<u>\$ 2,330,434</u>	

City of National City
Required Supplementary Information (Continued)
For the Year Ended June 30, 2014

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Section 8 Housing Choice Vouchers Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 17,000	\$ 17,000	\$ 50,252	\$ 33,252
Intergovernmental	9,507,600	9,507,600	9,977,455	469,855
Total revenues	9,524,600	9,524,600	10,027,707	503,107
EXPENDITURES:				
Current:				
Community development	10,746,467	10,770,467	9,890,527	(879,940)
Total expenditures	10,746,467	10,770,467	9,890,527	(879,940)
REVENUES OVER (UNDER) EXPENDITURES	(1,221,867)	(1,245,867)	137,180	1,383,047
Net change in fund balance	\$ (1,221,867)	\$ (1,245,867)	137,180	\$ 1,383,047
Fund Balance:				
Beginning of year			552,595	
End of year			\$ 689,775	

City of National City
Required Supplementary Information (Continued)
For the Year Ended June 30, 2014

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Other Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 291,000	\$ 291,000	\$ 324,025	\$ 33,025
Licenses and permits	502,485	502,485	197,370	(305,115)
Fines and forfeitures	-	-	1,119	1,119
Use of money and property	2,800	2,800	26,902	24,102
Intergovernmental	1,278,799	8,017,677	2,646,526	(5,371,151)
Charges for services	368,000	368,000	388,537	20,537
Other revenues	3,000	3,000	3,692	692
Total revenues	2,446,084	9,184,962	3,588,171	(5,596,791)
EXPENDITURES:				
Current:				
General Government	125,000	136,763	142,742	(5,979)
Public Safety	618,253	1,124,377	797,953	326,424
Community Development	268,330	370,317	310,510	59,807
Health	123,073	126,303	107,215	19,088
Culture and Leisure	1,172,191	1,410,339	981,155	429,184
Capital outlay	250,000	12,792,983	4,495,499	8,297,484
Debt service:				
Interest and fiscal charges	184	184	183	1
Total expenditures	2,557,031	15,961,266	6,835,257	9,126,009
REVENUES OVER (UNDER) EXPENDITURES	(110,947)	(6,776,304)	(3,247,086)	3,529,218
OTHER FINANCING SOURCES (USES):				
Transfers in	125,000	125,000	125,000	-
Transfers out	-	-	(2,801,446)	(2,801,446)
Total other financing sources (uses)	125,000	125,000	(2,676,446)	(2,801,446)
Net change in fund balance	\$ 14,053	\$ (6,651,304)	(5,923,532)	\$ 727,772
Fund Balance:				
Beginning of year			8,774,887	
End of year			\$ 2,851,355	

City of National City
Required Supplementary Information (Continued)
For the Year Ended June 30, 2014

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Sewer Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 831	\$ (4,169)
Use of money and property	41,511	41,511	93,086	51,575
Charges for services	7,104,400	7,104,400	6,927,565	(176,835)
Total revenues	<u>7,150,911</u>	<u>7,150,911</u>	<u>7,021,482</u>	<u>(129,429)</u>
EXPENDITURES:				
Current:				
Health	6,524,962	6,875,854	6,171,807	704,047
Capital outlay	400,000	6,246,978	49,210	6,197,768
Total expenditures	<u>6,925,268</u>	<u>13,123,138</u>	<u>6,221,323</u>	<u>6,901,815</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>225,643</u>	<u>(5,972,227)</u>	<u>800,159</u>	<u>6,772,386</u>
Net change in fund balance	<u>\$ 225,643</u>	<u>\$ (5,972,227)</u>	<u>800,159</u>	<u>\$ 6,772,386</u>
Fund Balance:				
Beginning of year			<u>16,031,746</u>	
End of year			<u>\$ 16,831,905</u>	

City of National City
Required Supplementary Information (Continued)
For the Year Ended June 30, 2014

Note 2 - Schedules of Funding Progress

PUBLIC EMPLOYEE RETIREMENT SYSTEMS (PERS)
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2011	\$ 78,123,768	\$ 92,018,537	\$ 13,894,769	84.90%	\$ 9,549,659	145.50%
6/30/2012	80,945,227	94,022,047	13,076,820	86.09%	9,294,612	140.69%
6/30/2013	73,932,668	99,312,093	25,379,425	74.44%	9,566,347	265.30%

Safety Employees

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2011	100,895,281	128,928,110	28,032,829	78.26%	12,140,600	230.90%
6/30/2012	106,058,122	139,578,104	33,519,982	75.98%	10,893,982	307.69%
6/30/2013	101,470,089	151,434,012	49,963,923	67.0%	10,598,943	471.40%

OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Assets Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
6/30/2008	\$ -	\$ 1,058,356	\$ 1,058,356	0.00%	\$ 22,466,000	4.71%
6/30/2010	-	1,370,805	1,370,805	0.00%	18,322,000	7.48%
6/30/2012	-	2,114,382	2,114,382	0.00%	18,771,000	11.26%

SUPPLEMENTARY INFORMATION





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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

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

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

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

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

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

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

Nutrition Fund - This fund is used for operations of the Nutrition grant.

Brownfield Grant - This grant is to provide a Revolving Loan Fund for the community to assist funding cleanup planning and remediation activities.

NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS:

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

Library Bonds Debt Service Fund - This fund is used to account for debt service of the Library.

CAPITAL PROJECTS FUNDS:

Library Construction Project Capital Projects Fund - This fund is used to account for activities of the library construction.

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

STP Local/TransNet Highway Fund - This fund is used to account for funds received from the San Diego Association of Governments ("SANDAG") for TransNet projects.

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

**City of National City
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014**

	Special Revenue				
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax
ASSETS					
Cash and investments	\$ 1,011,697	\$ 187,830	\$ 160,281	\$ 1,337,391	\$ 1,025,104
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	4,013	4,676	7,715	-
Interest	-	-	-	-	1,567
Loans	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 1,011,697	\$ 191,843	\$ 164,957	\$ 1,345,106	\$ 1,026,671
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 24,622	\$ 16,163	\$ 4,280	\$ 386,792
Accrued liabilities	-	27,388	25,879	-	20,390
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	52,010	42,042	4,280	407,182
Deferred inflows of resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,011,697	139,833	122,915	1,340,826	619,489
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	1,011,697	139,833	122,915	1,340,826	619,489
Total liabilities, deferred inflows of resources and fund balances	\$ 1,011,697	\$ 191,843	\$ 164,957	\$ 1,345,106	\$ 1,026,671

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2014

	Special Revenue				
	Parks and Recreation Capital Outlay	CDBG	HOME Program	Asset Forfeiture	Nutrition
ASSETS					
Cash and investments	\$ 545,621	\$ 70,915	\$ 278,079	\$ 531,339	\$ 236,804
Receivables:					
Accounts	402	-	-	(705)	76,140
Taxes	-	-	-	-	-
Interest	-	-	351	677	-
Loans	-	87,147	1,049,659	-	-
Due from other governments	-	119,136	215,629	-	-
Total assets	\$ 546,023	\$ 277,198	\$ 1,543,718	\$ 531,311	\$ 312,944
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 34,360	\$ 84,544	\$ -	\$ 16,297
Accrued liabilities	-	10,211	1,373	-	55,095
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	44,571	85,917	-	71,392
Deferred inflows of resources:					
Unavailable revenues	-	239,866	215,629	-	-
Total deferred inflows of resources	-	239,866	215,629	-	-
Fund Balances:					
Nonspendable	-	87,147	1,049,659	-	-
Restricted	546,023	-	192,513	531,311	241,552
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(94,386)	-	-	-
Total fund balances	546,023	(7,239)	1,242,172	531,311	241,552
Total liabilities, deferred inflows of resources and fund balances	\$ 546,023	\$ 277,198	\$ 1,543,718	\$ 531,311	\$ 312,944

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2014

	Special Revenue	Debt Service		Capital Projects	
	Brownfield Grant	National City Joint Powers Financing Authority	Library Bonds	Library Construction Project	Proposition A
ASSETS					
Cash and investments	\$ -	\$ 218	\$ 1,099,114	\$ -	\$ 3,030,739
Receivables:					
Accounts	-	-	-	-	-
Taxes	-	-	818	-	-
Interest	-	-	-	-	4,329
Loans	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ -	\$ 218	\$ 1,099,932	\$ -	\$ 3,035,068
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 110,169
Accrued liabilities	-	-	-	-	-
Due to other funds	17,569	-	-	-	-
Advances from other funds	-	-	-	-	415,735
Unearned revenue	-	-	-	-	-
Total liabilities	17,569	-	-	-	525,904
Deferred inflows of resources:					
Unavailable revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	218	1,099,932	-	2,509,164
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(17,569)	-	-	-	-
Total fund balances	(17,569)	218	1,099,932	-	2,509,164
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 218	\$ 1,099,932	\$ -	\$ 3,035,068

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2014

	Capital Projects		Total Other Governmental Funds
	STP Local/ <i>TransNet</i>	State-Local Partnership	
ASSETS			
Cash and investments	\$ -	\$ 124,728	\$ 9,639,860
Receivables:			
Accounts	13	-	75,850
Taxes	-	-	17,222
Interest	-	160	7,084
Loans	-	-	1,136,806
Due from other governments	-	-	334,765
Total assets	\$ 13	\$ 124,888	\$ 11,211,587
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 677,227
Accrued liabilities	-	-	140,336
Due to other funds	-	-	17,569
Advances from other funds	-	-	415,735
Unearned revenue	-	-	-
Total liabilities	-	-	1,250,867
Deferred inflows of resources:			
Unavailable revenues	-	-	455,495
Total deferred inflows of resources	-	-	455,495
Fund Balances:			
Nonspendable	-	-	1,136,806
Restricted	13	124,888	8,480,374
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	(111,955)
Total fund balances	13	124,888	9,505,225
Total liabilities, deferred inflows of resources and fund balances	\$ 13	\$ 124,888	\$ 11,211,587

(Concluded)

City of National City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue				
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax
REVENUES:					
Taxes	\$ -	\$ 742,799	\$ 865,549	\$ 125,929	\$ 1,941,111
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	10,333
Intergovernmental	-	6,228	7,258	-	-
Other revenues	-	-	860	44,149	-
Total revenues	-	749,027	873,667	170,078	1,951,444
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	1,697,338
Community development	-	-	-	-	-
Health	-	-	-	-	-
Culture and leisure	-	1,576,297	1,155,830	47,215	-
Capital outlay	-	-	-	750	1,134,459
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	611
Total expenditures	-	1,576,297	1,155,830	47,965	2,832,408
REVENUES OVER (UNDER) EXPENDITURES	-	(827,270)	(282,163)	122,113	(880,964)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	944,414	395,116	-	-
Total other financing sources (uses)	-	944,414	395,116	-	-
CHANGES IN FUND BALANCES	-	117,144	112,953	122,113	(880,964)
FUND BALANCES:					
Beginning of year	1,011,697	22,689	9,962	1,218,713	1,500,453
End of year	<u>\$ 1,011,697</u>	<u>\$ 139,833</u>	<u>\$ 122,915</u>	<u>\$ 1,340,826</u>	<u>\$ 619,489</u>

(Continued)

City of National City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue				
	Parks and Recreation Capital Outlay	CDBG	HOME Program	Asset Forfeiture	Nutrition
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	114,571	-
Use of money and property	-	3,931	19,347	2,612	-
Intergovernmental	-	1,431,390	587,933	-	302,257
Other revenues	-	-	-	3,238	123,055
Total revenues	-	1,435,321	607,280	120,421	425,312
EXPENDITURES:					
Current:					
Public safety	-	-	-	1,335	-
Transportation	-	-	-	-	-
Community development	-	419,227	238,026	-	-
Health	-	-	-	-	715,081
Culture and leisure	1,109	-	-	-	-
Capital outlay	-	-	2,094,036	21,310	32,308
Debt service:					
Principal	-	515,000	-	-	-
Interest and fiscal charges	122	254,527	-	-	-
Total expenditures	1,231	1,188,754	2,332,062	22,645	747,389
REVENUES OVER (UNDER) EXPENDITURES	(1,231)	246,567	(1,724,782)	97,776	(322,077)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	405,663
Total other financing sources (uses)	-	-	-	-	405,663
CHANGES IN FUND BALANCES	(1,231)	246,567	(1,724,782)	97,776	83,586
FUND BALANCES:					
Beginning of year	547,254	(253,806)	2,966,954	433,535	157,966
End of year	\$ 546,023	\$ (7,239)	\$ 1,242,172	\$ 531,311	\$ 241,552

(Continued)

City of National City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue	Debt Service		Capital Projects	
		National City Joint Powers Financing Authority	Library Bonds	Library Construction Project	Proposition A
	Brownfield Grant				
REVENUES:					
Taxes	\$ -	\$ -	\$ 467,645	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	7,912
Intergovernmental	-	492,550	-	-	2,611,935
Other revenues	-	-	-	-	-
Total revenues	<u>-</u>	<u>492,550</u>	<u>467,645</u>	<u>-</u>	<u>2,619,847</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	-	-	-	-	-
Health	-	-	-	-	-
Culture and leisure	-	-	1,340	-	-
Capital outlay	-	-	-	-	852,530
Debt service:					
Principal	-	430,000	235,000	-	-
Interest and fiscal charges	-	62,550	137,701	-	5,699
Total expenditures	<u>-</u>	<u>492,550</u>	<u>374,041</u>	<u>-</u>	<u>858,229</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>93,604</u>	<u>-</u>	<u>1,761,618</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>93,604</u>	<u>-</u>	<u>1,761,618</u>
FUND BALANCES:					
Beginning of year	(17,569)	218	1,006,328	-	747,546
End of year	<u>\$ (17,569)</u>	<u>\$ 218</u>	<u>\$ 1,099,932</u>	<u>\$ -</u>	<u>\$ 2,509,164</u>

(Continued)

City of National City
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2014

	<u>Capital Projects</u>		Total Other Governmental Funds
	<u>STP Local/ TransNet</u>	<u>State-Local Partnership</u>	
REVENUES:			
Taxes	\$ -	\$ -	\$ 4,143,033
Fines and forfeitures	-	-	114,571
Use of money and property	-	756	44,891
Intergovernmental	274,571	-	5,714,122
Other revenues	-	-	171,302
Total revenues	<u>274,571</u>	<u>756</u>	<u>10,187,919</u>
EXPENDITURES:			
Current:			
Public safety	-	-	1,335
Transportation	-	-	1,697,338
Community development	-	-	657,253
Health	-	-	715,081
Culture and leisure	-	-	2,781,791
Capital outlay	-	-	4,135,393
Debt service:			
Principal	-	-	1,180,000
Interest and fiscal charges	-	-	461,210
Total expenditures	<u>-</u>	<u>-</u>	<u>11,629,401</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>274,571</u>	<u>756</u>	<u>(1,441,482)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	1,745,193
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,745,193</u>
CHANGES IN FUND BALANCES	274,571	756	303,711
FUND BALANCES:			
Beginning of year	(274,558)	124,132	9,201,514
End of year	<u>\$ 13</u>	<u>\$ 124,888</u>	<u>\$ 9,505,225</u>

(Concluded)

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
General Capital Outlay Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ -	\$ 1,014,015	\$ -	\$ 1,014,015
Total expenditures	-	1,014,015	-	1,014,015
REVENUES OVER (UNDER) EXPENDITURES				
	-	(1,014,015)	-	1,014,015
CHANGE IN FUND BALANCE				
	\$ -	\$ (1,014,015)	-	\$ 1,014,015
FUND BALANCE:				
Beginning of year			1,011,697	
End of year			\$ 1,011,697	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Library Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 684,081	\$ 684,081	\$ 742,799	\$ 58,718
Intergovernmental	6,300	6,300	6,228	(72)
Charges for services	17,740	17,740	-	(17,740)
Total revenues	<u>708,121</u>	<u>708,121</u>	<u>749,027</u>	<u>40,906</u>
EXPENDITURES:				
Current:				
Culture and leisure	1,641,045	1,641,045	1,576,297	64,748
Total expenditures	<u>1,641,045</u>	<u>1,641,045</u>	<u>1,576,297</u>	<u>64,748</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(932,924)</u>	<u>(932,924)</u>	<u>(827,270)</u>	<u>105,654</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	944,414	944,414	944,414	-
Total other financing sources (uses)	<u>944,414</u>	<u>944,414</u>	<u>944,414</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ 11,490</u>	<u>\$ 11,490</u>	117,144	<u>\$ 105,654</u>
FUND BALANCE:				
Beginning of year			<u>22,689</u>	
End of year			<u>\$ 139,833</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Parks Maintenance Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 797,129	\$ 797,129	\$ 865,549	\$ 68,420
Intergovernmental	7,400	7,400	7,258	(142)
Other revenues	-	-	860	860
Total revenues	<u>804,529</u>	<u>804,529</u>	<u>873,667</u>	<u>69,138</u>
EXPENDITURES:				
Current:				
Culture and leisure	1,199,645	1,198,128	1,155,830	42,298
Capital outlay	-	1,517	-	(1,517)
Total expenditures	<u>1,199,645</u>	<u>1,199,645</u>	<u>1,155,830</u>	<u>43,815</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(395,116)</u>	<u>(395,116)</u>	<u>(282,163)</u>	<u>112,953</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	395,116	395,116	395,116	-
Total other financing sources (uses)	<u>395,116</u>	<u>395,116</u>	<u>395,116</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	112,953	<u>\$ 112,953</u>
FUND BALANCE:				
Beginning of year			<u>9,962</u>	
End of year			<u>\$ 122,915</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Library Capital Outlay Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 75,000	\$ 75,000	\$ 125,929	\$ 50,929
Other revenues	50,000	50,000	44,149	(5,851)
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>170,078</u>	<u>45,078</u>
EXPENDITURES:				
Current:				
Culture and leisure	93,431	93,431	47,215	(46,216)
Capital outlay	335,000	480,200	750	479,450
Total expenditures	<u>428,431</u>	<u>573,631</u>	<u>47,965</u>	<u>525,666</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(303,431)</u>	<u>(448,631)</u>	<u>122,113</u>	<u>570,744</u>
CHANGE IN FUND BALANCE	<u>\$ (303,431)</u>	<u>\$ (448,631)</u>	<u>122,113</u>	<u>\$ 570,744</u>
FUND BALANCE:				
Beginning of year			<u>1,218,713</u>	
End of year			<u>\$ 1,340,826</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,853,908	\$ 1,853,908	\$ 1,941,111	\$ 87,203
Use of money and property	4,200	4,200	10,333	6,133
Total revenues	<u>1,858,108</u>	<u>1,858,108</u>	<u>1,951,444</u>	<u>93,336</u>
EXPENDITURES:				
Current:				
Transportation	1,711,768	1,723,984	1,697,338	26,646
Capital outlay	1,200,000	2,055,873	1,134,459	921,414
Debt Service:				
Interest and fiscal charges	611	611	611	-
Total expenditures	<u>2,912,379</u>	<u>3,780,468</u>	<u>2,832,408</u>	<u>948,060</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,054,271)</u>	<u>(1,922,360)</u>	<u>(880,964)</u>	<u>1,041,396</u>
CHANGE IN FUND BALANCE	<u>\$ (1,054,271)</u>	<u>\$ (1,922,360)</u>	<u>(880,964)</u>	<u>\$ 1,041,396</u>
FUND BALANCE:				
Beginning of year			<u>1,500,453</u>	
End of year			<u>\$ 619,489</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Parks and Recreation Capital Outlay Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
Culture and Leisure	\$ 1,111	\$ 1,111	\$ 1,109	\$ (2)
Debt Service:				
Interest and fiscal charges	123	123	122	1
Total expenditures	<u>1,234</u>	<u>1,234</u>	<u>1,231</u>	<u>3</u>
REVENUES OVER				
(UNDER) EXPENDITURES				
	<u>(1,234)</u>	<u>(1,234)</u>	<u>(1,231)</u>	<u>3</u>
CHANGE IN FUND BALANCE				
	<u>\$ (1,234)</u>	<u>\$ (1,234)</u>	<u>(1,231)</u>	<u>\$ 3</u>
FUND BALANCE:				
Beginning of year			<u>547,254</u>	
End of year			<u>\$ 546,023</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 3,931	\$ 3,931
Intergovernmental	852,445	990,668	1,431,390	440,722
Total revenues	<u>852,445</u>	<u>990,668</u>	<u>1,435,321</u>	<u>444,653</u>
EXPENDITURES:				
Current:				
Community development	-	-	419,227	419,227
Health	426,784	484,548	-	484,548
Culture and leisure	3,500	3,551	-	3,551
Capital outlay	175,000	245,000	-	245,000
Debt Service:				
Principal	305,000	515,000	515,000	-
Interest and fiscal charges	254,527	254,527	254,527	-
Total expenditures	<u>1,164,811</u>	<u>1,502,626</u>	<u>1,188,754</u>	<u>313,872</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(312,366)</u>	<u>(511,958)</u>	<u>246,567</u>	<u>758,525</u>
CHANGE IN FUND BALANCE	<u>\$ (312,366)</u>	<u>\$ (511,958)</u>	<u>246,567</u>	<u>\$ 758,525</u>
FUND BALANCE:				
Beginning of year			<u>(253,806)</u>	
End of year			<u>\$ (7,239)</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
HOME Program Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 25,500	\$ 25,500	\$ 19,347	\$ (6,153)
Intergovernmental	83,973	114,439	587,933	473,494
Total revenues	<u>109,473</u>	<u>139,939</u>	<u>607,280</u>	<u>467,341</u>
EXPENDITURES:				
Current:				
Community development	-	-	238,026	238,026
Health	114,546	375,713	-	375,713
Capital outlay	-	2,095,492	2,094,036	(1,456)
Total expenditures	<u>114,546</u>	<u>2,471,205</u>	<u>2,332,062</u>	<u>139,143</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,073)</u>	<u>(2,331,266)</u>	<u>(1,724,782)</u>	<u>606,484</u>
CHANGE IN FUND BALANCE	<u>\$ (5,073)</u>	<u>\$ (2,331,266)</u>	<u>(1,724,782)</u>	<u>\$ 606,484</u>
FUND BALANCE:				
Beginning of year			<u>2,966,954</u>	
End of year			<u>\$ 1,242,172</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 73,000	\$ 101,500	\$ 114,571	\$ 13,071
Use of money and property	1,000	1,000	2,612	1,612
Other revenues	2,700	2,700	3,238	538
Total revenues	<u>76,700</u>	<u>105,200</u>	<u>120,421</u>	<u>15,221</u>
EXPENDITURES:				
Current:				
Public safety	-	2,000	1,335	665
Capital outlay	-	28,500	21,310	(7,190)
Total expenditures	<u>-</u>	<u>30,500</u>	<u>22,645</u>	<u>7,855</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>76,700</u>	<u>74,700</u>	<u>97,776</u>	<u>23,076</u>
CHANGE IN FUND BALANCE	<u>\$ 76,700</u>	<u>\$ 74,700</u>	<u>97,776</u>	<u>\$ 23,076</u>
FUND BALANCE:				
Beginning of year			<u>433,535</u>	
End of year			<u>\$ 531,311</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Nutrition Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 270,000	\$ 270,000	\$ 302,257	\$ 32,257
Other revenues	110,500	110,500	123,055	12,555
Total revenues	380,500	380,500	425,312	44,812
EXPENDITURES:				
Current:				
Health	-	-	715,081	54,179
Capital outlay	-	34,139	32,308	(1,831)
Total expenditures	-	34,139	747,389	(713,250)
REVENUES OVER (UNDER) EXPENDITURES	380,500	346,361	(322,077)	(668,438)
OTHER FINANCING SOURCES (USES):				
Transfers in	405,663	405,663	405,663	-
Total other financing sources (uses)	405,663	405,663	405,663	-
CHANGE IN FUND BALANCE	\$ 786,163	\$ 752,024	83,586	\$ (668,438)
FUND BALANCE:				
Beginning of year			157,966	
End of year			<u>\$ 241,552</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Brownsfield Grant Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			(17,569)	
End of year			\$ (17,569)	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
National City Joint Powers Financing Authority Debt Service Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 492,550	\$ 492,550	\$ 492,550	\$ -
Total revenues	<u>492,550</u>	<u>492,550</u>	<u>492,550</u>	<u>-</u>
EXPENDITURES:				
Current:				
Debt Service:				
Principal	430,000	430,000	430,000	-
Interest and fiscal charges	62,550	62,550	62,550	-
Total expenditures	<u>492,550</u>	<u>492,550</u>	<u>492,550</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>218</u>	
End of year			<u>\$ 218</u>	

City of National City
Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual
Library Bonds Debt Service Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 372,700	\$ 372,700	\$ 467,645	\$ 94,945
Total revenues	<u>372,700</u>	<u>372,700</u>	<u>467,645</u>	<u>94,945</u>
EXPENDITURES:				
Current:				
Culture and Leisure	-	-	1,340	1,340
Debt Service:				
Principal	235,000	235,000	235,000	-
Interest and fiscal charges	137,700	137,700	137,701	(1)
Total expenditures	<u>372,700</u>	<u>372,700</u>	<u>374,041</u>	<u>(1,341)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>93,604</u>	<u>93,604</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>93,604</u>	<u>\$ 93,604</u>
FUND BALANCE:				
Beginning of year			<u>1,006,328</u>	
End of year			<u>\$ 1,099,932</u>	



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INTERNAL SERVICE FUND

Internal Service Funds are used to finance and account for special activities and services performed by a designated City department for other departments on a cost reimbursement basis.

Facilities Maintenance Fund - This fund is used to account for the costs of maintaining all City-owned buildings in a clean, safe, workable, and pleasant condition.

Liability Insurance Fund - This fund is used to account for the costs of maintaining the City's workers' compensation and liability insurance programs.

Information Systems Maintenance Fund - This fund is used to account for the costs of maintaining the City's computer-related information systems.

Office Equipment Depreciation Fund - This fund is used to account for the costs to replace City office equipment.

Telecommunications Revolving Fund - This fund is used to account for the costs of maintaining the City's telecommunications system.

General Accounting Services Fund - This fund is used to account for the costs of general accounting services.

Motor Vehicle Services Fund - This fund is used to account for the City's costs of preventative maintenance and repairs for all City vehicles including police, fire, general administrative, park, sewer and public works equipment.

Equipment Replacement Reserve Fund - This fund is used to account for the costs to replace City general equipment.



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City of National City
Combining Statement of Net Position
All Internal Service Funds
June 30, 2014

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation	Tele- communications Revolving
ASSETS					
Current assets:					
Cash and investments	\$ 732,688	\$ 9,023,074	\$ 1,981,801	\$ 717,686	\$ 338,690
Restricted cash and investments with fiscal agents	10,334	-	-	-	-
Prepaid items and deposits	25,088	-	-	-	-
Total current assets	768,110	9,023,074	1,981,801	717,686	338,690
Noncurrent assets:					
Capital assets, net	1,721,295	-	175,511	29,268	-
Total noncurrent assets	1,721,295	-	175,511	29,268	-
Total assets	2,489,405	9,023,074	2,157,312	746,954	338,690
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	195,076	111,370	128,842	-	-
Salaries payable	22,663	1,693	10,483	-	-
Interest payable	18,013	-	-	-	-
Capital leases payable - due within one year	102,230	-	-	-	-
Compensated absences - due within one year	45,748	3,361	25,701	-	-
Claims payable - due within one year	-	1,976,254	-	-	-
Total current liabilities	383,730	2,092,678	165,026	-	-
Noncurrent liabilities:					
Capital leases payable - due in more than one year	1,353,373	-	-	-	-
Claims payable - due within one year	-	5,466,746	-	-	-
Total noncurrent liabilities	1,353,373	5,466,746	-	-	-
Total liabilities	1,737,103	7,559,424	165,026	-	-
NET POSITION					
Net investment in capital assets	265,692	-	175,511	29,268	-
Restricted	10,334	-	-	-	-
Unrestricted	476,276	1,463,650	1,816,775	717,686	338,690
Total net position	\$ 752,302	\$ 1,463,650	\$ 1,992,286	\$ 746,954	\$ 338,690

City of National City
Combining Statement of Net Position
All Internal Service Funds (Continued)
June 30, 2014

	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Total
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 1,214,111	\$ 817,762	\$ 14,825,812
Restricted cash and investments with fiscal agents	-	-	-	10,334
Prepaid items and deposits	-	-	-	25,088
Total current assets	-	1,214,111	817,762	14,861,234
Noncurrent assets:				
Capital assets, net	-	299,306	227,539	2,452,919
Total noncurrent assets	-	299,306	227,539	2,452,919
Total assets	-	1,513,417	1,045,301	17,314,153
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	-	57,910	-	493,198
Salaries payable	-	6,673	-	41,512
Interest payable	-	-	-	18,013
Capital leases payable - due within one year	-	-	-	102,230
Compensated absences - due within one year	-	16,686	-	91,496
Claims payable - due within one year	-	-	-	1,976,254
Total current liabilities	-	81,269	-	2,722,703
Noncurrent liabilities:				
Capital leases payable - due in more than one year	-	-	-	1,353,373
Claims payable - due within one year	-	-	-	5,466,746
Total noncurrent liabilities	-	-	-	6,820,119
Total liabilities	-	81,269	-	9,542,822
NET POSITION				
Net investment in capital assets	-	299,306	227,539	997,316
Restricted	-	-	-	10,334
Unrestricted	-	1,132,842	817,762	6,763,681
Total net position	\$ -	\$ 1,432,148	\$ 1,045,301	\$ 7,771,331

City of National City
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2014

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation	Tele- communications Revolving
OPERATING REVENUES:					
Charges for services	\$ 2,651,147	\$ 2,755,202	\$ 1,978,793	\$ -	\$ -
Other	1,839	233,542	-	-	59
Total operating revenues	<u>2,652,986</u>	<u>2,988,744</u>	<u>1,978,793</u>	<u>-</u>	<u>59</u>
OPERATING EXPENSES:					
Operations and administration	718,312	3,021,361	352,027	48,158	-
Maintenance	1,668,224	147,609	1,357,478	-	-
Depreciation	143,441	-	48,723	24,425	-
Total operating expenses	<u>2,529,977</u>	<u>3,168,970</u>	<u>1,758,228</u>	<u>72,583</u>	<u>-</u>
Operating income (loss)	<u>123,009</u>	<u>(180,226)</u>	<u>220,565</u>	<u>(72,583)</u>	<u>59</u>
NONOPERATING REVENUES (EXPENSES):					
Interest expense	(91,890)	-	-	-	-
Total nonoperating revenues (expenses)	<u>(91,890)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	<u>31,119</u>	<u>(180,226)</u>	<u>220,565</u>	<u>(72,583)</u>	<u>59</u>
TRANSFERS:					
Transfers out	-	-	-	(459,610)	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(459,610)</u>	<u>-</u>
Changes in net position	31,119	(180,226)	220,565	(532,193)	59
NET POSITION:					
Beginning of year	721,183	1,643,876	1,771,721	1,279,147	338,631
End of year	<u>\$ 752,302</u>	<u>\$ 1,463,650</u>	<u>\$ 1,992,286</u>	<u>\$ 746,954</u>	<u>\$ 338,690</u>

City of National City
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,513,682	\$ -	\$ 8,898,824
Other	-	-	-	235,440
Total operating revenues	-	1,513,682	-	9,134,264
OPERATING EXPENSES:				
Operations and administration	-	306,008	-	4,445,866
Maintenance	-	1,116,350	-	4,289,661
Depreciation	-	94,928	36,988	348,505
Total operating expenses	-	1,517,286	36,988	9,084,032
Operating income (loss)	-	(3,604)	(36,988)	50,232
NONOPERATING REVENUES (EXPENSES):				
Interest expense	-	-	-	(91,890)
Total nonoperating revenues (expenses)	-	-	-	(91,890)
Income (loss) before transfers	-	(3,604)	(36,988)	(41,658)
TRANSFERS:				
Transfers out	-	-	-	(459,610)
Total transfers	-	-	-	(459,610)
Changes in net position	-	(3,604)	(36,988)	(501,268)
NET POSITION:				
Beginning of year	-	1,435,752	1,082,289	8,272,599
End of year	\$ -	\$ 1,432,148	\$ 1,045,301	\$ 7,771,331

City of National City
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2014

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation	Tele- communications Revolving
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from other funds	\$ 2,651,147	\$ 2,755,202	\$ 1,978,793	\$ -	\$ -
Cash payments to suppliers and employees for goods and services	(2,350,137)	(2,437,624)	(1,710,521)	(49,218)	-
Other operating revenues	1,839	233,542	-	-	59
Net cash provided by (used in) operating activities	302,849	551,120	268,272	(49,218)	59
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on capital lease	(98,526)	-	-	-	-
Acquisition of capital assets	-	-	(48,215)	-	-
Interest paid	(73,877)	-	-	-	-
Net cash provided by (used in) capital and related financing activities	(172,403)	-	(48,215)	-	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers (out)	-	-	-	(459,610)	-
Net cash (used in) noncapital financing activities	-	-	-	(459,610)	-
Net change in cash and cash equivalents	130,446	551,120	220,057	(508,828)	59
CASH AND CASH EQUIVALENT:					
Beginning of year	612,576	8,471,954	1,761,744	1,226,514	338,631
End of year	<u>\$ 743,022</u>	<u>\$ 9,023,074</u>	<u>\$ 1,981,801</u>	<u>\$ 717,686</u>	<u>\$ 338,690</u>
RECONCILIATION TO STATEMENT OF NET POSITION:					
Cash and investments	\$ 732,688	\$ 9,023,074	\$ 1,981,801	\$ 717,686	\$ 338,690
Restricted cash and investments with fiscal agents	10,334	-	-	-	-
Total cash and cash equivalents	<u>\$ 743,022</u>	<u>\$ 9,023,074</u>	<u>\$ 1,981,801</u>	<u>\$ 717,686</u>	<u>\$ 338,690</u>

City of National City
Combining Statement of Cash Flows
All Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ -	\$ 1,513,682	\$ -	\$ 8,898,824
Cash payments to suppliers and employees for goods and services	(127,211)	(1,434,526)	-	(8,109,237)
Other operating revenues	-	-	-	235,440
Net cash provided by (used in) operating activities	(127,211)	79,156	-	1,025,027
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	-	-	-	(98,526)
Acquisition of capital assets	-	2,056	-	(46,159)
Interest paid	-	-	-	(73,877)
Net cash provided by (used in) capital and related financing activities	-	2,056	-	(218,562)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers (out)	-	-	-	(459,610)
Net cash (used in) noncapital financing activities	-	-	-	(459,610)
Net change in cash and cash equivalents	(127,211)	81,212	-	346,855
CASH AND CASH EQUIVALENT:				
Beginning of year	127,211	1,132,899	817,762	14,489,291
End of year	\$ -	\$ 1,214,111	\$ 817,762	\$ 14,836,146
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ -	\$ 1,214,111	\$ 817,762	\$ 14,825,812
Restricted cash and investments with fiscal agents	-	-	-	10,334
Total cash and cash equivalents	\$ -	\$ 1,214,111	\$ 817,762	\$ 14,836,146

City of National City
Combining Statement of Cash Flows
All Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation	Tele- communications Revolving
RECONCILIATION OF OPERATING INCOME					
TO NET CASH PROVIDED BY (USED IN)					
OPERATING ACTIVITIES:					
Operating income (loss)	\$ 123,009	\$ (180,226)	\$ 220,565	\$ (72,583)	\$ 59
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	143,441	-	48,723	24,425	-
Changes in operating assets and liabilities:					
Accounts payable	34,982	63,331	(11,703)	(1,060)	-
Salaries payable	1,259	196	1,534	-	-
Compensated absences	158	819	9,153	-	-
Claims payable	-	667,000	-	-	-
Total adjustments	<u>179,840</u>	<u>731,346</u>	<u>47,707</u>	<u>23,365</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u><u>\$ 302,849</u></u>	<u><u>\$ 551,120</u></u>	<u><u>\$ 268,272</u></u>	<u><u>\$ (49,218)</u></u>	<u><u>\$ 59</u></u>

City of National City
Combining Statement of Cash Flows
All Internal Service Funds (Continued)
For the Year Ended June 30, 2014

	General Accounting Services	Motor Vehicle Services	Equipment Replacement Reserve	Total
RECONCILIATION OF OPERATING INCOME				
TO NET CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES:				
Operating income (loss)	\$ -	\$ (3,604)	\$ (36,988)	\$ 50,232
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	94,928	36,988	348,505
Changes in operating assets and liabilities:				
Accounts payable	(44,817)	(11,833)	-	28,900
Salaries payable	(36,536)	(1,217)	-	(34,764)
Compensated absences	(45,858)	882	-	(34,846)
Claims payable	-	-	-	667,000
Total adjustments	<u>(127,211)</u>	<u>82,760</u>	<u>36,988</u>	<u>974,795</u>
Net cash provided by (used in) operating activities	<u>\$ (127,211)</u>	<u>\$ 79,156</u>	<u>\$ -</u>	<u>\$ 1,025,027</u>

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Fund is used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

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

Miscellaneous Deposits - This fund accounts for all money collected to pay for certain deposits.



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City of National City
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<u>Cobra Insurance Fund</u>				
Assets:				
Cash and investments	\$ -	\$ 438,581	\$ (424,645)	\$ 13,936
Total assets	\$ -	\$ 438,581	\$ (424,645)	\$ 13,936
Liabilities:				
Vouchers payable	\$ -	\$ 856,605	\$ (842,669)	\$ 13,936
Total liabilities	\$ -	\$ 856,605	\$ (842,669)	\$ 13,936
<u>Miscellaneous Deposits</u>				
Assets:				
Cash and investments	\$ 700,582	\$ 346,357	\$ (239,904)	\$ 807,035
Total assets	\$ 700,582	\$ 346,357	\$ (239,904)	\$ 807,035
Liabilities:				
Vouchers payable	\$ 13,543	\$ 230,690	\$ (210,872)	\$ 33,361
Deposits payable	687,039	360,718	(274,083)	773,674
Total liabilities	\$ 700,582	\$ 591,408	\$ (484,955)	\$ 807,035
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 700,582	\$ 784,938	\$ (664,549)	\$ 820,971
Total assets	\$ 700,582	\$ 784,938	\$ (664,549)	\$ 820,971
Liabilities:				
Vouchers payable	\$ 13,543	\$ 1,087,295	\$ (1,053,541)	\$ 47,297
Deposits payable	687,039	360,718	(274,083)	773,674
Total liabilities	\$ 700,582	\$ 1,448,013	\$ (1,327,624)	\$ 820,971



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STATISTICAL SECTION

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

	<u>Page No.</u>
Financial Trends	130-136
<p>These schedules contain information to help the reader understand how the city's financial performance and well-being have changed over time.</p>	
Revenue Capacity	137-147
<p>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.</p>	
Debt Capacity	148-152
<p>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.</p>	
Demographic and Economic Information	153
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.</p>	
Operating Information	154-155
<p>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.</p>	

City of National City
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Invested in Capital assets, net of related debt	\$ 101,117,839	\$ 93,916,816	\$ 95,083,039	\$ 90,395,315	\$ 98,809,386	\$ 99,340,829	\$ 93,567,130	\$ 100,450,699	\$ 99,343,176	\$ 108,881,192
Restricted for:										
General Services ¹	-	-	-	-	-	-	-	-	-	25,690,372
Community Development	33,328,508	30,314,098	31,487,994	41,864,051	36,760,186	43,423,854	33,109,741	4,427,765	535,026	4,522,562
Public Safety	3,001,590	1,059,835	1,323,836	1,603,522	3,422,897	4,018,272	3,035,845	927,816	-	-
Transportation	7,383,935	5,634,514	7,235,075	6,801,568	2,730,410	1,694,415	1,604,977	3,894,025	-	-
Culture and Leisure/General Services	(1,234,876)	589,186	1,203,143	2,812,810	5,178,912	5,394,040	4,101,046	25,086,031	-	-
Housing	1,646,417	-	-	-	-	1,079,035	1,472,075	8,253,320	-	-
Debt Service	-	-	-	-	-	-	-	-	472,988	1,691,931
Capital projects	-	-	-	-	-	-	-	-	2,332,408	2,769,086
Unrestricted	(18,088,821)	(2,314,564)	5,449,969	7,376,407	8,481,142	7,832,285	13,523,659	24,828,920	71,462,265	40,409,653
Total governmental activities net position	\$ 127,154,592	\$ 129,199,885	\$ 141,783,056	\$ 150,853,673	\$ 107,290,528	\$ 162,782,730	\$ 150,414,473	\$ 167,868,576	\$ 174,145,863	\$ 183,964,796
Business-type Activities:										
Invested in Capital assets, net of related debt	\$ 11,204,491	\$ 10,854,822	\$ 10,407,472	\$ 5,584,797	\$ 5,354,253	\$ 5,148,247	\$ 4,939,455	\$ 4,744,375	\$ 4,760,761	\$ 4,725,523
Restricted										
Community Development	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Transportation	(26,581)	293,345	(21,211)	-	-	-	-	-	-	-
Culture and Leisure	-	-	-	-	-	-	-	-	-	-
Housing	2,466,389	1,840,698	1,799,835	1,996,801	2,101,803	1,524,392	1,631,621	-	-	-
Debt Service	-	-	-	-	-	-	-	-	1,953,838	2,121,988
Unrestricted	-	-	-	-	-	-	-	1,982,828	265,456	4,502
Total business-type activities net assets	\$ 13,644,299	\$ 12,988,865	\$ 12,186,096	\$ 7,581,598	\$ 7,456,056	\$ 6,672,639	\$ 6,571,076	\$ 6,727,203	\$ 6,980,055	\$ 6,852,013
Primary Government:										
Invested in Capital assets, net of related debt	112,322,330	104,771,638	105,490,511	95,980,112	104,163,639	104,489,076	98,506,585	105,195,074	104,103,937	113,606,715
Restricted	46,565,382	39,731,676	43,028,672	55,078,752	50,194,208	57,134,008	44,955,305	42,588,957	5,294,260	36,795,939
Unrestricted	(18,088,821)	(2,314,564)	5,449,969	7,376,407	8,481,142	7,832,285	13,523,659	26,811,748	71,727,721	40,414,155
Total primary government net assets	\$ 140,798,891	\$ 142,188,750	\$ 153,969,152	\$ 158,435,271	\$ 162,838,989	\$ 169,455,369	\$ 156,985,549	\$ 174,595,779	\$ 181,125,918	\$ 190,816,809

¹ General Services category added in 2014

City of National City
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental Activities:										
General government	\$ 5,821,973	\$ 3,141,167	\$ 5,219,116	\$ 5,881,015	\$ 5,224,693	\$ 6,774,769	\$ 6,813,807	\$ 5,858,519	\$ 443,592	\$ 5,240,947
Public safety	29,517,769	24,841,408	25,943,803	27,218,309	29,670,520	32,426,770	32,287,471	29,477,075	28,024,676	29,045,583
Transportation	5,185,480	9,979,551	2,680,880	7,144,911	7,735,716	2,966,635	3,642,820	4,399,470	3,061,647	6,315,524
Community development	23,565,808	23,709,596	22,209,522	24,841,387	17,049,437	17,679,675	19,204,057	13,959,966	11,991,339	11,669,866
Health	6,776,548	6,049,689	6,273,178	7,426,569	5,963,766	7,775,510	6,846,972	6,595,669	8,477,778	7,026,857
Culture and leisure	6,261,480	6,243,390	6,387,197	6,304,412	6,928,456	6,238,223	5,734,894	5,943,563	5,784,578	6,712,036
Interest and fiscal charges	4,809,381	2,631,082	2,768,004	2,853,399	2,525,568	2,524,121	4,091,247	5,082,341	633,338	439,367
Depreciation expense (unallocated)	-	-	-	-	-	-	-	-	4,423,669	-
Total governmental activities expenses	\$ 81,938,439	\$ 76,595,883	\$ 71,481,700	\$ 81,670,002	\$ 75,098,156	\$ 76,385,703	\$ 78,621,268	\$ 71,316,603	\$ 62,840,617	\$ 66,450,180
Business-type Activities:										
Transportation Development Act ¹	\$ 3,100,807	\$ 3,684,772	\$ 2,689,687	\$ 2,218,661	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	1,816,212	2,535,540	2,059,738	2,078,822	2,191,014	2,854,075	2,313,011	2,181,928	-	-
Kimball Towers	-	-	-	-	-	-	-	-	1,089,698	1,356,385
Morgan Towers	-	-	-	-	-	-	-	-	1,177,596	1,130,218
Total business-type activities expenses	\$ 4,917,019	\$ 6,220,312	\$ 4,749,425	\$ 4,297,483	\$ 2,191,014	\$ 2,854,075	\$ 2,313,011	\$ 2,181,928	\$ 2,267,294	\$ 2,486,603
Total primary government expenses	\$ 86,855,458	\$ 82,816,195	\$ 76,231,125	\$ 85,967,485	\$ 77,289,170	\$ 79,239,778	\$ 80,934,279	\$ 73,498,531	\$ 65,107,911	\$ 68,936,783

¹ National City Transportation Development Act operations discontinued during Fiscal Year 2007.

City of National City
Changes in Net Position
Last Ten Fiscal Years (Continued)
(accrual basis of accounting)

	Fiscal Year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Program Revenue:											
Government Activities:											
Charges for services:											
General government	\$ 11,726,343	\$ 11,731,690	\$ 11,210,231	\$ 3,035,893	\$ 2,331,329	\$ 3,624,978	\$ 2,924,037	\$ 1,394,546	\$ 1,258,710	\$ 2,371,861	
Public safety	552,384	182,214	74,987	192,291	1,820,369	1,976,414	2,564,953	3,767,099	3,018,064	3,150,630	
Transportation	-	-	-	-	-	-	-	-	1,549,092	2,195,535	
Community development	467,810	557,715	767,558	776,094	631,769	625,194	945,733	1,179,697	2,079,578	2,994,274	
Health	-	-	-	7,426,730	7,355,009	7,258,317	7,418,448	6,984,746	7,414,151	7,534,320	
Culture and leisure	559,500	650,428	843,273	935,297	420,314	771,433	216,746	282,197	246,880	199,493	
Operating grants and contributions	30,438,839	27,308,279	23,016,167	26,090,615	20,674,207	21,051,606	16,763,058	19,261,931	14,732,996	15,818,335	
Capital grants and contributions	186,889	243,662	166,994	112,107	-	-	-	1,312,296	1,006,059	6,284,789	
Total governmental activities program revenue	\$ 43,931,765	\$ 40,673,988	\$ 36,079,210	\$ 38,569,027	\$ 33,232,997	\$ 35,307,942	\$ 30,832,975	\$ 34,182,512	\$ 31,305,530	\$ 40,549,237	
Business-type Activities:											
Charges for services:											
Transportation Development Act ¹	\$ 1,170,795	\$ 1,287,218	\$ 891,013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Community development commission	1,843,918	1,920,403	1,955,520	2,044,277	2,041,477	2,063,715	2,208,044	2,334,863	1,073,082	1,096,559	
Kimball Towers	-	-	-	-	-	-	-	-	1,241,253	1,244,129	
Morgan Towers	-	-	-	-	-	-	-	-	-	-	
Operating grants and contributions	1,307,972	2,002,041	990,340	-	-	-	-	-	-	-	
Capital grants and contributions	52,137	-	-	-	-	-	-	-	-	-	
Total business-type activities program revenue	\$ 4,374,822	\$ 5,209,662	\$ 3,836,873	\$ 2,044,277	\$ 2,041,477	\$ 2,063,715	\$ 2,208,044	\$ 2,334,863	\$ 2,314,335	\$ 2,340,688	
Total primary government program revenue	\$ 48,306,587	\$ 45,883,650	\$ 39,916,083	\$ 40,613,304	\$ 35,274,474	\$ 37,371,657	\$ 33,041,019	\$ 36,517,375	\$ 33,619,865	\$ 42,889,925	
Net Revenues (Expenses):											
Governmental activities	(38,006,674)	(35,921,895)	(35,402,490)	(43,100,975)	(41,865,159)	(41,077,761)	(47,788,293)	(37,134,091)	(31,535,087)	(25,900,943)	
Business-type activities	(542,197)	(1,010,650)	(912,552)	(2,253,206)	(149,537)	(790,360)	(104,967)	152,935	47,041	(145,915)	
Total Net Revenues (Expenses)	\$ (38,548,871)	\$ (36,932,545)	\$ (36,315,042)	\$ (45,354,181)	\$ (42,014,696)	\$ (41,868,121)	\$ (47,893,260)	\$ (36,981,156)	\$ (31,488,046)	\$ (26,046,858)	

¹ National City Transportation Development Act operations discontinued during Fiscal Year 2007.

City of National City
Changes in Net Position
Last Ten Fiscal Years (Continued)
(accrual basis of accounting)

	Fiscal Year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
General Revenue and Other Changes in Net Assets:											
Governmental Activities:											
Taxes:											
Property taxes	\$ 10,634,257	\$ 13,304,816	\$ 15,232,910	\$ 16,421,961	\$ 15,827,505	\$ 9,983,799	\$ 14,184,279	\$ 11,373,533	\$ 4,724,959	\$ 9,908,109	
Sales taxes ¹	18,723,950	17,571,328	22,102,515	24,072,743	20,700,283	18,872,987	21,731,925	22,864,669	23,757,635	25,586,661	
Franchise taxes	1,421,404	1,357,256	1,440,770	1,416,236	1,737,134	1,941,081	1,949,759	1,852,996	1,602,891	1,718,023	
Motor vehicle license	4,488,802	4,558,078	4,837,677	5,100,399	5,370,617	5,181,701	5,219,884	4,962,804	-	27,056	
Transient occupancy taxes	1,002,664	618,378	908,187	841,745	630,049	725,901	838,255	887,820	5,154,530	1,082,339	
Utilities tax	-	-	-	-	-	-	-	-	815,136	825,388	
Investment earnings ¹	1,239,038	1,460,288	3,405,789	3,369,224	1,425,385	572,489	374,153	297,882	1,873,896	459,019	
Other miscellaneous revenues	1,795,642	314,606	(27,714)	-	270,269	461,101	365,734	23,811	-	-	
Rent	82,011	80,711	85,527	305,082	733,454	763,157	868,535	-	-	-	
Transfers	-	-	-	2,378,910	-	-	-	-	-	-	
Gain on Sale of Net Assets	-	-	-	-	-	-	-	-	151,879	(268,224)	
Total governmental activities	\$ 39,387,768	\$ 39,265,461	\$ 47,985,661	\$ 53,906,300	\$ 46,694,696	\$ 38,502,216	\$ 45,532,524	\$ 42,263,515	\$ 38,080,926	\$ 39,338,371	
Business-type Activities:											
Investment earnings	\$ 42,850	\$ 59,721	\$ 82,069	\$ 27,618	\$ 23,995	\$ 6,943	\$ 3,404	\$ 3,192	\$ 3,685	\$ 2,520	
Other misc	-	34,653	-	-	-	-	-	-	14,776	15,353	
Rent	-	-	27,714	-	-	-	-	-	-	-	
Transfers	-	-	-	(2,378,910)	-	-	-	-	-	-	
Total business-type activities	\$ 42,850	\$ 94,374	\$ 109,783	\$ (2,351,292)	\$ 23,995	\$ 6,943	\$ 3,404	\$ 3,192	\$ 18,461	\$ 17,873	
Total primary government	\$ 39,430,618	\$ 39,359,835	\$ 48,095,444	\$ 51,555,008	\$ 46,718,691	\$ 38,509,159	\$ 45,535,928	\$ 42,266,707	\$ 38,099,387	\$ 39,356,244	
Changes in Net Assets:											
Governmental activities	1,381,094	3,343,566	12,583,171	10,805,325	4,829,537	(2,575,545)	(2,255,769)	5,129,424	6,545,839	13,437,428	
Business-type activities	(499,347)	(916,276)	(802,769)	(4,604,498)	(125,542)	(783,417)	(101,563)	156,127	65,502	(128,042)	
Total Primary Government	\$ 881,747	\$ 2,427,290	\$ 11,780,402	\$ 6,200,827	\$ 4,703,995	\$ (3,358,962)	\$ (2,357,332)	\$ 5,285,551	\$ 6,611,341	\$ 13,309,386	

¹ City of National City implemented a one cent district tax during fiscal year 2007, causing an increase in sales tax revenue and investment earnings.

City of National City
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	\$ 1,126,090	\$ 1,171,748	\$ 1,501,213	\$ 1,727,692	\$ 1,164,034	\$ 1,126,408	\$ -	\$ -	\$ -	\$ -
Unreserved (designated, undesignated)	11,457,153	11,620,584	15,585,066	18,298,540	17,276,654	10,699,617	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	10,162	4,952,830
Restricted	-	-	-	-	-	-	-	-	707,262	611,780
Committed	-	-	-	-	-	-	1,671,257	1,671,257	9,085,066	9,085,066
Assigned	-	-	-	-	-	-	4,829,800	5,536,697	6,787,396	15,042,191
Unassigned	-	-	-	-	-	-	7,059,792	10,708,984	6,995,075	7,797,176
Total general fund	\$ 12,583,243	\$ 12,792,332	\$ 17,086,279	\$ 20,026,232	\$ 18,440,688	\$ 11,826,025	\$ 13,560,849	\$ 17,916,938	\$ 23,584,961	\$ 37,489,043
All Other Governmental Funds:										
Reserved	\$ 19,446,936	\$ 21,676,313	\$ 25,758,503	\$ 23,958,237	\$ 22,821,977	\$ 28,011,724	\$ -	\$ -	\$ -	\$ -
Unreserved	15,596,121	7,416,455	15,554,052	10,832,286	18,774,518	25,433,482	-	-	-	-
Designated	13,350,731	17,346,630	15,595,453	23,394,266	19,853,304	15,651,538	-	-	-	-
Undesignated:	9,978,986	7,107,297	4,201,534	9,750,823	4,428,286	(244,185)	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	8,164,235	7,926,759
Restricted	-	-	-	-	-	-	103,585,798	42,694,439	33,122,400	31,713,774
Committed	-	-	-	-	-	-	2,002,596	2,166,798	-	-
Assigned	-	-	-	-	-	-	-	-	740,177	733,384
Unassigned	-	-	-	-	-	-	(538,052)	485,332	24,729	(8,165,223)
Total all other governmental funds	\$ 58,372,774	\$ 53,546,695	\$ 61,109,542	\$ 67,935,612	\$ 65,878,085	\$ 68,852,559	\$ 105,050,342	\$ 45,346,569	\$ 42,051,541	\$ 32,208,694

City of National City
Changes in Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					Fiscal Year				
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes ¹	\$ 36,831,882	\$ 39,138,480	\$ 46,477,691	\$ 49,871,559	\$ 47,448,811	\$ 44,435,811	\$ 46,981,938	\$ 42,797,241	\$ 38,837,279	\$ 41,386,311
Licenses and permits	895,617	887,009	872,998	801,232	742,616	555,717	772,326	837,532	1,225,571	1,099,929
Fines and forfeitures	1,234,563	1,237,069	939,083	1,322,347	1,303,006	1,454,328	1,574,031	1,873,119	1,044,422	1,111,961
Interest ¹ and rents	2,176,345	1,957,322	3,405,789	3,369,224	2,387,531	1,414,747	971,728	720,301	-	-
Use of money and property	-	-	-	-	-	-	-	-	768,612	1,122,149
Intergovernmental	26,776,553	24,345,988	23,863,565	24,377,473	21,575,928	22,200,569	17,498,972	19,427,220	15,803,886	23,571,850
Charges for services	9,386,573	9,330,082	9,328,340	8,471,286	8,371,734	9,064,198	9,161,970	8,482,536	10,080,029	9,531,741
Other revenues	6,726,776	2,662,154	2,358,768	2,680,389	1,926,494	3,465,296	2,166,456	2,025,862	757,913	1,651,370
Total revenues	\$ 84,028,309	\$ 79,558,104	\$ 87,246,234	\$ 90,893,510	\$ 83,756,120	\$ 82,590,666	\$ 79,127,421	\$ 76,163,811	\$ 68,517,712	\$ 79,475,311
Expenditures:										
Current:										
General government	\$ 5,087,967	\$ 5,395,508	\$ 4,723,185	\$ 5,354,513	\$ 4,559,601	\$ 6,517,068	\$ 6,595,278	\$ 5,650,734	\$ 5,349,464	\$ 5,062,227
Public safety	29,230,210	25,784,443	25,130,868	26,528,937	27,958,385	30,715,473	27,631,707	28,458,759	28,156,246	27,687,841
Transportation	2,904,547	3,369,380	3,236,793	3,756,298	3,079,647	2,118,325	1,945,357	1,667,437	2,957,941	3,673,470
Community development	25,061,379	23,315,799	20,992,576	23,721,153	18,029,047	21,840,082	17,752,422	13,657,581	10,529,246	11,235,322
Health	6,776,548	6,049,689	6,273,178	7,426,569	5,963,766	7,761,907	6,842,236	7,015,478	8,559,588	6,994,103
Culture and leisure	6,261,480	6,243,390	6,387,197	6,276,859	6,928,456	6,160,615	5,127,204	5,138,826	5,797,227	6,057,037
Capital outlay	15,058,251	10,957,597	2,074,818	1,636,398	14,450,567	5,501,888	6,468,842	2,839,897	3,749,471	20,361,948
Debt service:										
Principal	985,000	3,224,395	2,871,863	2,891,709	3,024,837	3,191,174	3,327,360	4,547,823	1,068,801	1,376,871
Interest and fiscal charges	4,206,020	3,014,431	2,898,962	2,864,933	2,689,608	2,535,113	2,456,640	4,560,865	547,580	477,061
Cost of issuance	-	-	-	-	-	-	439,442	-	-	-
Total expenditures	\$ 95,571,402	\$ 87,354,632	\$ 74,589,440	\$ 80,457,369	\$ 86,683,914	\$ 86,341,645	\$ 78,586,488	\$ 73,557,400	\$ 66,715,564	\$ 82,925,880
Excess (deficiency) of revenues over (under) expenditures	(11,543,093)	(7,796,528)	12,656,794	10,436,141	(2,927,794)	(3,750,979)	540,933	2,626,411	1,802,148	(3,450,569)

¹ City of National City implemented a one cent district tax during Fiscal Year 2007, causing an increase in sales tax revenue and investment earnings.

City of National City
Changes in Fund Balances of Government Funds
Last Ten Fiscal Years (Continued)
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (uses)										
Issuance of long-term debt	\$ 37,780,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,775,000	\$ -	\$ 4,885,000	\$ -
Premium on debt issuance	-	-	-	-	-	-	-	-	25,678	-
Payment to bond escrow agent	(37,111,533)	-	-	-	-	-	(3,115,000)	-	(4,760,000)	-
Original discount on issuance	-	-	-	-	-	-	(1,056,085)	-	(150,678)	-
Proceeds from sale of property	-	-	-	-	-	-	-	-	-	7,052,194
Proceeds from lease	-	458,994	-	-	-	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-	-	-	-	-	-
Transfers in	18,113,443	10,431,154	8,182,525	13,096,724	8,227,100	10,620,576	16,870,308	7,017,427	3,085,535	5,131,249
Transfers out	(16,433,443)	(7,931,154)	(8,982,525)	(13,151,446)	(8,642,100)	(10,917,436)	(16,196,104)	(6,738,538)	(2,514,688)	(4,671,639)
Total other financing sources (uses)	\$ 2,348,467	\$ 2,958,994	\$ (800,000)	\$ (54,722)	\$ (415,000)	\$ (296,860)	\$ 39,278,119	\$ 278,889	\$ 570,847	\$ 7,511,804
Extraordinary/Special Items	-	-	-	-	-	-	-	(59,950,984)	-	-
Net change in fund balances	\$ (9,194,626)	\$ (4,837,534)	\$ 11,856,794	\$ 10,381,419	\$ (3,342,794)	\$ (4,047,839)	\$ 39,819,052	\$ (57,045,684)	\$ 2,372,995	\$ 4,061,235
Debt services as a percentage of noncapital expenditures	6.45%	8.17%	7.96%	7.30%	7.91%	7.08%	8.02%	12.88%	2.57%	2.96%

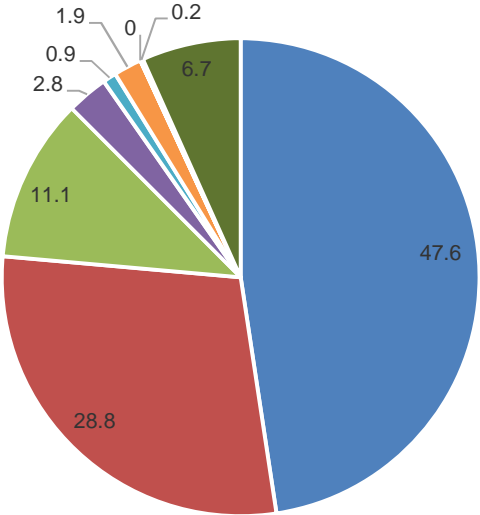
City of National City
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Category	Fiscal Year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Secured:											
Residential Property	\$ 1,082,306,711	\$ 1,249,018,196	\$ 1,519,346,327	\$ 1,675,533,232	\$ 1,727,050,075	\$ 1,486,019,671	\$ 1,438,117,757	\$ 1,482,008,218	\$ 1,503,553,951	\$ 1,547,773,659	
Commercial Property	611,146,522	677,325,076	704,702,806	744,585,873	797,911,588	871,757,000	886,630,566	899,802,065	915,142,395	971,070,608	
Industrial Property	184,112,160	237,113,411	262,732,815	264,996,707	276,149,692	288,230,654	282,442,202	275,585,085	370,755,962	372,617,155	
Institutional Property	9,137,490	6,773,868	5,568,713	4,382,185	44,982,886	54,514,910	55,348,512	44,298,664	45,384,698	46,107,183	
Irrigated Property	-	-	-	-	35,858	36,575	-	-	-	-	
Recreational Property	3,119,237	4,369,771	4,745,005	6,697,142	14,655,682	26,509,839	26,677,054	27,127,749	29,056,094	25,828,782	
Unknown	-	-	-	-	-	-	-	-	-	-	
Vacant Land	45,967,328	41,602,858	58,129,839	68,304,793	92,409,693	93,470,678	96,674,219	58,383,925	57,090,009	61,320,039	
Dry Farm	-	-	-	-	-	-	224,466	-	-	-	
Total Secured	\$ 1,935,789,448	\$ 2,216,203,180	\$ 2,555,225,505	\$ 2,764,499,932	\$ 2,953,195,474	\$ 2,820,539,327	\$ 2,786,114,776	\$ 2,787,205,706	\$ 2,920,983,109	\$ 3,024,717,426	
Unsecured	121,108,202	132,740,967	142,087,044	154,942,915	168,066,373	204,465,642	200,239,342	201,267,744	183,790,343	224,847,953	
SBE Nonunitary	6,177,516	6,064,199	5,931,260	4,039,249	5,858,889	5,586,456	5,195,618	5,195,618	5,195,618	5,224,473	
Total Taxable Assessed Value	\$ 2,063,075,166	\$ 2,355,008,346	\$ 2,703,243,809	\$ 2,923,482,096	\$ 3,127,120,736	\$ 3,030,591,425	\$ 2,991,549,736	\$ 2,993,669,068	\$ 3,109,969,070	\$ 3,254,789,852	
Total Direct Tax Rate	0.53714	0.55593	0.56773	0.56773	0.57066	0.55977	0.54335	0.54734	0.54683	0.24559	

Note: Exempt values not included in totals.

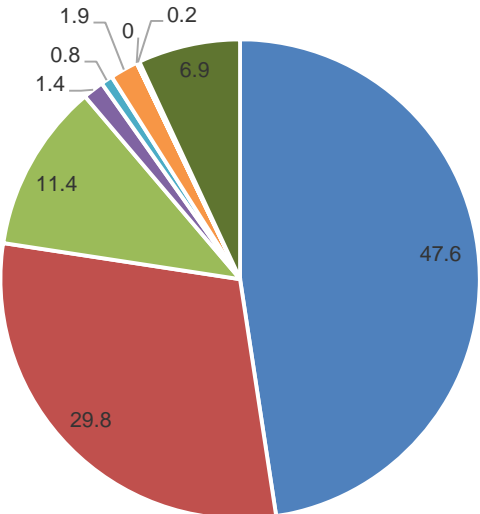
**City of National City
2013/14 Use Category Summary
(percentages)**

Assessed Value



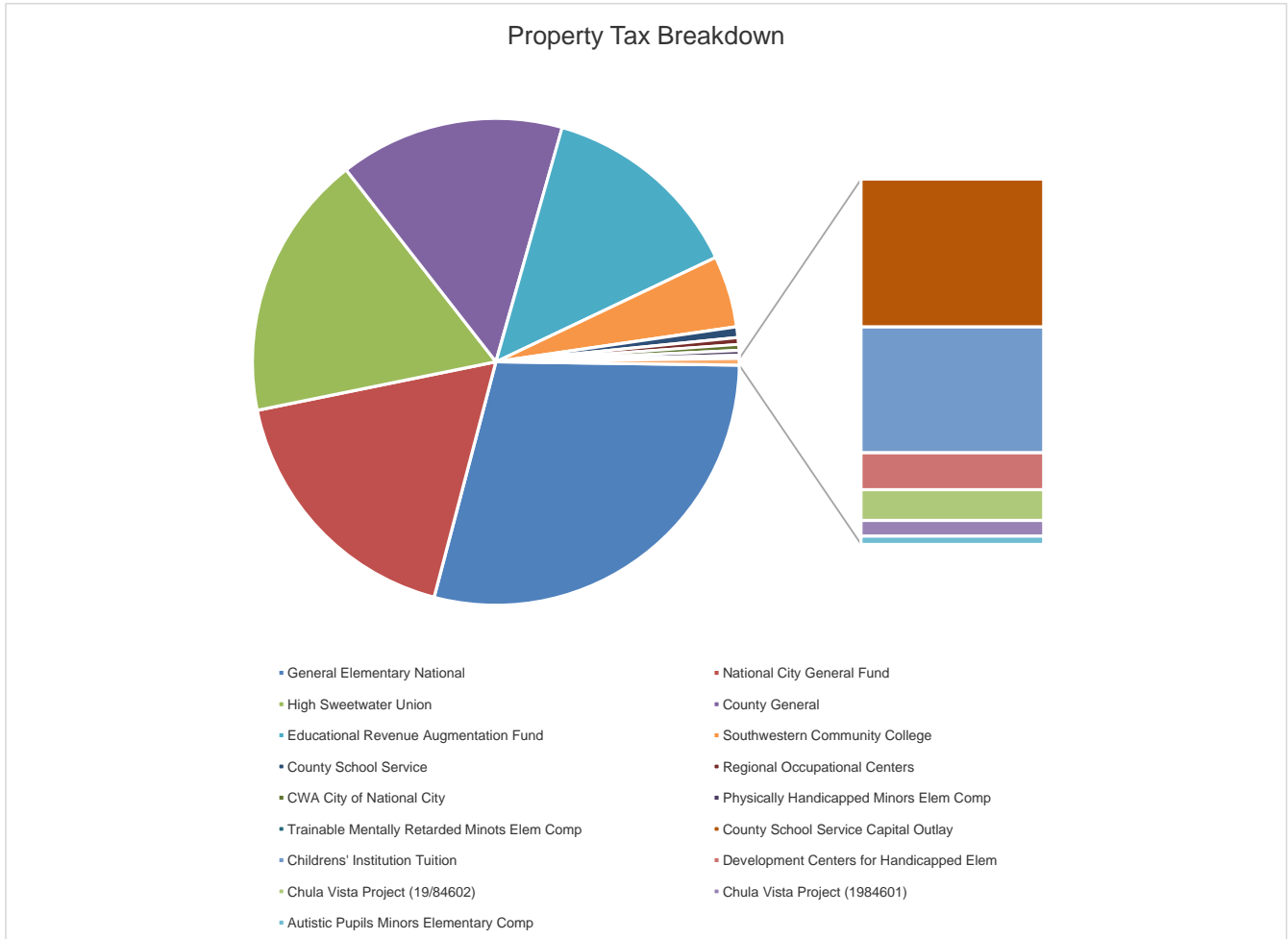
■ Residential ■ Commercial ■ Industrial ■ Institutional ■ Recreational ■ Vacant ■ Exempt ■ SBE Nonunitary ■ Unsecured

Net Taxable Value



■ Residential ■ Commercial ■ Industrial ■ Institutional ■ Recreational ■ Vacant ■ Exempt ■ SBE Nonunitary ■ Unsecured

City of National City Property Tax Dollar Breakdown



**City of National City
2013/14 Roll Summary**

	<u>Secured</u>	<u>Nonunitary Utilities</u>	<u>Unsecured</u>
Parcels	10,036	21	1,542
TRAs	42	4	18
Values			
Land	\$ 1,348,645,177	\$ 5,224,473	\$ -
Improvements	1,793,270,165	-	73,654,078
Personal Property	2,906,941	-	153,711,822
Fixtures	-	-	-
Aircraft	-	-	-
Total Value	\$ 3,144,822,283	\$ 5,224,473	\$ 227,365,900
Exemptions			
Real Estate	\$ 120,078,726	\$ -	\$ 497,532
Personal Property	26,131	-	2,020,415
Fixture	-	-	-
Aircraft	-	-	-
Homeowners	30,401,000	-	147,000
Total Exemptions	\$ 120,104,857	\$ -	\$ 2,517,947
Total Net Value	\$ 3,024,717,426	\$ 5,224,473	\$ 224,847,953

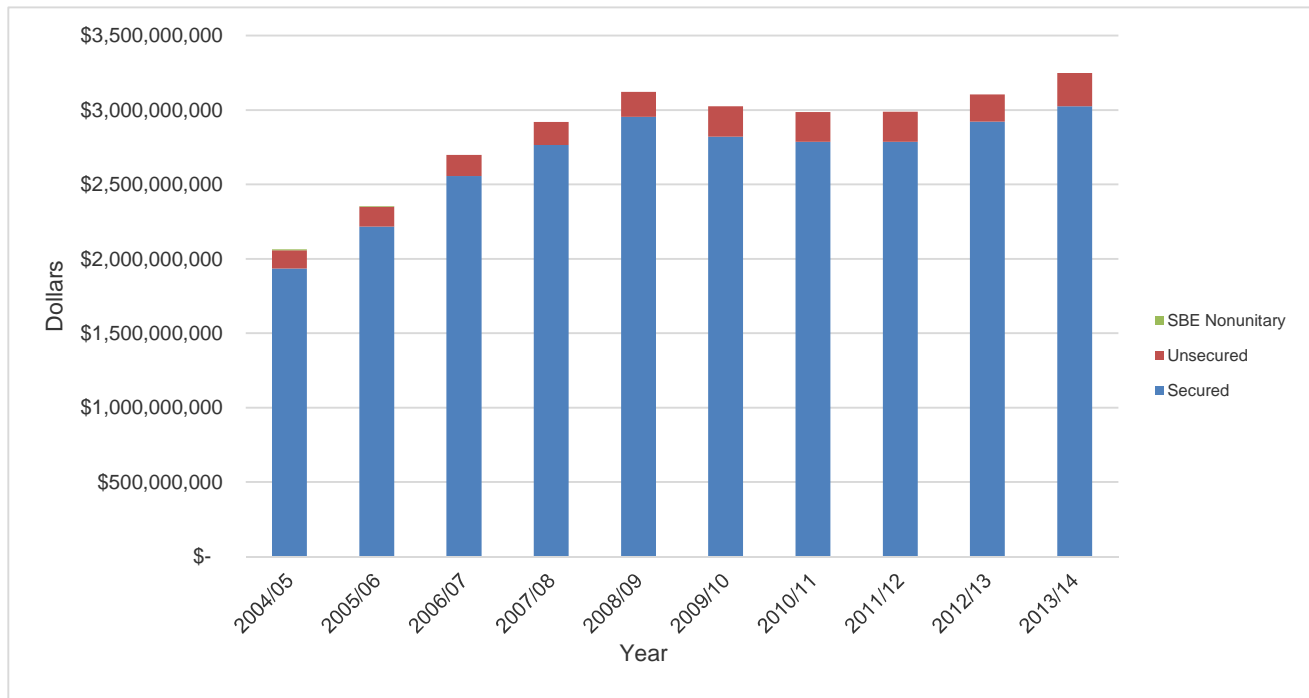
Combined Values	Total
Total Values	\$ 3,377,412,656
Total Exemptions	\$ 122,622,804
Net Total Values	\$ 3,254,789,852
Net Aircraft Values	\$ -

Notes: Total Exemptions does not include homeowner exemption.

Aircraft values and exemptions are reported seperately.

City of National City
Net Taxable Assessed Value History
2004/05 - 2013/14

Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2004/05	\$ 1,935,789,448	\$ 121,108,202	\$ 6,177,516	\$ 2,063,075,166	
2005/06	\$ 2,216,203,180	\$ 132,740,967	\$ 6,064,199	\$ 2,355,008,346	14.15%
2006/07	\$ 2,555,225,505	\$ 142,087,044	\$ 5,931,260	\$ 2,703,243,809	14.79%
2007/08	\$ 2,764,499,932	\$ 154,942,915	\$ 4,039,249	\$ 2,923,482,096	8.15%
2008/09	\$ 2,953,195,474	\$ 168,066,373	\$ 5,858,889	\$ 3,127,120,736	6.97%
2009/10	\$ 2,820,539,327	\$ 204,465,642	\$ 5,586,456	\$ 3,030,591,425	-3.09%
2010/11	\$ 2,786,114,776	\$ 200,239,342	\$ 5,195,618	\$ 2,991,549,736	-1.29%
2011/12	\$ 2,787,205,706	\$ 201,267,744	\$ 5,195,618	\$ 2,993,669,068	7.00%
2012/13	\$ 2,920,983,109	\$ 183,790,343	\$ 5,195,618	\$ 3,109,969,070	3.88%
2013/14	\$ 3,024,717,426	\$ 224,847,953	\$ 5,224,473	\$ 3,254,789,852	4.66%



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

	Calendar Year					Calendar Year				
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Apparel Stores	\$ 94,355	\$ 99,965	\$ 101,217	\$ 106,217	\$ 110,078	\$ 119,538	\$ 128,298	\$ 132,422	\$ 132,348	NA
General Merchandise	150,468	156,320	140,764	150,958	146,586	146,301	156,827	163,836	165,147	NA
Food Stores	24,172	24,980	24,170	27,014	27,535	27,611	28,603	32,024	32,256	NA
Eating and Drinking Places	100,603	101,584	109,137	114,293	114,416	121,464	125,985	132,006	137,903	NA
Auto Dealers and Supplies	669,605	681,405	580,097	420,857	335,729	372,638	417,159	505,275	546,769	NA
Service Stations	72,118	74,152	81,930	87,219	66,588	75,945	87,217	85,832	77,741	NA
Other Retail Stores	340,055	347,150	248,954	215,340	154,741	141,898	148,814	155,312	164,727	NA
All Other Outlets	253,858	286,321	270,892	237,160	204,471	249,179	248,268	261,418	296,528	NA
Total	\$ 1,705,234	\$ 1,771,877	\$ 1,557,161	\$ 1,359,058	\$ 1,160,144	\$ 1,254,574	\$ 1,341,171	\$ 1,468,125	\$ 1,553,419	NA

Notes: Due to confidentiality requirements, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.
Data for 2014 not available as of the date of issuance of this report.

City of National City
Property Tax Levies and Collections
Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Current Year Tax Levy	\$ 2,211,148	\$ 2,415,266	\$ 2,678,832	\$ 2,855,587	\$ 3,119,018	\$ 3,133,984	\$ 3,118,154	\$ 3,207,237	\$ 3,348,632	\$ 3,099,715
Current Tax Collections	\$ 2,203,473	\$ 2,407,114	\$ 2,670,618	\$ 2,843,810	\$ 3,102,793	\$ 3,104,248	\$ 3,079,633	\$ 3,160,964	\$ 3,330,941	\$ 3,087,464
Percent of Levy Collected	99.65%	99.66%	99.69%	99.59%	99.48%	99.05%	98.76%	98.56%	99.47%	99.60%
Delinquent Tax Receivable	\$ 12,542	\$ 12,204	\$ 13,618	\$ 15,637	\$ 16,472	\$ 16,863	\$ 17,417	\$ 19,334	\$ 19,089	\$ 19,203
Delinquent Tax Collections	\$ 1,320	\$ 2,061	\$ 1,502	\$ 1,104	\$ 2,886	\$ 1,864	\$ 2,717	\$ 1,995	\$ 1,781	\$ 1,542
Total Tax Collections	\$ 2,204,794	\$ 2,409,175	\$ 2,672,120	\$ 2,844,914	\$ 3,105,679	\$ 3,106,112	\$ 3,082,350	\$ 3,162,959	\$ 3,332,721	\$ 3,089,006
Percent of Total Tax Collections To Tax Levy	99.71%	99.75%	99.75%	99.63%	99.57%	99.11%	98.85%	98.62%	99.52%	99.65%
Outstanding Delinquent Taxes	\$ 18,896	\$ 18,295	\$ 20,330	\$ 26,310	\$ 29,810	\$ 44,735	\$ 53,222	\$ 63,612	\$ 34,999	\$ 29,912
Percent of Delinquent Taxes To Tax Levy	0.85%	0.76%	0.76%	0.92%	0.96%	1.43%	1.71%	1.98%	1.05%	0.96%

City of National City
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Taxable Value)

Agency	Fiscal Year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Chula Vista Elementary	0.02811	0.02738	0.02662	0.02029	0.01762	0.02507	0.02611	0.02594	0.02526	0.00995	0.00995
Gen Bond Chula Vista Prop Jj 11/03/1998 2013ARef	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01264	0.01264
Gen Bond Chula Vista Sfid 2012-1, Prop E 11/06/12	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02372	0.02372
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350	0.00350
National City Gen Obligation Bonds 2002 Series A	0.02000	0.01770	0.01570	0.01430	0.01300	0.01270	0.01420	0.01370	0.01320	0.01190	0.01190
San Diego Community College Bond	0.01901	0.02495	0.01782	0.02740	0.01212	0.02482	0.02494	0.03740	0.03636	0.04760	0.04760
San Diego Prop Z 11/06/12, Ser 2013A, A1	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04282	0.04282
San Diego Prop Z 11/06/12, Ser 2013B	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00012	0.00012
San Diego Prop Z 11/06/12, Ser 2013C	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01706	0.01706
San Diego Unified	0.08676	0.07590	0.07149	0.06007	0.06184	0.06670	0.06670	0.06670	0.06667	0.06667	0.06667
Southwestern Community College	0.01301	0.01505	0.01405	0.01253	0.01320	0.03442	0.03635	0.03308	0.03753	0.03675	0.03675
Sweetwater High Bond	0.01818	0.02252	0.02016	0.04711	0.04621	0.05580	0.05517	0.06079	0.05862	0.05823	0.05823
Total Direct & Overlapping ² Tax Rates	1.19087	1.18870	1.17054	1.18620	1.16829	1.22381	1.22717	1.24131	1.24114	1.33096	1.33096
City's Share of 1% Levy Per Prop 13 ³	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate	0.02000	0.01770	0.01570	0.01430	0.01300	0.01300	0.01420	0.01370	0.01320	0.01190	0.01190
Redevelopment Authority Rate ⁴	1.00580	1.00520	1.00470	1.00450	1.00430	1.00430	1.00430	1.00370	0.00000	0.00000	0.00000
Total Direct Rate ⁵	0.53714	0.55593	0.56773	0.57636	0.57066	0.55977	0.54335	0.54734	0.54683	0.24559	0.24559

¹ In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

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% Levy Per Prop 13 is based on the City's share of the general fund tax rate area (TRA) with the largest net taxable value within the city. Educational Revenue Augmentation Fund (ERAF) general fund tax shifts may not be included in tax ratio figures.

⁴ Redevelopment Authority (RDA) rate is based on the largest RDA 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.

**City of National City
Principal Property Tax Payers
Current Year and Nine Years Ago**

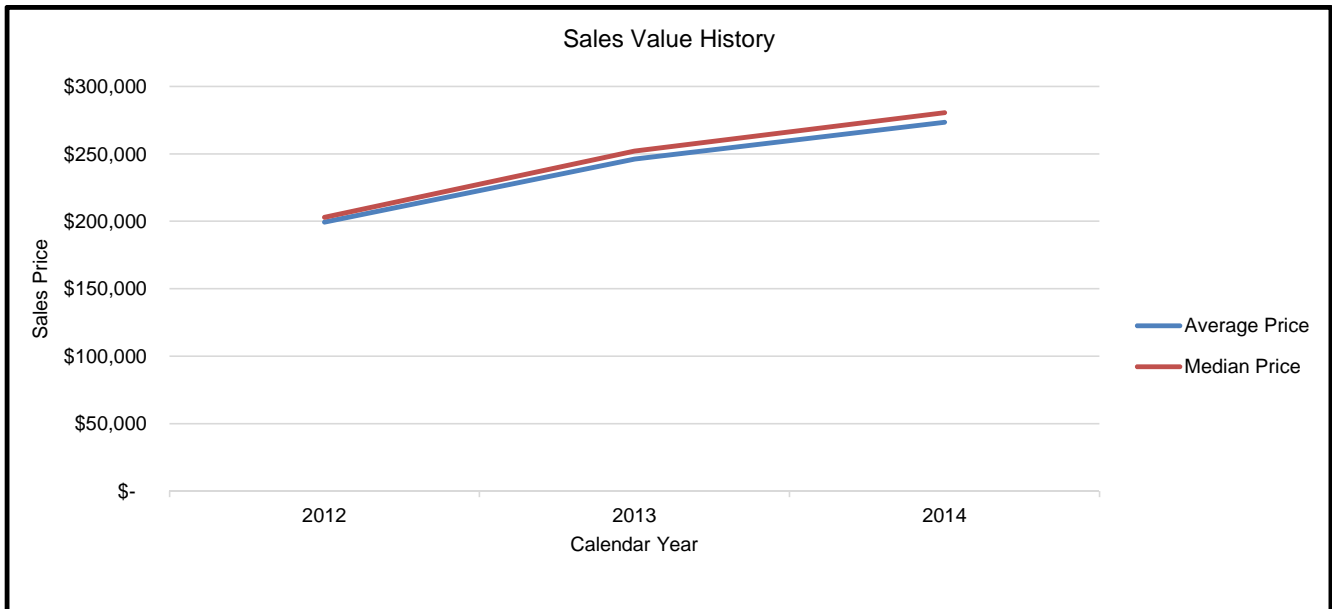
	2013/2014			2004/2005		
	Taxable Assessed Value (Secured and Unsecured)	Rank	Percentage of Net Assessed Value	Taxable Assessed Value (Secured and Unsecured)	Rank	Percentage of Net Assessed Value
<u>Taxpayer (Parcels)</u>						
Centermark Properties Inc. (11)	\$ 274,137,710	1	8.42%	-	-	-
Pasha Automotive Services (10)	103,216,894	2	3.17%	-	-	-
Costco Wholesale Corporation (1)	60,158,236	3	1.85%	-	-	-
PVHLLC (3)	54,274,656	4	1.67%	-	-	-
ROIC California LLC (7)	37,768,000	5	1.16%	-	-	-
MPT of Paradise Valley LP (30)	30,753,071	6	0.94%	-	-	-
Dixieline Lumber Company (5)	30,715,583	7	0.94%	-	-	-
Fenton NCP LCC (16)	30,370,500	8	0.93%	-	-	-
Sweetwater Associates LP (22)	23,937,455	9	0.74%	-	-	-
Williams GW Company (2)	23,780,746	10	0.73%	-	-	-
Centermark Properties Inc.	-	-	-	\$ 123,372,717	1	5.98%
Sweetwater Associates LP	-	-	-	23,205,276	2	1.12%
Wells Fargo Bank	-	-	-	2,233,187	3	1.08%
G.W. Williams Company	-	-	-	20,645,361	4	1%
WalMart Real Estate Business Trust	-	-	-	20,002,563	5	0.97%
Costco Wholesale Corporation (1)	-	-	-	15,143,191	6	0.73%
C IP Venture	-	-	-	14,995,956	7	0.73%
Dixieline Lumber Company	-	-	-	14,476,282	8	0.70%
Paradise Valley Hospital	-	-	-	12,268,562	9	0.59%
Sweetwater Square LLC LF AARDEMA	-	-	-	12,144,595	10	0.59%
Top Ten Total	\$ 669,112,851		20.55%	\$ 258,487,690		13.49%
City Total	\$ 3,254,789,852 *			\$ 2,063,075,166 *		

* Value includes outer TRA's

Source: HdL, San Diego County Assessor 2004/05- 2013/2014 Combined Tax Rolls and the SBE Non Unitary Tax Rolls

City of National City
Sales Value History
Single Family Residential Full Value Sales (1/1/2012-7/31/2014)

<u>Year</u>	<u>Full Value Sales</u>	<u>Average Price</u>	<u>Median Price</u>	<u>Median % Change</u>
2012	325	\$ 199,288	\$ 203,000	
2013	295	\$ 246,144	\$ 252,000	24.14%
2014	138	\$ 273,474	\$ 280,500	11.31%



City of National City
Top 25 Sales Tax Producers
For 2013-14 & 2004-05¹

2013-2014		2004-2005	
Business Name	Business Category	Business Name	Business Category
Arco AM PM	Service Stations	Ball Honda	New Motor Vehicles
Ball Honda Acura Mitsubishi Suzuki Kia	New Motor Vehicle Dealers	BP West Coast Products LLC	Service Stations
Frank Hyundai	New Motor Vehicle Dealers	Circuit City	Electronics/ Appliance Stores
Frank Subaru	New Motor Vehicle Dealers	Daimler Chrysler Finance	Auto Lease
Frank Toyota Scion	New Motor Vehicle Dealers	Dixieline Lumber	Lumber/Building Materials
Highland Arco	Service Stations	Frank Auto Pros	New Motor Vehicle Dealers
JC Penny	Department Stores	Harrison Buick	New Motor Vehicle Dealers
Macys	Department Stores	JC Penny	Department Stores
Mor Furniture 4 Less	Home Furnishings	McCune Motors	New Motor Vehicle Dealers
Mossy Nissan	New Motor Vehicle Dealers	Mervyns	Department Stores
Nordstrom Rack	Department Stores	Mossy Nissan	New Motor Vehicle Dealers
One Source Distributors	Electrical Equipment	Perry Ford	New Motor Vehicle Dealers
Perry Chrysler Dodge Jeep Ram	New Motor Vehicle Dealers	Robinsons May	Department Stores
Perry Ford	New Motor Vehicle Dealers	Ron Baker Chevrolet	New Motor Vehicle Dealers
Probuild Company	Lumber/Building Materials	Ross	Family Apparel
Ron Baker Chevrolet	New Motor Vehicle Dealers	San Diego Dodge	New Motor Vehicle Dealers
Ross	Family Apparel	South Bay Subaru	New Motor Vehicle Dealers
South Bay Volkswagen	New Motor Vehicle Dealers	South Bay Volkswagen	New Motor Vehicle Dealers
South County Buick GMC	New Motor Vehicle Dealers	South Bay Yamaha	Boats/Motorcycles
Sweetwater Harley Davidson	Boats/Motorcycles	South County Volvo	New Motor Vehicles Dealers
Target	Discount Dept Stores	Sweetwater Chevron	Service Stations
Tesororo Refining and Marketing	Service Stations	Toys R Us	Specialty Stores
Univar	Drugs/Chemicals	Univar	Drugs/Chemicals
Walmart	Discount Dept Stores	Walmart	Discount Dept Stores
Westcott Mazda	New Motor Vehicle Dealers	Westcott Mazda	New Motor Vehicles Dealers

Percent of 2013-2014 total paid by top 25 accounts = 53.59

Percent of 2004-2005 total paid by top 25 accounts = 62.53

* Firms listed alphabetically
¹ Period April - March

City of National City
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
NCJPEA Lease Revenue Refunding Bond	\$ 4,790,000	\$ 4,510,000	\$ 4,220,000	\$ 3,920,000	\$ 3,605,000	\$ 3,280,000	\$ 3,115,000	\$ 2,715,000	\$ 2,300,000	\$ 1,870,000
Tax Allocation Bonds	48,280,000	45,885,000	43,885,000	41,820,000	39,680,000	37,455,000	74,590,000	71,115,000	67,160,000	63,040,000
General Obligation Bonds	5,970,000	5,850,000	5,720,000	5,585,000	5,440,000	5,285,000	5,120,000	4,945,000	4,846,073	4,613,668
HUD 108 Bond 2003 A	6,730,000	6,560,000	6,380,000	6,185,000	5,975,000	5,750,000	5,505,000	5,245,000	4,965,000	4,450,000
Total Bonded Debt	\$ 65,770,000	\$ 62,805,000	\$ 60,205,000	\$ 57,510,000	\$ 54,700,000	\$ 51,770,000	\$ 88,330,000	\$ 84,020,000	\$ 79,271,073	\$ 73,973,668
Per Capita	\$ 1,205	\$ 1,127	\$ 1,078	\$ 1,026	\$ 971	\$ 913	\$ 1,528	\$ 1,425	\$ 1,347	\$ 1,246
Percent of Taxable Assessed Values	3.19%	2.67%	2.23%	1.97%	1.75%	1.71%	2.95%	2.81%	2.55%	2.27%
Other Governmental Activities Debt										
Claims Payable	-	2,105,127	4,145,000	4,508,000	4,825,000	5,884,000	6,114,000	6,283,000	6,776,000	7,443,000
Compensating Absences	-	2,897,920	2,490,655	3,111,061	3,176,651	3,028,792	2,815,341	1,683,000	2,752,558	3,176,392
Other Postemployment Benefits	-	-	-	-	34,624	53,795	105,229	127,412	237,779	326,965
Capital Lease Payable	1,727,591	1,927,190	1,655,327	1,372,940	1,117,728	2,611,714	2,416,722	2,147,477	1,866,025	1,571,831
Business-Type Activities:										
Notes Payable	3,597,013	3,180,054	3,328,141	3,180,054	3,022,049	2,853,463	2,481,662	2,853,463	2,058,393	1,576,533
Total Primary Government	\$ 71,094,604	\$ 72,915,291	\$ 65,188,468	\$ 62,062,994	\$ 58,839,777	\$ 57,235,177	\$ 93,228,384	\$ 89,020,940	\$ 83,195,491	\$ 77,122,032
Percent of Personal Income	10.42%	10.10%	8.55%	7.85%	7.35%	7.27%	10.95%	9.54%	8.63%	7.85%
Per Capita	\$ 1,302	\$ 1,309	\$ 1,167	\$ 1,107	\$ 1,045	\$ 1,009	\$ 1,613	\$ 1,510	\$ 1,414	\$ 1,299

City of National City
Direct and Overlapping Debt
As of June 30, 2014

2013-2014 Assessed Valuation: \$3,259,350,929

	Total Debt 6/30/2014	% Applicable ¹	City's Share of Debt 6/30/11
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 132,275,000	0.149%	\$ 197,090
San Diego Community College District	1,296,444,187	0.003%	38,893
Southwestern Community College District	230,589,345	7.645%	17,628,555
Chula Vista City School District	60,585,000	1.683%	1,019,646
Chula Vista City School District School Facilities Improvement District No. 1	31,000,000	3.082%	955,420
Sweetwater Union High School District	354,404,415	9.14%	32,389,019
Chula Vista City School District Community Facilities Districts	4,440,000	0.29%	12,876
Sweetwater Union High School District Community Facilities Districts	12,980,824	4.035-24.174%	2,347,201
City of National City	4,650,000	100%	4,650,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 2,127,368,771		\$ 59,238,700
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 379,835,000	0.825	\$ 3,133,639
San Diego County Pension Obligation Bonds	720,855,256	0.825	5,947,056
San Diego County Superintendent of Schools Obligations	16,125,000	0.825	133,031
Southwestern Community College District General Fund Obligations	1,160,000	7.645	88,682
Sweetwater Union High School District Certificates of Participation	42,475,000	9.139	3,881,790
Chula Vista City School District Certificates of Participation	141,895,000	1.683	2,388,093
City of National City General Fund Obligations	1,870,000	100	1,870,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$ 1,304,215,256		\$ 17,442,292
 Overlapping Tax Increment Debt (Successor Agency)	 \$ 63,040,000	 100%	 \$ 63,040,000
 COMBINED TOTAL DEBT	 \$ 3,431,584,027		 \$ 76,680,992
 Total Direct Debt			 \$ 6,520,000
Total Direct and Overlapping Tax and Assessment Debt			133,200,991
Combined Total Debt ²			\$ 139,720,991

Ratios to 2013-14 Assessed Valuation:

Direct Debt (\$4,650,000)	0.14%
Total Direct and Overlapping Tax and Assessment Debt	1.82%
Total Direct Debt (\$6,520,000)	0.20%
Combined Total Debt	4.29%
<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,465,011,877):</u>	
Total Overlapping Tax Increment Debt	4.30%
AB: (\$475)	

¹ Percentage of overlapping agency's assessed valuation located within boundaries of National City.

² Excludes tax and revenue anticipation notes; enterprise revenue, mortgage revenue, and tax allocation bonds; and non-bonded capital lease obligations.

**City of National City
Legal Debt Margin Information
Last Ten Fiscal Years**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assessed Valuation	\$ 2,063,075,166	\$ 2,355,008,346	\$ 2,703,243,809	\$ 2,923,482,096	\$ 3,127,120,736	\$ 3,030,591,425	\$ 2,991,549,736	\$ 2,993,669,068	\$ 3,109,969,070	\$ 3,254,789,852
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 515,768,792	\$ 588,752,087	\$ 675,810,952	\$ 730,870,524	\$ 781,780,184	\$ 757,647,856	\$ 747,887,434	\$ 748,417,267	\$ 777,492,268	\$ 813,697,463
Debt Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	\$ 77,365,319	\$ 88,312,813	\$ 101,371,643	\$ 109,630,579	\$ 117,267,028	\$ 113,647,178	\$ 112,183,115	\$ 112,262,590	\$ 116,623,840	\$ 122,054,619
Total Debt (due more than one year)	\$ 72,916,217	\$ 68,984,074	\$ 65,688,525	\$ 62,378,019	\$ 59,277,180	\$ 58,583,736	\$ 93,559,890	\$ 23,783,337	\$ 21,416,534	\$ 20,857,367
Less: Non Bonded Debt										
Claims Payable	(4,670,000)	(1,705,127)	(2,890,000)	(2,578,000)	(2,759,900)	(4,286,256)	(4,535,629)	(4,701,604)	(4,604,010)	(5,466,746,00)
Compensated Absences	(2,107,129)	(2,396,563)	(1,062,113)	(1,326,678)	(1,356,429)	(1,053,748)	(803,341)	(3,044,777)	(948,661)	(1,421,472,00)
Capitalized Lease Obligation	(154,034)	(1,655,335)	(1,372,949)	(1,099,735)	874,565	(2,423,051)	(2,037,295)	(2,059,274)	(1,571,831)	(1,362,172,00)
Notes Payable	(3,180,054)	(3,022,049)	(2,853,463)	(2,673,606)	(2,481,662)	(2,276,886)	(2,058,393)	(1,825,270)	(1,576,533)	(1,311,137,00)
Total Applicable to Limitation	\$ 62,805,000	\$ 60,205,000	\$ 57,510,000	\$ 54,700,000	\$ 53,553,754	\$ 48,543,795	\$ 84,125,232	\$ 12,152,412	\$ 12,715,499	\$ 11,295,840
Legal Debt Margin	\$ 14,560,319	\$ 28,107,813	\$ 43,861,643	\$ 54,930,579	\$ 63,713,274	\$ 65,103,383	\$ 28,057,883	\$ 100,110,178	\$ 103,908,341	\$ 110,758,779
Total debt applicable to the limit as a percentage of debt limit	81%	68%	57%	50%	46%	43%	75%	11%	11%	9%

**City of National City
Pledged Revenue Coverage
Last Ten Fiscal Years**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue										
Property Tax Gross Incremental Revenue	\$ 7,682,979	\$ 9,847,226	\$ 10,834,596	\$ 11,766,428	\$ 11,790,224	\$ 11,184,289	\$ 11,070,963	\$ 6,054,668	\$ 11,505,010.00	\$ 13,608,368
Debt Service Requirements										
Principal	\$ 815,000	\$ 2,795,000	\$ 2,000,000	\$ 2,065,000	\$ 2,140,000	\$ 2,225,000	\$ 2,525,000	\$ 3,955,000	\$ 4,120,000	\$ 4,290,000
Interest and Fiscal Charges	3,758,688	2,614,817	2,033,220	2,017,843	1,883,148	1,806,370	1,706,646	3,978,074	3,797,907	3,589,747
Pass-through Payments	1,244,621	1,367,750	1,452,351	1,525,468	1,553,258	7,395,921	2,613,680	-	-	-
	\$ 5,818,309	\$ 6,777,567	\$ 5,485,571	\$ 5,608,311	\$ 5,576,406	\$ 11,427,291	\$ 6,845,326	\$ 7,933,074	\$ 7,917,907	\$ 7,879,747
Debt Coverage	1.32	1.45	1.98	2.10	2.11	0.98	1.62	0.76	1.45	1.73

City of National City
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Total Population	Pct of SD County Population	Pct Change from Previous Year	Median Age	Avg. Household Size	Educational Attainment			Unemployment Rate	Personal Income (000s) ¹	Per Capita Personal Income ¹
						% High School Graduate (25+)	% Bachelor's Degree or Higher (25%)	% Bachelor's Degree or Higher (25%)			
2005	54,592	1.8%	-1.8%	28.6	3.53	NA	NA	9.5%	\$682,464	\$12,501	
2006	55,710	1.8%	2.0%	28.4	3.52	NA	NA	8.7%	\$722,162	\$12,963	
2007	55,863	1.8%	0.3%	28.7	3.49	NA	NA	8.0%	\$762,468	\$13,649	
2008	56,063	1.8%	0.4%	28.9	3.58	62.0%	9.0%	9.1%	\$790,759	\$14,105	
2009	56,320	1.8%	0.5%	29.0	3.59	65.9%	13.1%	11.8%	\$800,319	\$14,210	
2010	56,730	1.8%	0.7%	28.7	3.66	59.8%	10.6%	18.5%	\$787,399	\$13,880	
2011	57,799	1.8%	1.9%	30.7	3.81	62.9%	11.8%	19.9%	\$851,321	\$14,729	
2012	58,967	1.9%	0.5%	31.5	3.44	65.1%	12.6%	18.9%	\$933,389	\$15,829	
2013	58,838	1.9%	0.5%	31.7	3.40	66.8%	13.1%	13.6%	\$963,708	\$16,379	
2014	59,381	1.9%	0.5%	32.0	3.41	67.9%	12.7%	11.9%	\$982,043	\$16,538	

NA: Not available.

¹ Dollar values are inflation-adjusted to 2009

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
City Clerk	3.03	3.03	3.16	3.16	3.16	3.16	3.16	3.00	3.00	3.00
City Manager	7.50	7.00	7.50	7.50	7.50	7.50	9.50	9.00	7.05	8
Risk Management	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	1.00	1.00
Management Information Systems	3.00	6.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Finance	16.75	13.75	17.00	17.00	17.00	17.00	16.55	16.75	14.48	14.48
Purchasing	2.48	2.48	2.48	3.48	3.48	2.48	2.48	2.48	2.48	2.48
City Attorney	3.00	3.00	3.50	3.50	3.50	3.50	3.50	3.50	3.00	3.5
Human Resources	4.50	5.50	6.25	4.80	4.80	5.30	5.50	5.50	3	3
Community Development ¹	18.00	25.75	—	—	—	—	—	—	19.6	19.34
Planning	9.00	6.50	6.50	7.50	7.70	5.10	5.17	4.83	3.00	3
Building	13.63	15.00	4.00	4.00	4.00	4.40	4.33	4.33	3.00	4
Engineering	11.95	12.50	14.95	14.95	14.70	14.70	14.70	14.04	9	10
Redevelopment ¹	—	—	4.00	4.00	7.00	5.20	5.70	3.20	3.20	3.20
Advanced Planning / Economic Development ¹	—	—	1.00	5.50	2.40	2.75	2.75	—	—	—
Housing & Grants ¹	—	—	11.00	11.00	11.58	17.85	18.30	17.05	14.50	14
Neighborhood Services ¹	—	—	11.00	12.00	11.00	6.00	11.00	9.50	10.00	11
Public Works ²	51.27	51.27	51.25	51.00	50.00	51.00	51.00	51.00	50	52
Community Services ²	19.84	23.08	23.00	23.00	23.00	22.50	22.50	33.69	28.35	19.35
Nutrition Center	—	—	15.00	15.00	12.25	11.25	11.25	11.25	6.75	10
Library	19.56	21.41	25.91	25.91	31.18	28.51	60.07	59.31	56.47	56.3
Public Safety										
Police	128.84	134.84	134.36	139.36	139.36	139.36	134.36	135.38	124.38	125.38
Fire	48.25	48.25	48.25	48.25	48.25	48.25	48.25	48.25	42	43
Transit ³	43.00	43.00	—	—	—	—	—	—	—	—

¹ Prior to Fiscal Year 2007 Redevelopment, Advanced Planning / Economic Development, Housing & Grants, and Neighborhood Services were budgeted through the Community Development Commission.

² Parks Division is no longer included under Community Services Department. It became a division of Public Works during Fiscal Year 2005.

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

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Physical Arrests	NA	NA	3,000	3,100	3,834	3,456	3,008	3,082	3,861	3,167
Parking Violations	NA	NA	5,341	5,003	4,956	9,843 #	12,157 #	10,406	9,704	10,749
Traffic Violations	NA	NA	1,941	2,450	3,154	3,491	2,325	3,384	3,811	2,158
Fire										
Emergency Responses	5,532	5,342	5,402	5,497	5,394	5,165	6,008	7,240	6,974	6,264
Fires Extinguished	178	184	170	158	118	140	79	136	155	149
Inspections	1,779	1,638	2,099	NA	NA	NA	1,909	3,505	1,591	1,583
Other Public Works										
Street Resurfacing (miles)	NA	NA	NA	NA	17	25	5	0	0	0
Parks and Recreation										
Athletic Field Permits Issued	NA	NA	24	24	24	17	11	10	9	9
Community Center Admissions ¹	NA	NA	49,767	49,803	49,825	65,609	57,142	54,520	54,520	54,520
Library										
Volumes in Collection	144,952	170,915	185,722	194,383	200,516	207,100	212,175	213,177	241,921	246,299
Total Volumes Borrowed	272,840	214,837	273,646	312,591	316,075	285,527	243,055	252,356	247,608	215,955
Wastewater										
Average Daily Sewage Treatment (million gallons per day)	NA	NA	5.211	5.211	5.211	4.482	4.566	4.566	3.917	3.902

NA: Not available.

¹ Excludes Nutrition Center admissions.

City of National City Capital Asset Statistics by Function/Program Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone Offices	0	0	0	1	1	1	1	1	1	1
Patrol Units	NA	NA	NA	38	38	38	38	38	38	34
Fire Stations	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	101	101	101	101	101	101	101	101	101	101
Highways (miles)	6	6	6	6	6	6	6	6	6	6
Streetlights	NA	NA	1,673	1,723	1,725	1,730	1,730	1,730	1,730	1,730
Traffic Signals	89	89	89	89	89	88	88	88	88	74
Parks and Recreation										
Acreage	84	84	84	84	84	84	84	84	84	84
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/Softball Diamonds	7	7	7	7	7	7	5	5	5	5
Soccer/Football Fields	3	3	3	3	3	3	1	1	1	1
Community Centers	5	5	5	5	5	5	5	5	5	5
Wastewater										
Sanitary Sewers (miles)	100	100	100	100	100	97	97	97	97	97
Storm Sewers (miles)	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	25.3	45.0
Treatment Capacity (million gallons per day)	5.02	5.02	4.83	4.52	4.48	7.10	7.10	7.10	7.10	7.20

NA: Not available.

Sources: Various City departments