

— CALIFORNIA —
NATIONAL CITY
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INCORPORATED



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2016**

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City of National City

National City, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2016

Prepared By the
Department of Finance
of the City of National City

**City of National City
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016**

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Office of the City Manager

December 20, 2016

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, 2016. 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.

The Pun Group, 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, 2016. 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.

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.

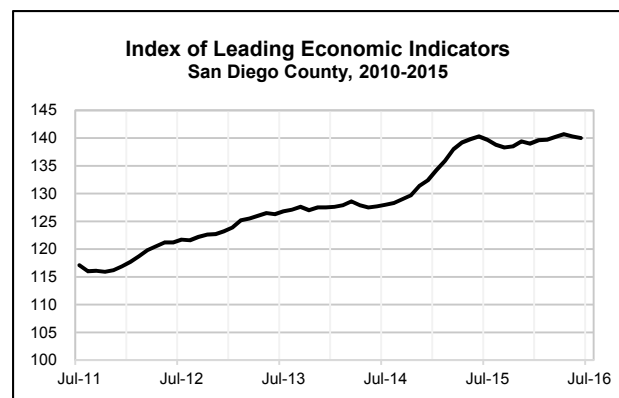
BUDGETARY CONTROL

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 96 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 97.

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" (the "Index"). During fiscal year 2016, the Index decreased approximately 0.2% indicating a steady local economy. Although, the index relatively remained unchanged from prior fiscal year, the Index reflects an overall positive year-over-year trend since fiscal year 2010.



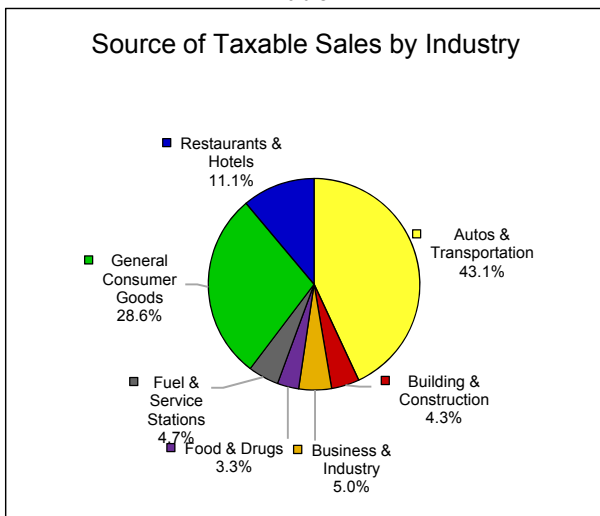
A key factor in the improving economy is the decline in unemployment rates for the June 2015 to June 2016 period, which fell at the state level and local levels – California’s from 6.2% to 5.4%, the San Diego County metropolitan area’s from 5.2% to 5.1%, and the City’s from 6.6% to 6.5%. Also contributing to the recovery is a return to growth over the past four 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 revenue growth, led by the City’s major revenue sources, sales- and property-related taxes, as shown in Table 1. In fiscal year 2016, sales-related tax revenues were boosted by continued strong

Table 1

Prior Years Sales- & Property-Related Taxes			Projection
FY 14	FY 15	FY 16	FY 17
\$32.8M	\$34.5M	\$36.6M	\$36.7M

Table 2



receipts in the autos & transportation, building & construction, and restaurants & hotels. The autos & transportation segment was the single largest contributor to sales tax revenue growth and accounted for approximately 43% of sales tax revenues. One of the most significant growth in revenues generated by the City’s voter-approved 1% district transactions & use (“Proposition ‘D’”) tax occurred in general consumer goods, which also was the principal source of those revenues and accounted approximately 42% of total district transaction & use tax revenues. The autos & transportation, and restaurants & hotels sectors showed strength as well and were substantial elements of both revenue sources. 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 all-time-high total assessed valuation. Net taxable assessed value rose by 2.6% in 2016, driven by significant 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 over Prior Year	Cumulative Increase Since 2006
2006	2,355,008,346	-	-	-
2007	2,703,243,809	348,235,463	14.8%	348,235,463
2008	2,923,482,096	220,238,287	8.1%	568,473,750
2009	3,127,120,736	203,638,640	7.0%	772,112,390
2010	3,030,591,425	-96,529,311	-3.1%	675,583,079
2011	2,991,549,736	-39,041,689	-1.3%	636,541,390
2012	2,993,669,068	2,119,332	0.1%	638,660,722
2013	3,109,969,070	116,300,002	3.9%	754,960,724
2014	3,254,789,852	144,820,782	4.7%	899,781,506
2015	3,354,840,139	100,050,287	3.1%	999,831,793
2016	3,340,631,221	85,791,082	2.6%	1,085,622,875

As noted above, the improving economy has led to sustained revenue growth, particularly from sales- and property-related taxes, which represent three-quarters of the General Fund’s revenue total. As a result, General Fund revenues, excluding those associated with one-time events, are expected to slightly increase in fiscal year 2016.

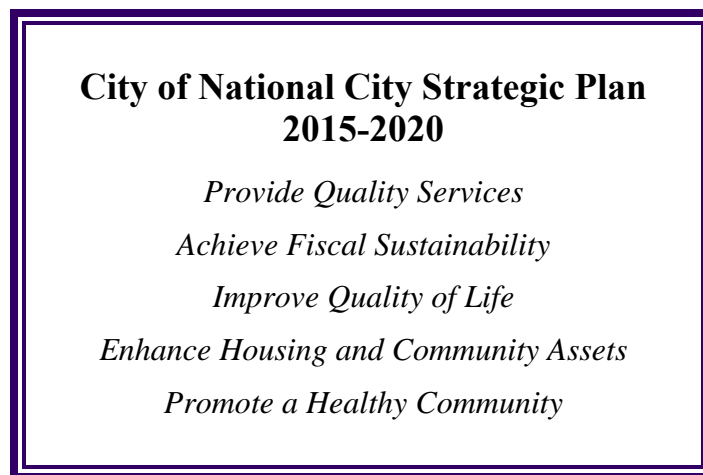
National City has a progressive history of commercial development, including the “Mile of Cars,” San Diego County’s first major auto park, and Westfield Plaza Bonita, the County’s first indoor mall and largest enclosed mall in the South San Diego Bay area. Both attract shoppers from throughout the County 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. During the November 2014 General Elections, National City 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 2015 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 2017-2021 total approximately \$93.7 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 reserve policy establishes that the City will 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 2016 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.

The City’s reserve policy was updated in fiscal year 2016 to create a reserve, the “Facilities Maintenance Reserve,” in the General Fund with the objective of pre-funding the costs of deferred maintenance on City facilities and providing funding for “down payments” on replacement costs. The reserve policy establishes a target level for this reserve of between ten (10%) and fifteen percent (15%) of the total acquisition cost of the City’s building assets. An initial balance of \$2,500,000, or 4.9% of the total acquisition cost, was transferred during fiscal year 2016. In accordance with the reserve policy, the assets maintained in this reserve are designated as committed fund balance.

In addition to the Contingency Reserve and Facilities Maintenance Reserve, the City maintains a number of other reserves, most of which have accumulated their minimum target balances, as of June 30, 2016.

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 Services 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 (CIP) 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 recently completed or in construction are the following:

Infrastructure

A Avenue “Green” Street (\$3.7 million project; completed December 2015)

The project will implement low-impact development (LID) infiltration measures along portions of “A” Avenue between E. 8th Street and Kimball Park to treat urban storm water runoff prior to entering the storm drain system and discharging into Paradise Creek. Other improvements include enhanced crosswalks with pedestrian refuge islands and corner bulb-outs for traffic calming, pedestrian actuated flashing crosswalk signs, and high intensity signing and striping; new sidewalks and pedestrian curb ramps for ADA compliance; decomposed granite walking paths through Kimball Park; a new gateway plaza with permeable pavers adjacent to National City Public Library; and an educational creek-themed art wall.

D Avenue Community Corridor, Roundabout & War Memorial (\$2.6 million project; completed February 2016)

Phase I of the project includes traffic calming, pedestrian, bicycle and Safe Routes to School enhancements on "D" Avenue between Division Street and E. 30th Street. Improvements include enhanced crosswalks with pedestrian refuge islands and corner bulb-outs for traffic calming, pedestrian actuated flashing crosswalk signs, and high intensity signing and striping; new sidewalks and pedestrian curb ramps for ADA compliance; new bike lanes and sharrows with signage; reverse angle parking for bicycle safety; and green bike boxes at two signalized intersections, E. 18th Street and E. 24th Street. Additional Phase I improvements include new bike sharrows with signage on 30th Street between "D" Avenue and Hoover Avenue; and new buffered bike lanes with signage on Hoover Avenue between W. 30th Street and the entrance to the Sweetwater River Bike Path at W. 33rd Street. Phase II includes a new traffic calming roundabout at E. 12th Street and improvements to the War Memorial.

Highland Ave Safety Enhancements (\$1.9 million project; completed February 2016)

The project provides safety enhancements for drivers and pedestrians along Highland Avenue between Division Street and E. 8th Street. Improvements include enhanced crosswalks with pedestrian refuge islands and high intensity signing and striping; pedestrian curb ramps for ADA compliance; new street lights; and traffic calming measures such as corner bulb-outs and a "road diet" converting four travel lanes to two travel lanes with protected left turn lanes at intersections, raised islands midblock and replacement of parallel parking with angle parking on the east side of the street.

Paradise Valley Road Safe to School (\$350,000 project; completed May 2016)

The project will construct new sidewalk, curb and gutter, and lighting along the west side of Paradise Valley Road between E. 8th Street and E. Plaza Boulevard to provide a "gap closure" along this key walking route to/from Ira Harbison Elementary School.

Downtown-Westside Community Connections (\$1.2 million project for Phases III & IV; completed August 2016)

Phase I of the project includes traffic calming and pedestrian enhancements as part of the Coolidge Avenue Safe Routes to School project. Phase II includes traffic calming and pedestrian

enhancements as part of the "A" Avenue Green Street project. Phase III includes traffic calming, pedestrian, bicycle and transit enhancements on Plaza Boulevard between Coolidge Avenue and "A" Avenue, such as enhanced crosswalks with corner bulb-outs and high intensity signing and striping; pedestrian curb ramps for ADA compliance; new bike sharrows with signage; new street lights; wayfinding signage; storm water treatment infiltration areas; and benches at bus stops. Phase IV includes new pedestrian curb ramps for ADA compliance on W. 14th Street between "A" Avenue and Coolidge Avenue.

Safe Routes to School – Citywide Pedestrian Crossing Enhancements (\$300,000 project; estimated completion December 2016)

The project includes purchase and installation of solar powered, pedestrian actuated LED-enhanced crosswalk sign systems with high-intensity striping at ten crosswalks nearby local schools in National City. One of the locations, in front of Granger Jr High School, also includes construction of a raised crosswalk.

Plaza Boulevard Widening – Phase I (\$6.5 million project; estimated completion March 2017)

Phase I of the project includes utility undergrounding and widening of Plaza Boulevard between "N" Avenue and I-805. Additional improvements include adding travel lanes to expand roadway capacity and improve traffic flow, roadway rehabilitation and restriping, traffic signal modifications for safety and operations, new street lights, and pedestrian / ADA enhancements.

Bicycle Parking Enhancements (\$120,000 project; estimated completion June 2017)

The project will design, fabricate and install custom bicycle racks at parks, public buildings and along bicycle corridors. The bicycle racks will provide cyclists with safe, secure and convenient parking for end-of-trip storage. The project will also compliment on-going programs and public outreach efforts in the community such as National City's Safe Routes to School Education & Encouragement Sustainability Program, which includes educating parents and students on bicycle safety, and disseminating maps that show the locations of bicycle storage facilities throughout the City.

Housing

Westside Infill Transit Oriented Development (“WI-TOD”) Affordable Housing Project (Estimated Completion: Phase I Housing – December 2016; Phase II Housing – March 2018; Community Park – June 2018)

The Westside Infill Transit Oriented Development (WI-TOD) project will deliver 201 affordable housing units on the east side of Paradise Creek, located at 2020 and 2100 Hoover Avenue. Phase I includes 109 units and Phase II includes 92 units. The project will also develop an approximately 4-acre Community Park on the west side of Paradise Creek. In November 2014, the City completed demolition of existing structures, which included the former City Public Works yard and support facilities, site remediation and rough grading, to allow for construction of the WI-TOD. This work was completed pursuant to the City’s obligation to the former redevelopment agency to carry out the Disposition and Development Agreement by and between the Community Development Commission of the City of National City and Paradise Creek Housing Partners, L.P., a California limited partnership (the “Developer”), entered into June 21, 2011.

Facilities

National City Public Library Improvements (\$1.1 million project; completed February 2016)

The project includes installation of new composite textile flooring, public safety cameras, lighting upgrades, new radio-frequency identification (RFID) book delivery system, new book shelves, landscaping, irrigation, and architectural concrete for the National City Public Library.

Fire Station 31 Improvements (\$180,000 project; estimated completion December 2016)

The project includes replacement of the A/C unit, roof repairs, painting, bathroom upgrades, plumbing repairs and new patio area for Fire Station 31.

Police Department Building Improvements (\$2 million project; estimated completion December 2016)

The project includes electrical and mechanical upgrades, installation of custom mobile shelving, ADA upgrades, fire suppression system upgrades and waterproofing to support expansion of the Police Department Property & Evidence Room. The project also includes other deferred maintenance items to improve facility operations.

Parks & Recreation

National City Aquatic Center (\$5.3 million project; completed March 2016)

The project will construct an approximately 4,700 square foot Aquatic Center adjacent to Pepper Park and Pier 32 Marina. The facility will include two multi-purpose classrooms that can be opened as one larger room; storefront/office space; locker rooms with showers and restrooms; boat and equipment storage; decorative lighting, landscaping and public art.

Civic Center (City Hall) Improvements (\$350,000 project; completed October 2016)

The project includes upgrades to the second floor lobby, public information office, Council Chambers, large conference room, fire suppression system for server room and ADA.

Kimball Park Low-Impact Development and Paradise Creek Restoration (\$2.4 million project; estimated completion November 2016)

The project will construct multiple bioretention areas and expand wetlands habitats in and around Kimball Park to treat a highly urbanized drainage area of approximately 77 acres. The project will also restore approximately 1,050 linear feet of Paradise Creek through Kimball Park by removing the concrete channel, widening the creek and reintroducing native riparian vegetation. The project will implement low-impact development to improve water quality from urban storm water runoff and provide an opportunity for residents and guests to interact with a natural, tidally-influenced water body through the park. Educational signage will also be installed along the restored creek and expanded wetland areas within the park.

Camacho Recreation Center Improvements (\$120,000 project; estimated completion December 2016)

The project includes refinishing the gymnasium floor, interior painting, replacement of powered roof vents, and repairs to the roof and exterior doors for the Camacho Recreation Center.

National City Municipal Pool Improvements (\$160,000 project; estimated completion December 2016)

The project includes repair and/or replacement of pool deck drains; refurbishment of the pool deck, concrete walkways and shower/locker room floors; security lighting upgrades; minor painting and repairs to the exterior buildings; and mechanical, electrical and plumbing upgrades for the National City Municipal Pool and support facilities.

Kimball & El Toyon Park Improvements (\$5 million project; estimated completion December 2016)

Improvements for Kimball Park include implementation of storm water low-impact development measures, new restrooms, lighting, “state-of-the-art” skate park, central plaza, benches, trash receptacles, public safety cameras, ADA upgrades, walking paths, and drought tolerant landscaping. Improvements for El Toyon Park include new restrooms, lighting, public safety cameras, ADA upgrades, programmable metal swing gates for the “horseshoe” parking lot, and tennis court resurfacing.

Information on the City’s CIP projects can be found at <http://nationalcityprojects.com>.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of National City for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the dedication and professionalism of the entire staff of the Department of Finance. We would like to express our gratitude to those who devoted significant hours in preparing the report. We appreciate and commend all the City departments who assisted and contributed materials to this document. And we 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,



Leslie Deese
City Manager



Mark Roberts
Director of Finance



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CITY OF NATIONAL CITY
CITY OFFICIALS
YEAR ENDED JUNE 30, 2016



Directory of City Officials

City Council

Ron Morrison
Mayor

Jerry Cano
Vice Mayor

Albert Mendivil
Councilmember

Mona Rios
Councilmember

Alejandra Sotelo-Solis
Councilmember

City Treasurer

R. Mitchell Beauchamp

City Clerk

Michael R. Dalla

City Manager

Leslie Deese

City Attorney (Interim)

George H. Eiser, III

Department Heads

Vacant

Stacey Stevenson

Brad Raulston

Frank Parra

Stephen Manganiello

Mark Roberts

Alfredo Ybarra

Minh Duong

Armando Vergara

Manuel Rodriguez

Assistant City Manager

Deputy City Manager

Deputy City Manager

Director of Emergency Services

Director of Engineering & Public Works

Director of Finance

Director of Housing, Grants, & Asset Management

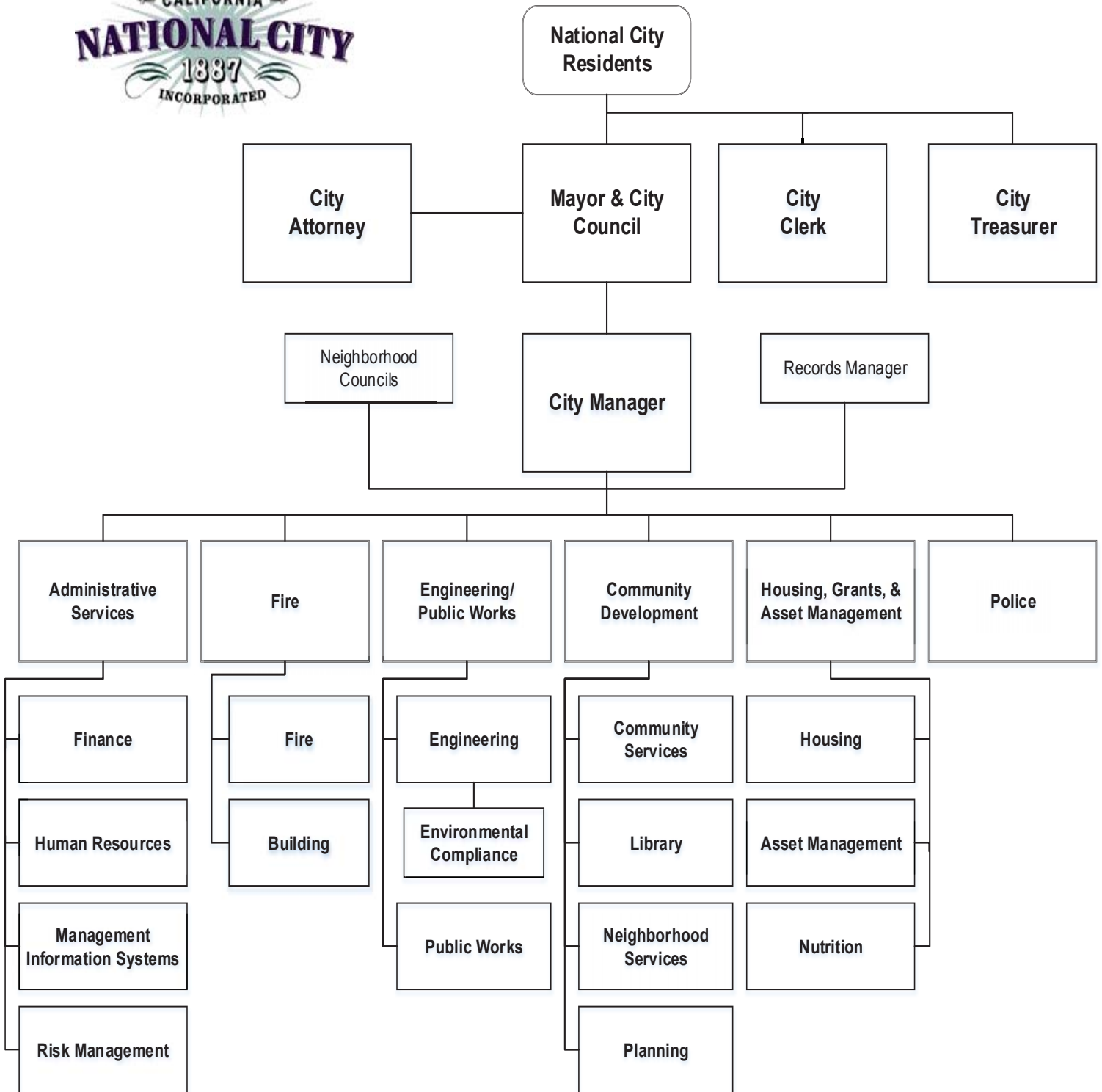
City Librarian

Director of Neighborhood Services

Chief of Police



CITY ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of National City
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



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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, 2016, 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Funding Progress for Other Postemployment Benefits, Schedule of Changes in the Net Pension Liability and Related Ratios and Schedule of Contributions, on pages 7 to 16 and 95 to 105 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 112 through 142 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
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, 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 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.

The PwC Group, LLP

San Diego, California
December 20, 2016



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**INDEPENDENT AUDITORS' 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***

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, 2016, 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 20, 2016.

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 entity'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

To the Honorable Mayor and Members of the City Council
of the City of National City
National City, California
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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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

San Diego, California
December 20, 2016

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, 2016. 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 comprise the operations of Kimball Towers and Morgan Towers, which provide housing for low and moderate income seniors.

The *government-wide financial statements* report the activities of the City and its three blended component units: the Housing Authority of the City of National City, the Parking Authority of the City of National City, and the National City Joint Powers Financing Authority. Although legally separate, the component units 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 are 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 the 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. Each of the City's funds falls into one of three categories: governmental, proprietary, or 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 *governmental 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 thirty-four individual governmental funds, including the General Fund. Information is presented separately in the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Housing Fund, Housing Choice Voucher (aka "Section 8") Program Fund, 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 28-34. 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 112-119.

The City adopts annual budgets for its General, Housing, Housing Choice Voucher Program, and Sewer Service Funds. Budgetary comparison statements, found on pages 96-100, have been provided, to reflect 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, their financial information is 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 37-40. Individual fund data for the internal service funds is provided in the form of supplementary combining statements and can be found on pages 135-142.

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) and the Successor Agency Private-purpose Trust Fund. These funds are not reflected in the *government-wide financial statements* because the resources of the funds are not available to support the City's 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 43-44, and the combining Statement of Changes in Assets and Liabilities for the Agency Funds can be found on page 145.

Notes to the Basic Financial Statements. The Notes to the Basic Financial Statements section provides additional information essential for a full understanding of the data provided in the *government-wide financial statements*. The Notes to the Basic Financial Statements section begins on page 47.

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 101-105.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented on pages 112-119 and 135-142, respectively.

Government-wide Financial Analysis

As noted earlier, over time, a government's net position may serve as a useful indicator of its financial position. 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.

TABLE 1
NET POSITION
For the year ended June 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 106,318,129	\$ 98,615,952	\$ 2,310,402	\$ 2,177,592	\$ 108,628,531	\$ 100,793,544
Capital Assets, Net	146,413,209	133,737,536	5,933,077	6,237,547	152,346,286	139,975,083
TOTAL ASSETS	252,731,338	232,353,488	8,243,479	8,415,139	260,974,817	240,768,627
Deferred Outflows of Resources	7,396,038	6,311,773	-	-	7,396,038	6,311,773
Current Liabilities	12,160,183	12,060,337	481,673	468,165	12,641,856	12,528,502
Long-term Liabilities	96,083,125	93,410,902	725,833	1,045,741	96,808,958	94,456,643
TOTAL LIABILITIES	108,243,308	105,471,239	1,207,506	1,513,906	109,450,814	106,985,145
Deferred Inflows of Resources	7,849,166	13,823,056	-	-	7,849,166	13,823,056
Net Position:						
Net Investment in Capital Assets	134,444,245	120,377,947	4,905,110	4,926,410	139,349,355	125,304,357
Restricted	35,747,699	33,889,727	2,031,385	1,876,125	37,779,084	35,765,852
Unrestricted	(26,157,042)	(34,896,708)	99,478	98,698	(26,057,564)	(34,798,010)
TOTAL NET POSITION	\$ 144,034,902	\$ 119,370,966	\$ 7,035,973	\$ 6,901,233	\$ 151,070,875	\$ 126,272,199

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$151,070,875 at June 30, 2016, an increase of \$24,798,676 from June 30, 2015. By far, the largest portion of the City's net position, \$139,349,355, is its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), net of accumulated depreciation and 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.

Another portion of the City's net position, \$37,779,084, represents resources that are subject to external restrictions on how they may be used. The remainder of net position, unrestricted net position, was (\$26,057,564), as of June 30, 2016. Unrestricted net position consists of the City's net pension liability of (\$77,949,839) and \$51,892,275, the latter of which may be used to meet the City's ongoing obligations to citizens and creditors.

Inclusion of the net pension liability in unrestricted net position is required by Governmental Accounting Standards Board Statement No. 68 ("GASB 68"), *Accounting & Financial Reporting for Pensions*, implemented as of the fiscal year ending June 30, 2015. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments. It is also intended to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense through a new note disclosure and required supplementary information. Information intended to enhance decision-usefulness and accountability can be found starting on page 79 of this report.

The \$24,798,676 (19.6 percent) growth in the City's total net position resulted from increases in governmental activities and business-type activities of \$24,663,936 and \$134,740, respectively. Governmental and business-type operating results are discussed on page 22. Table 2 provides a condensed summary of activities of the City's governmental and business-type operations for the period ended June 30, 2016, with the prior fiscal year presented for comparative purposes.

TABLE 2
CHANGES IN NET POSITION
For the year ended June 30, 2016

	Governmental Activities		Business-Type Activity		Total	
	2016	2015	2016	2015	2016	2015
REVENUES:						
Program Revenues:						
Charges for Services	\$ 19,686,913	\$ 21,909,268	\$ 2,391,019	\$ 2,361,695	\$ 22,077,932	\$ 24,270,963
Operating Grants and Contributions	13,295,661	12,508,517	-	-	13,295,661	12,508,517
Capital Grants and Contributions	7,299,398	11,399,349	-	-	7,299,398	11,399,349
General Revenues:	<u>40,281,972</u>	<u>45,817,134</u>	<u>2,391,019</u>	<u>2,361,695</u>	<u>42,672,991</u>	<u>48,178,829</u>
Taxes:						
Property Taxes	10,293,634	10,301,592	-	-	10,293,634	10,301,592
Sales Taxes	29,170,512	27,095,666	-	-	29,170,512	27,095,666
Franchise Taxes	1,922,723	1,902,082	-	-	1,922,723	1,902,082
Utility User Tax	867,488	818,820	-	-	867,488	818,820
Motor Vehicle in-lieu Taxes	-	-	-	-	-	-
Transient Occupancy Taxes	1,611,788	1,383,793	-	-	1,611,788	1,383,793
Investment Earnings	553,184	304,655	3,678	2,579	556,862	307,234
Gain on Sale of Capital Assets	-	-	-	-	-	-
Miscellaneous	1,864	-	14,023	14,869	15,887	14,869
Gain on Sale of Capital Assets	-	-	-	-	-	-
Loss on Disposition of Capital Assets(1)	-	-	-	-	-	-
TOTAL REVENUES	<u>84,703,165</u>	<u>87,623,742</u>	<u>2,408,720</u>	<u>2,379,143</u>	<u>87,111,885</u>	<u>90,002,885</u>
EXPENSES:						
General Government	6,237,858	6,299,372	-	-	6,237,858	6,299,372
Public Safety	31,293,361	31,522,488	-	-	31,293,361	31,522,488
Transportation	8,605,631	6,737,292	-	-	8,605,631	6,737,292
Community Development	11,812,563	11,603,528	-	-	11,812,563	11,603,528
Health	7,499,719	7,416,697	-	-	7,499,719	7,416,697
Culture and Leisure	7,188,896	6,349,578	-	-	7,188,896	6,349,578
Depreciation	-	-	-	-	-	-
Interest on Long-term Debt	308,808	407,194	-	-	308,808	407,194
Kimball Towers	-	-	1,160,095	1,251,377	1,160,095	1,251,377
Morgan Towers	-	-	1,113,885	1,078,546	1,113,885	1,078,546
TOTAL EXPENSES	<u>72,946,836</u>	<u>70,336,149</u>	<u>2,273,980</u>	<u>2,329,923</u>	<u>75,220,816</u>	<u>72,666,072</u>
	<u>11,756,329</u>	<u>17,287,593</u>	<u>134,740</u>	<u>49,220</u>	<u>11,891,069</u>	<u>17,336,813</u>
TRANSFERS:						
Transfer to Successor Agency	(826,577)	-	-	-	(826,577)	-
SPECIAL ITEMS						
Transfers of assets from Successor Agency	13,734,184	-	-	-	13,734,184	-
Restatement of Net Assets (See Note 14)	-	(81,881,423)	-	-	-	(81,881,423)
NET POSITION, BEGINNING OF YEAR	119,370,966	183,964,796	6,901,233	6,852,013	126,272,199	190,816,809
NET POSITION, END OF YEAR	<u>\$ 144,034,902</u>	<u>\$ 119,370,966</u>	<u>\$ 7,035,973</u>	<u>\$ 6,901,233</u>	<u>\$ 151,070,875</u>	<u>\$ 126,272,199</u>

As noted above, net position for governmental activities grew by \$24,663,936. Key elements of the increase include:

- a transfer of a \$6,000,000 promissory note receivable, a non-cash transaction, from the Successor Agency Private-Purpose Trust Fund to the City's Low & Moderate Income Housing Asset Fund;
- land held for resale valued at \$5,784,182 was transferred as a non-cash transaction from the Successor Agency to the City to be retained for government use or for future development; and
- capital assets valued at \$1,950,002 were transferred as a non-cash transaction from the Successor Agency to the City to be retained for government use.

Additional detail information for the transfer of the promissory note, and real property assets can be found on page 91 (Note 14) of the Notes to the Basic Financial Statements section.

Business-type activities increased the City's net position by \$134,740. The growth resulted from a slight increase, \$29,577 (1.2%), in combined revenues and decrease of \$55,943, or 2.4 percent, in overall expenses for Kimball Towers and Morgan Towers, the City's two business-type activities. The increase in revenues primarily was due to a \$29,324 growth in rental income. The most significant factor in the reduction of expenses was a \$36,698 decrease in operating expenses.

Governmental Activities. The City's total revenues from governmental activities were \$84,703,165 for the fiscal year ended June 30, 2016. The largest source of revenue for the City, at 34.4 percent, is sales-related taxes (comprising sales & use tax, district transaction & use tax, and property tax in lieu of sales tax). Revenues from sales-related taxes grew \$2,074,846 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 \$289,346 or 2.0 percent, and represented 17.3 percent of total revenues at the end of the current fiscal year (fiscal year 2016).

Operating grants and contributions for governmental activities ended the fiscal year at \$13,295,661, increasing approximately 6.3 percent or \$787,144 from the prior year. Charges for services declined by \$2,222,355, or 10.1 percent, from the prior year. Lastly, capital grants and contributions fell \$4,099,951, or 35.9 percent.

The City's expenses for governmental activities cover a wide array of services, with \$31,293,361, or 42.9 percent, for fiscal year 2016 related to public safety and \$11,812,563, or 16.2 percent, to community development. Overall, expenses for governmental activities rose \$2,610,687, or 3.7 percent, with a \$1,868,339, or 27.7 percent, growth in transportation expenses the primary driver of the change.

Business-type Activities. Overall revenues from the City's business-type activities were \$2,408,720 for the current fiscal year, \$2,391,019 of which was from rental income. Rental income revenues increased 1.2 percent, year over year.

The City's business-type activities expenses account for Kimball Towers and Morgan Towers operations. These expenses totalled \$2,273,980, increasing 1.6% over the prior year.

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.

TABLE 3
GOVERNMENTAL FUNDS SUMMARY
For the year ended June 30, 2016

	General Fund		Housing Choice Voucher Program Fund		Other Governmental Funds		Total Governmental Funds	
	2016	2015	2016	2015	2016	2015	2016	2015
Total Assets	\$ 53,627,269	\$ 44,646,500	\$ 416,565	\$ 109,149	\$ 44,368,274	\$ 48,043,912	\$ 98,412,108	\$ 92,799,561
Total Liabilities	3,562,081	3,674,420	16,289	68,969	9,257,204	13,813,600	12,835,574	17,556,989
Deferred Inflows of Resources	-	-	-	-	-	-	-	-
Fund Balances								
Non-spendable	10,766,098	4,963,916	-	-	-	7,927,027	10,766,098	12,890,943
Restricted	754,913	590,998	400,276	40,180	35,933,029	30,965,565	37,088,218	31,596,743
Committed	11,585,066	9,085,066	-	-	-	-	11,585,066	9,085,066
Assigned	14,792,381	16,065,735	-	-	-	706,558	14,792,381	16,772,293
Unassigned	12,166,730	10,266,365	-	-	(821,959)	(5,368,838)	11,344,771	4,897,527
Total Fund Balance	50,065,188	40,972,080	400,276	40,180	35,111,070	34,230,312	85,576,534	75,242,572
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 53,627,269	\$ 44,646,500	\$ 416,565	\$ 109,149	\$ 44,368,274	\$ 48,043,912	\$ 98,412,108	\$ 92,799,561

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$85,576,534, an increase of \$10,333,962 over the prior year. The restricted component represents the largest portion, 43.3 percent, of ending fund balance followed by assigned, at 17.3 percent, and committed, which includes assets the City has set aside in reserves for future economic contingencies and for facilities maintenance, 13.5 percent. The unassigned fund balance represents 13.3 percent of total fund balance. Lastly, the General Fund non-spendable fund balance represents 12.6 percent of total fund balance, increasing by \$5,802,182 mostly due to a transfer of land held for resale from the Successor Agency Private-Purpose Trust Fund. The non-spendable fund balance for other governmental funds decreased due to a reclassification of long-term loan receivables and property acquired for resale previously reported as non-spendable. Since the expected proceeds from these assets are restricted, they are now properly included in that fund balance classification.

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 \$50,065,188 in comparison to \$40,972,080 the prior year, an increase of \$9,093,108. General Fund revenues decreased slightly, \$188,139, with a \$4,494,283 decrease in intergovernmental revenues offsetting increases of \$2,374,631 and \$1,634,158 in taxes and other revenues, respectively. General Fund expenditures grew \$3,549,701, primarily due to increases in the public safety and general government functions. A special item of \$5,784,182 was added to record

the transfer of land held for resale referenced above. And other financing uses decreased \$3,563,729 primarily as the result of fiscal year 2016 transfers of excess fund balances from the City's internal service funds for the creation of a General Fund facilities maintenance reserve and a fiscal year 2015 transfer from the General Fund to the Equipment Replacement Reserve Fund which did not recur in the current fiscal year.

The fund balance classification for the General Fund and other major funds can be found on page 90, in Note 13 of the Notes to Financial Statements section.

Proprietary Funds. As noted earlier, 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.

TABLE 4

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	45,845,540	47,563,202	52,873,165	5,309,963
Expenditures:				
General Government	7,886,764	8,620,844	6,638,782	1,982,062
Public Safety	31,034,392	31,330,829	30,906,623	424,206
Transportation	3,247,288	3,624,368	3,247,417	376,951
Community Development	240,408	240,186	166,779	73,407
Culture and Leisure	2,895,649	3,293,634	3,105,160	188,474
Capital Outlay	7,344,967	7,628,977	4,975,491	2,653,486
Principal	-	-	54,208	(54,208)
Interest on Long-term Debt	-	-	16,118	(16,118)
Total Expenditures	52,649,468	54,738,838	49,110,578	5,628,260
Revenues Over (Under) Expenditures	(6,803,928)	(7,175,636)	3,762,587	10,938,223
Other Financing Sources	(2,207,761)	(3,034,338)	(453,661)	2,580,677
Special Items	-	-	5,784,182	
Net Change in Fund Balances	(9,011,689)	(10,209,974)	9,093,108	19,303,082
Beginning Fund Balance			40,972,080	
Ending Fund Balance			50,065,188	

General Fund Budgetary Highlights

Final budgeted General Fund revenues increased \$1,717,662 from the total originally budgeted for fiscal year 2016, largely as the result of adjustments to account for one-time insurance settlement proceeds received for the reimbursement of legal cost pursuant to a settlement agreement and for intergovernmental revenues for reimbursable capital projects.

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

- Actual revenues exceeded their final budgeted total by \$5,309,963, with higher than projected sales-related taxes, transient lodging tax, franchise fee, operating lease, intergovernmental revenues, one-time insurance reimbursement, mutual aid agreements, and state mandated claim reimbursement revenues the primary contributors to the positive difference.
- Actual expenditures were less than their overall budgeted amount by \$5,628,260, attributable primarily to unspent appropriations for grants, capital projects, and other special programs that were not completed during the year (and, thus, are carried over to the following fiscal year). In addition,

\$853,725 was saved in maintenance and operations expenses, much of which was in contract services and professional services, and \$423,198 in personnel cost savings were realized, most of which occurred in the Police Department.

- The above-referenced transfer of land held for resale from the Successor Agency Private-Purpose Trust Fund was an unbudgeted special item of \$5,784,182.

Capital Asset and Debt Administration

Capital Assets. The City’s investment in capital assets (net of accumulated depreciation) for governmental and business-type activities, as of June 30, 2016, amounted to \$152,346,288. This investment includes land, rights of ways, construction in progress, buildings and improvements, machinery, and infrastructure. Infrastructure assets represented 37.0 percent of total combined assets.

TABLE 5
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)
For the year ended June 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 22,011,750	\$ 20,411,750	\$ 528,382	\$ 528,382	\$ 22,540,132	\$ 20,940,132
Right-of-way	4,245,088	4,245,088			4,245,088	4,245,088
Construction in progress	33,043,820	29,969,669			33,043,820	29,969,669
Buildings and improvements	25,789,266	21,571,006	5,153,467	5,436,974	30,942,733	27,007,980
Machinery and equipment	5,015,233	3,843,217	251,228	272,191	5,266,461	4,115,408
Infrastructure	56,308,054	53,696,806			56,308,054	53,696,806
TOTALS	\$ 146,413,211	\$ 133,737,536	\$ 5,933,077	\$ 6,237,547	\$ 152,346,288	\$ 139,975,083

The largest addition to capital assets during the current fiscal year was in buildings and improvements, which grew \$3,934,753 to \$30,942,733. The most significant contributors to the growth were the completion of an aquatic center and building upgrades to the City’s library. Construction in progress totalled \$33,043,280, an increase of \$3,074,151 from prior year. The most significant projects for which construction was underway during the fiscal year were city-wide street resurfacing, Kimball Park improvements, and Highland Avenue Safety Enhancement. Notable projects completed during the fiscal year and affecting the construction in progress total were the aquatic center, “A” Avenue Green Street & Pedestrian Pathway, “D” Avenue Community Corridor, and the library building upgrades. Land valued at \$1,600,000 was transferred to the City from the Successor Agency as result of the Successor Agency’s Long-Range Property Management Plan. Depreciation expense during the fiscal year was \$5,126,777 for governmental activities and \$304,470 for business-type activities.

Additional information on the City’s capital assets can be found in Note 5 on pages 68-70 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$24,505,137, including bonded debt of \$8,925,000.

TABLE 6
OUTSTANDING LONG-TERM DEBT
 For the year ended June 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
2012 General Obligation Refunding Bonds	\$ 4,155,000	\$ 4,405,000	\$ -	\$ -	\$ 4,155,000	\$ 4,405,000
Bond Premium	19,258	20,863	-	-	19,258	20,863
NCJPFA Lease Revenue Refunding Bonds	965,000	1,425,000	-	-	965,000	1,425,000
HUD 108 Bonds, Series A	3,805,000	4,140,000	-	-	3,805,000	4,140,000
Capital Leases	1,723,764	1,948,686	-	-	1,723,764	1,948,686
Morgan Towers Notes Payable	-	-	1,027,967	1,311,137	1,027,967	1,311,137
Compensated Absences	3,783,359	3,444,318	-	-	3,783,359	3,444,318
Claims Payable	8,128,000	7,886,000	-	-	8,128,000	7,886,000
OPEB Liability	897,789	603,300	-	-	897,789	603,300
TOTALS	23,477,170	23,873,167	1,027,967	1,311,137	24,505,137	25,184,304

The City's total debt decreased by \$679,167, or 2.7%, during the current fiscal year. The net decrease primarily resulted from normal scheduled principal payments, offset by increases in claims payable, other post-employment benefits, 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 70 of this report.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those interested. Questions concerning any 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, 2016

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 77,186,476	\$ 101,208	\$ 77,287,684
Receivables:			
Accounts	1,331,729	395	1,332,124
Taxes	6,543,880	-	6,543,880
Interest	118,610	-	118,610
Due from other governments	1,499,379	-	1,499,379
Due from Successor Agency	262,895	-	262,895
Land held for resale	7,029,182	-	7,029,182
Inventories and prepaid items	96,782	177,414	274,196
Total current assets	94,068,933	279,017	94,347,950
Noncurrent assets:			
Restricted cash and investments:			
Held by fiscal agent	10,334	2,031,385	2,041,719
Loans receivable	12,238,862	-	12,238,862
Non-depreciable capital assets	59,300,658	528,382	59,829,040
Depreciable capital assets, net	87,112,551	5,404,695	92,517,246
Total noncurrent assets	158,662,405	7,964,462	166,626,867
Total assets	252,731,338	8,243,479	260,974,817
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	50,400	-	50,400
Pension related deferred outflows	7,345,638	-	7,345,638
Total deferred outflows of resources	7,396,038	-	7,396,038

City of National City
Statement of Net Position (Continued)
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 4,470,627	\$ 68,259	\$ 4,538,886
Accrued liabilities	1,691,469	15,420	1,706,889
Interest payable	90,092	5,568	95,660
Unearned revenue	315,658	-	315,658
Deposits payable	-	90,292	90,292
Compensated absences - due within one year	1,962,327	-	1,962,327
Claims payable - due within one year	2,305,406	-	2,305,406
Long-term debt - due within one year	1,324,604	302,134	1,626,738
Total current liabilities	12,160,183	481,673	12,641,856
Noncurrent liabilities:			
Developer deposits	248,454	-	248,454
Net OPEB obligation	897,788	-	897,788
Aggregate net pension liability	77,949,839	-	77,949,839
Compensated absences - due in more than one year	1,821,032	-	1,821,032
Claims payable - due in more than one year	5,822,594	-	5,822,594
Long-term debt - due in more than one year	9,343,418	725,833	10,069,251
Total noncurrent liabilities	96,083,125	725,833	96,808,958
Total liabilities	108,243,308	1,207,506	109,450,814
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	7,849,166	-	7,849,166
Total deferred inflows of resources	7,849,166	-	7,849,166
NET POSITION			
Net investment in capital assets	134,444,245	4,905,110	139,349,355
Restricted:			
General services	29,511,338	-	29,511,338
Community development	3,448,959	1,287,890	4,736,849
Debt service	1,845,117	743,495	2,588,612
Capital projects	942,285	-	942,285
Total restricted	35,747,699	2,031,385	37,779,084
Unrestricted (deficit)	(26,157,042)	99,478	(26,057,564)
Total net position	\$ 144,034,902	\$ 7,035,973	\$ 151,070,875

City of National City
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,237,858	\$ 5,081,812	\$ 495,850	\$ -	\$ 5,577,662
Public safety	31,293,361	2,681,493	1,235,161	-	3,916,654
Transportation	8,605,631	1,344,988	-	6,083,984	7,428,972
Community development	11,812,563	1,908,755	11,502,724	19,932	13,431,411
Health	7,499,719	8,363,190	15,859	-	8,379,049
Culture and leisure	7,188,896	306,675	46,067	1,195,482	1,548,224
Interest on long-term debt	308,808	-	-	-	-
Total governmental activities	<u>72,946,836</u>	<u>19,686,913</u>	<u>13,295,661</u>	<u>7,299,398</u>	<u>40,281,972</u>
Business-type activities:					
Kimball Towers	1,160,095	1,124,578	-	-	1,124,578
Morgan Towers	1,113,885	1,266,441	-	-	1,266,441
Total business-type activities	<u>2,273,980</u>	<u>2,391,019</u>	<u>-</u>	<u>-</u>	<u>2,391,019</u>
Total primary government	<u>\$ 75,220,816</u>	<u>\$ 22,077,932</u>	<u>\$ 13,295,661</u>	<u>\$ 7,299,398</u>	<u>\$ 42,672,991</u>

City of National City
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (660,196)	\$ -	\$ (660,196)
Public safety	(27,376,707)	-	(27,376,707)
Transportation	(1,176,659)	-	(1,176,659)
Community development	1,618,848	-	1,618,848
Health	879,330	-	879,330
Culture and leisure	(5,640,672)	-	(5,640,672)
Interest on long-term debt	(308,808)	-	(308,808)
Total governmental activities	<u>(32,664,864)</u>	<u>-</u>	<u>(32,664,864)</u>
Business-type activities:			
Kimball Towers	-	(35,517)	(35,517)
Morgan Towers	-	152,556	152,556
Total business-type activities	<u>-</u>	<u>117,039</u>	<u>117,039</u>
Total primary government	<u>(32,664,864)</u>	<u>117,039</u>	<u>(32,547,825)</u>
General revenues:			
Taxes:			
Property taxes	10,293,634	-	10,293,634
Sales taxes	29,170,512	-	29,170,512
Franchise taxes	1,922,723	-	1,922,723
Utilities user taxes	867,488	-	867,488
Transient occupancy taxes	1,611,788	-	1,611,788
Total taxes	<u>43,866,145</u>	<u>-</u>	<u>43,866,145</u>
Investment earnings	553,184	3,678	556,862
Miscellaneous	1,864	14,023	15,887
Total general revenues	<u>44,421,193</u>	<u>17,701</u>	<u>44,438,894</u>
Transfers			
Transfer to Successor Agency	(826,577)	-	(826,577)
Total transfers	<u>(826,577)</u>	<u>-</u>	<u>(826,577)</u>
Special items:			
Transfers of assets from Successor Agency (Note 14)	13,734,184	-	13,734,184
Total special items	<u>13,734,184</u>	<u>-</u>	<u>13,734,184</u>
Changes in net position	24,663,936	134,740	24,798,676
Net Position - beginning of year	119,370,966	6,901,233	126,272,199
Net Position - end of year	<u>\$ 144,034,902</u>	<u>\$ 7,035,973</u>	<u>\$ 151,070,875</u>



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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.

Housing Choice Voucher Program ("Section 8") Fund - This fund is used to account for the activities of housing assistance program funded by HUD. The program provides rental assistance to low income families by subsidizing a portion of the rent directly to landlords on behalf of very low income households.

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.

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

City of National City
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds			
	General Fund	Housing Special Revenue Fund	Housing Choice Voucher Program Special Revenue Fund	Sewer Service Special Revenue Fund
ASSETS				
Cash and investments	\$ 33,122,824	\$ 411,689	\$ 341,361	\$ 17,968,960
Receivables:				
Accounts	1,154,074	-	75,204	9,603
Taxes	6,515,987	-	-	13,271
Interest	86,803	757	-	28,031
Loans	-	11,154,497	-	-
Due from other funds	1,876,467	-	-	-
Due from other governments	105,016	-	-	-
Due from Successor Agency	-	-	-	262,895
Advances to other funds	4,941,000	-	-	-
Inventories and prepaid items	40,916	-	-	86
Land held for resale	5,784,182	1,245,000	-	-
Total assets	\$ 53,627,269	\$ 12,811,943	\$ 416,565	\$ 18,282,846
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,694,086	\$ -	\$ 5,281	\$ 291,971
Accrued liabilities	1,540,918	4,399	11,008	10,499
Due to other funds	-	-	-	-
Advances from other funds	-	4,941,000	-	-
Deposits	11,419	-	-	-
Unearned revenue	315,658	-	-	-
Total liabilities	3,562,081	4,945,399	16,289	302,470
Fund Balances:				
Nonspendable	10,766,098	-	-	-
Restricted	754,913	7,866,544	400,276	17,980,376
Committed	11,585,066	-	-	-
Assigned	14,792,381	-	-	-
Unassigned	12,166,730	-	-	-
Total fund balances	50,065,188	7,866,544	400,276	17,980,376
Total liabilities and fund balances	\$ 53,627,269	\$ 12,811,943	\$ 416,565	\$ 18,282,846

City of National City
Balance Sheet (Continued)
Governmental Funds
June 30, 2016

	<u>Major Funds</u>		
	<u>Other Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 6,251,959	\$ 4,456,777	\$ 62,553,570
Receivables:			
Accounts	9,867	82,981	1,331,729
Taxes	-	14,622	6,543,880
Interest	1,735	1,284	118,610
Loans	-	1,084,365	12,238,862
Due from other funds	-	-	1,876,467
Due from other governments	950,449	419,446	1,474,911
Due from Successor Agency	-	-	262,895
Advances to other funds	-	-	4,941,000
Inventories and prepaid items	-	-	41,002
Land held for resale	-	-	7,029,182
Total assets	<u>\$ 7,214,010</u>	<u>\$ 6,059,475</u>	<u>\$ 98,412,108</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,405,712	\$ 388,293	\$ 3,785,343
Accrued liabilities	8,036	93,792	1,668,652
Due to other funds	1,511,198	365,269	1,876,467
Advances from other funds	-	-	4,941,000
Deposits	237,035	-	248,454
Unearned revenue	-	-	315,658
Total liabilities	<u>3,161,981</u>	<u>847,354</u>	<u>12,835,574</u>
Fund Balances:			
Nonspendable	-	-	10,766,098
Restricted	4,622,887	5,463,222	37,088,218
Committed	-	-	11,585,066
Assigned	-	-	14,792,381
Unassigned	(570,858)	(251,101)	11,344,771
Total fund balances	<u>4,052,029</u>	<u>5,212,121</u>	<u>85,576,534</u>
Total liabilities and fund balances	<u>\$ 7,214,010</u>	<u>\$ 6,059,475</u>	<u>\$ 98,412,108</u>



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City of National City
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances - Total Governmental Funds	<u>\$ 85,576,534</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	146,413,209
Less: Internal Service Funds' Capital Assets	<u>(3,738,232)</u>
Total capital assets	<u>142,674,977</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>(90,092)</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	(1,962,327)
Compensated absences - due in more than one year	(1,821,032)
Claims payable - due within one year	(2,305,406)
Claims payable - due in more than one year	(5,822,594)
Long-term debt - due within one year	(1,324,604)
Long-term debt - due in more than one year	(9,343,418)
Net OPEB liability	<u>(897,788)</u>
	<u>(23,477,169)</u>
Less: Amount reported in Internal Service Funds	
Capital leases payable - due within one year	125,037
Capital leases payable - due in more than one year	1,175,905
Compensated absences - due within one year	106,953
Claims payable - due within one year	2,305,406
Claims payable - due in more than one year	<u>5,822,594</u>
	<u>9,535,895</u>
Net long-term liabilities	<u>(13,941,274)</u>
Pension contributions made during the year after the measurement date are reported as expenditures in governmental funds and as deferred outflow of resources in the government-wide financial statements.	
	7,345,638
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	
	(77,949,839)
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:	
Deferred amount on refunding	50,400
Difference between projected and actual earnings on pension plan investments are reported in the government-wide statements.	
Projected earnings over actual earnings	(7,849,166)
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>8,217,724</u>
Net Position of Governmental Activities	<u><u>\$ 144,034,902</u></u>

City of National City
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds			
	General Fund	Housing Special Revenue Fund	Housing Choice Voucher Program Special Revenue Fund	Sewer Service Special Revenue Fund
REVENUES:				
Taxes	\$ 41,734,974	\$ -	\$ -	\$ -
Licenses and permits	903,754	-	-	11,090
Fines and forfeitures	523,040	-	48,098	-
Use of money and property	1,236,582	36,969	16	113,515
Intergovernmental	2,285,530	-	10,524,259	-
Charges for services	2,462,552	-	-	7,686,520
Other revenues	3,726,733	-	40	-
Total revenues	52,873,165	36,969	10,572,413	7,811,125
EXPENDITURES:				
Current:				
General Government	6,638,782	-	-	-
Public Safety	30,906,623	-	-	-
Transportation	3,247,417	-	-	-
Community Development	166,779	325,858	10,375,798	-
Health	-	-	-	6,711,792
Culture and Leisure	3,105,160	-	-	-
Capital outlay	4,975,491	-	-	442,054
Debt service:				
Principal	54,208	-	3,947	15,574
Interest and fiscal charges	16,118	-	1,503	5,828
Total expenditures	49,110,578	325,858	10,381,248	7,175,248
REVENUES OVER (UNDER) EXPENDITURES	3,762,587	(288,889)	191,165	635,877
OTHER FINANCING SOURCES (USES):				
Transfers in	2,500,679	-	168,931	66,667
Transfers out	(2,127,763)	-	-	(600,000)
Transfers to Successor Agency	(826,577)	-	-	-
Total other financing sources (uses)	(453,661)	-	168,931	(533,333)
SPECIAL ITEMS:				
Transfers of assets from Successor Agency	5,784,182	6,000,000	-	-
CHANGES IN FUND BALANCES	9,093,108	5,711,111	360,096	102,544
FUND BALANCES:				
Beginning of year, as restated (Note 14)	40,972,080	2,155,433	40,180	17,877,832
End of year	\$ 50,065,188	\$ 7,866,544	\$ 400,276	\$ 17,980,376

City of National City
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds		
	Other Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ 318,023	\$ 3,421,962	\$ 45,474,959
Licenses and permits	207,295	-	1,122,139
Fines and forfeitures	-	75,232	646,370
Use of money and property	7,780	59,771	1,454,633
Intergovernmental	5,207,803	3,363,992	21,381,584
Charges for services	585,717	-	10,734,789
Other revenues	800	161,118	3,888,691
Total revenues	6,327,418	7,082,075	84,703,165
EXPENDITURES:			
Current:			
General Government	348,030	-	6,986,812
Public Safety	812,914	66,367	31,785,904
Transportation	-	1,299,559	4,546,976
Community Development	451,908	432,159	11,752,502
Health	111,344	764,665	7,587,801
Culture and Leisure	47,363	3,086,544	6,239,067
Capital outlay	6,718,808	4,601,392	16,737,745
Debt service:			
Principal	-	1,077,095	1,150,824
Interest and fiscal charges	30	341,244	364,723
Total expenditures	8,490,397	11,669,025	87,152,354
REVENUES OVER (UNDER) EXPENDITURES	(2,162,979)	(4,586,950)	(2,449,189)
OTHER FINANCING SOURCES (USES):			
Transfers in	160,000	2,007,711	4,903,988
Transfers out	(350,679)	-	(3,078,442)
Transfers to Successor Agency	-	-	(826,577)
Total other financing sources (uses)	(190,679)	2,007,711	998,969
SPECIAL ITEMS:			
Transfers of assets from Successor Agency	-	-	11,784,182
CHANGES IN FUND BALANCES	(2,353,658)	(2,579,239)	10,333,962
FUND BALANCES:			
Beginning of year	6,405,687	7,791,360	75,242,572
End of year	\$ 4,052,029	\$ 5,212,121	\$ 85,576,534

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 10,333,962
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 (net of \$1,782,300 added in internal service funds).	14,141,253
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 \$454,805.	(4,671,973)
Transfer of capital assets from the Fiduciary Funds did not provide current financial resources to the governmental funds but was recorded as a special item on the Government-Wide Statement of Activities.	1,950,002
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position.	(55,406)
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	1,150,824
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	1,605
Loss on refunding	(4,200)
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	(345,882)
Changes in net OPEB liabilities	(294,488)
Changes in net pension liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds (Note 10).	(3,318,260)
The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) increased Net Position.	7,062,355
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.	58,510
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.	(1,344,366)
Change in Net Position of Governmental Activities	<u><u>\$ 24,663,936</u></u>

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.



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City of National City
Statement of Net Position
Proprietary Funds
June 30, 2016

	Major Funds		Total	Governmental
	Kimball Towers	Morgan Towers		Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 89,534	\$ 11,674	\$ 101,208	\$ 14,632,906
Accounts receivable	395	-	395	-
Accounts receivable	-	-	-	24,468
Inventories	-	-	-	-
Prepaid items and deposits	88,521	88,893	177,414	55,780
Total current assets	<u>178,450</u>	<u>100,567</u>	<u>279,017</u>	<u>14,713,154</u>
Noncurrent assets:				
Restricted cash and investments with fiscal agents	1,287,890	743,495	2,031,385	10,334
Capital assets:				
Non-depreciable assets	315,814	212,568	528,382	-
Depreciable assets, net of accumulated depreciation	3,873,715	1,530,980	5,404,695	3,738,232
Total capital assets, net	<u>4,189,529</u>	<u>1,743,548</u>	<u>5,933,077</u>	<u>3,738,232</u>
Total noncurrent assets	<u>5,477,419</u>	<u>2,487,043</u>	<u>7,964,462</u>	<u>3,748,566</u>
Total assets	<u><u>5,655,869</u></u>	<u><u>2,587,610</u></u>	<u><u>8,243,479</u></u>	<u><u>18,461,720</u></u>
LIABILITIES AND NET POSITION				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	32,740	35,519	68,259	685,284
Salaries payable	7,656	7,764	15,420	22,817
Interest payable	-	5,568	5,568	-
Capital leases payable - due within one year	-	-	-	125,037
Compensated absences - due within one year	-	-	-	106,953
Note payable - due within one year	-	302,134	302,134	-
Claims payable - due within one year	-	-	-	2,305,406
Total current liabilities	<u>40,396</u>	<u>350,985</u>	<u>391,381</u>	<u>3,245,497</u>
Noncurrent liabilities:				
Tenant security deposit liability	45,333	44,959	90,292	-
Capital leases payable - due in more than one year	-	-	-	1,175,905
Note payable - due in more than one year	-	725,833	725,833	-
Claims payable - due in more than one year	-	-	-	5,822,594
Total noncurrent liabilities	<u>45,333</u>	<u>770,792</u>	<u>816,125</u>	<u>6,998,499</u>
Total liabilities	<u><u>85,729</u></u>	<u><u>1,121,777</u></u>	<u><u>1,207,506</u></u>	<u><u>10,243,996</u></u>
Net Position:				
Net investment in capital assets	4,189,529	715,581	4,905,110	2,437,290
Restricted:				
Debt service	-	743,495	743,495	10,334
Housing programs	1,287,890	-	1,287,890	-
Total restricted	<u>1,287,890</u>	<u>743,495</u>	<u>2,031,385</u>	<u>10,334</u>
Unrestricted	92,721	6,757	99,478	5,770,100
Total net position	<u><u>\$ 5,570,140</u></u>	<u><u>\$ 1,465,833</u></u>	<u><u>\$ 7,035,973</u></u>	<u><u>\$ 8,217,724</u></u>

See accompanying Notes to the Basic Financial Statements.

City of National City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Major Funds		Total	Governmental
	Kimball Towers	Morgan Towers		Activities Internal Service Funds
OPERATING REVENUES:				
Rental income	\$ 1,124,578	\$ 1,266,441	\$ 2,391,019	\$ -
Charges for services	-	-	-	10,016,208
Other	6,985	7,038	14,023	652,283
Total operating revenues	<u>1,131,563</u>	<u>1,273,479</u>	<u>2,405,042</u>	<u>10,668,491</u>
OPERATING EXPENSES:				
Operations and administration	520,800	512,060	1,032,860	4,972,133
Maintenance	448,364	407,143	855,507	4,691,298
Depreciation	190,931	113,539	304,470	454,805
Total operating expenses	<u>1,160,095</u>	<u>1,032,742</u>	<u>2,192,837</u>	<u>10,118,236</u>
OPERATING INCOME (LOSS)	<u>(28,532)</u>	<u>240,737</u>	<u>212,205</u>	<u>550,255</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	2,005	1,673	3,678	-
Interest expense	-	(81,143)	(81,143)	(69,075)
Total nonoperating revenues (expenses)	<u>2,005</u>	<u>(79,470)</u>	<u>(77,465)</u>	<u>(69,075)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(26,527)</u>	<u>161,267</u>	<u>134,740</u>	<u>481,180</u>
TRANSFERS:				
Transfers in	-	-	-	950,000
Transfers out	-	-	-	(2,775,546)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,825,546)</u>
CHANGES IN NET POSITION	<u>(26,527)</u>	<u>161,267</u>	<u>134,740</u>	<u>(1,344,366)</u>
NET POSITION:				
Beginning of year	5,596,667	1,304,566	6,901,233	9,562,090
End of year	<u>\$ 5,570,140</u>	<u>\$ 1,465,833</u>	<u>\$ 7,035,973</u>	<u>\$ 8,217,724</u>

City of National City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Major Funds		Total	Governmental
	Kimball Towers	Morgan Towers		Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,124,914	\$ 1,268,895	\$ 2,393,809	\$ -
Cash received from (payments to) other funds	-	-	-	9,991,740
Cash payments to supplier and employees for goods and services	(984,111)	(1,211,229)	(2,195,340)	(8,342,449)
Other operating revenues	6,985	7,038	14,023	652,283
Net cash provided by (used in) operating activities	147,788	64,704	212,492	2,301,574
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	-	-	-	(119,098)
Acquisition of capital assets	-	-	-	(1,766,602)
Net cash provided by (used in) capital and related financing activities	-	-	-	(1,885,700)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interest expense	-	(82,677)	(82,677)	(69,075)
Transfers in	-	-	-	950,000
Transfers (out)	-	-	-	(2,775,546)
Net cash provided by (used in) noncapital financing activities	-	(82,677)	(82,677)	(1,894,621)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	2,005	1,673	3,678	-
Net cash provided by (used in) investing activities	2,005	1,673	3,678	-
Net change in cash and cash equivalents	149,793	(16,300)	133,493	(1,478,747)
CASH AND CASH EQUIVALENTS:				
Beginning of year	1,227,631	771,469	1,999,100	16,121,987
End of year	<u>\$ 1,377,424</u>	<u>\$ 755,169</u>	<u>\$ 2,132,593</u>	<u>\$ 14,643,240</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 89,534	\$ 11,674	\$ 101,208	\$ 14,632,906
Restricted cash and investments with fiscal agents	1,287,890	743,495	2,031,385	10,334
Total cash and cash equivalents	<u>\$ 1,377,424</u>	<u>\$ 755,169</u>	<u>\$ 2,132,593</u>	<u>\$ 14,643,240</u>

City of National City
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2016

	Major Funds		Total	Governmental
	Kimball Towers	Morgan Towers		Activities Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (28,532)	\$ 240,737	\$ 212,205	\$ 550,255
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	190,931	113,539	304,470	454,805
Changes in operating assets and liabilities:				
Accounts receivable	336	2,454	2,790	(24,468)
Prepaid items and deposits	(1,825)	(282)	(2,107)	1,021,210
Accounts payable and accrued liabilities	3,584	3,862	7,446	60,240
Salaries payable	(17,247)	(12,700)	(29,947)	4,373
Tenant security deposit liability	541	264	805	-
Compensated absences	-	-	-	(6,841)
Claims payable	-	-	-	242,000
Notes payable	-	(283,170)	(283,170)	-
Total adjustments	176,320	(176,033)	287	1,751,319
Net cash provided by (used in) operating activities	\$ 147,788	\$ 64,704	\$ 212,492	\$ 2,301,574

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.

The Successor Agency to the Community Development Commission as the National City Redevelopment Agency ("Successor Agency") 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).



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City of National City
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency Funds	Successor Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments	\$ 1,021,572	\$ 14,184,806
Receivables:		
Account	-	10,963
Interest	-	11,353
Loans	-	496,390
Restricted cash and investments with fiscal agent	-	4,892,896
Land held for resale	-	195,000
Capital asset, net accumulated depreciation	-	450,000
Total assets	\$ 1,021,572	20,241,408
LIABILITIES		
Accounts payable and accrued liabilities	\$ 29,722	2,953,421
Accrued liabilities	-	-
Legal settlement payable	-	-
Due to City	-	262,895
Interest payable	-	1,302,527
Unearned revenue	-	-
Long-term debt	-	51,465,000
Developer deposits	-	25,000
Deposits payable	991,850	-
Total liabilities	\$ 1,021,572	56,008,843
NET POSITION		
Held in trust		(35,767,435)
Total net position		\$ (35,767,435)

City of National City
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	Successor Agency Private-Purpose Trust Fund
ADDITIONS:	
Property taxes	\$ 11,558,679
Investment income	121,350
Transfers in from City	826,577
Total additions	12,506,606
DEDUCTIONS:	
Enforceable obligations	3,156,315
Community development	15,410,056
Administrative expenses	4,362,163
Depreciation	41,665
Impairment loss on land held for resale	4,299,943
Total deductions	27,270,142
SPECIAL ITEMS:	
Transfer of assets to City (Note 14)	(13,734,184)
Addition of assets from LRPMP (Note 14)	433,616
Total special items	(13,300,568)
Changes in Net Position	(28,064,104)
NET POSITION:	
Beginning of period	(7,703,331)
End of period	\$ (35,767,435)

City of National City
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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City of National City
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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 (“US 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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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 US Department of Housing and Urban Development (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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

B. Basis of Accounting and Measurement Focus (Continued)

Government - Wide Financial Statements (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 nonmajor 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. The major revenue source for this fund is program income.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Housing Choice Voucher Program (“Section 8”) Special Revenue Fund - This fund is used to account for the activities of 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. The major revenue source for this fund is Housing Assistance Payments and Administrative Fees.

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. The major revenue source for this fund is the sewer service fee.

Other Special Revenue Funds - This represents a combination of minor and less active funds that the City has combined for reporting purposes. The major revenue sources consist of intergovernmental revenues, user-charge fees, franchise fees, and development impact fees.

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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

Facilities Maintenance Fund—This fund is used to account for the cost of maintaining all City-owned buildings in a clean, safe, workable, and pleasant condition. The source of revenue is reimbursement from City departments and/or programs in a cost-reimbursement basis.

Liability Insurance Fund—This fund is used to account for the costs of maintaining the City’s Worker’s Compensation and liability insurance programs. The source of revenue is reimbursement from City departments and/or programs in a cost-reimbursement basis.

Information Systems Maintenance Fund—This fund is used to account for the costs to replace City office equipment and information technology software and hardware. The source of revenue is reimbursement from City departments and/or programs in a cost-reimbursement basis.

Office Equipment Depreciation Fund—This fund is used to account for the costs to replace City office equipment. The source of revenue is reimbursement from City departments and/or programs in a cost-reimbursement basis.

Telecommunications Revolving Fund—This fund is used to account for the costs of maintaining the City’s telecommunication systems. The source of revenue is reimbursement from City departments and/or programs in a cost-reimbursement basis.

Motor Vehicle Service Fund—This fund is used to account for the City’s costs of preventative maintenance and repairs for its fleet, including police, fire, general administrative, park, sewer, and public works equipment. The source of revenue is reimbursement from City departments and/or programs in a cost-reimbursement basis.

Vehicle Replacement Fund—This fund is used to account for the costs to replace City equipment, including fleet vehicles. The source of revenue is reimbursement from City departments and/or programs in a cost-reimbursement basis.

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.

Fiduciary fund types are accounted for according to the nature of the fund. The City’s Agency funds (Cobra Insurance and Miscellaneous Developer’s Deposits) are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The Cobra Insurance Agency Fund accounts for the collection of medical and dental health insurance premiums. The Miscellaneous Developer’s Deposits Agency Fund accounts for private development project performance deposits. 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

B. Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements (Continued)

The *Community Development Commission as the National City Redevelopment Agency Successor Agency (the “Successor Agency”)* 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. Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value, and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, which are observable for the assets or liabilities through corroboration with market data at the measurement date.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

D. Fair Value Measurement (Continued)

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

E. 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.

F. 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.

G. 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.”

H. 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

H. Capital Assets (Continued)

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

I. 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.

J. 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.

K. 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

L. 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.

M. 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 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.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

O. 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.

P. 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. Adoption of a resolution by the City Council is required to commit resources or rescind the commitment. The action that constitutes the most binding constraint (i.e. ordinance) of the City’s highest level of decision-making authority, City Council, commits fund balance for specific purposes. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

Q. 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.

R. Use of Estimates

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

S. Accounting Changes

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. This pronouncement provides guidance for determining fair value measurement for financial reporting purposes and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Governments are required to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. Required disclosures include the level of fair value hierarchy and valuation techniques and should be organized by type of asset or liability. This pronouncement is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. This pronouncement did not have a material effect on the financial statements of the City.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for the City's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017. This pronouncement did not have a material effect on the financial statements of the City.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for the City's fiscal year ending June 30, 2016. This pronouncement did not have a material effect on the financial statements of the City.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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

S. Accounting Changes (Continued)

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes standards relating to accounting and financial reporting for certain investment pools and pool participants. This statement became effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This statement did not have a significant impact on the City's financial statements for the year ended June 30, 2016.

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, 2016.

	Government-Wide Statement of Net Position			Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Position	Total
Cash and investments	\$ 77,186,476	\$ 101,208	\$ 77,287,684	\$ 15,206,378	\$ 92,494,062
Restricted cash and investments:					
Held by fiscal agents	10,334	2,031,385	2,041,719	4,892,896	6,934,615
Total restricted cash and investments	10,334	2,031,385	2,041,719	4,892,896	6,934,615
Total cash and investments	\$ 77,196,810	\$ 2,132,593	\$ 79,329,403	\$ 20,099,274	\$ 99,428,677

Cash, cash equivalents and investments consisted of the following at June 30, 2016:

Petty cash	\$ 3,560
Deposits with financial institution	20,063,669
Investments	72,426,833
Investments held by bond trustee	6,934,615
Total cash and investments	\$ 99,428,677

A. Deposits

The carrying amount of the City's cash deposits were \$20,063,669 at June 30, 2016. Bank balances before reconciling items were \$20,578,929 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

A. Deposits (Continued)

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.

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%	5%
Negotiable Certificates of Deposits	5 years	30%	5%
Commercial Paper	270 days	25%	5%
State and Local Agency Bond Issues	5 years	None	10%
US Treasury Obligations	5 years	None	None
US Agency Securities	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	5 years	None	10%
Money Market Mutual Funds	N/A	20%	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%
Supranationals	5 years	30%	10%

* 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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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
US Treasury Obligations	None	None	None
US Agency Securities	None	None	None
Banker's Acceptances	180 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. Fair Value Measurement

As of June 30, 2016, the City's investments had the following recurring fair value measurements:

Investment Type	Level 2	Percent of Total
LAIF	\$ 44,761,434	61.80%
Money Market Funds	31,681	0.04%
San Diego County Investment Pool	5,082,765	7.02%
Supranational	449,667	0.62%
US Corporate	1,952,278	2.70%
US Treasury Obligations	7,099,744	9.80%
US Agency Securities	13,049,264	18.02%
Total Investments	\$ 72,426,833	

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

D. 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 requirements, the CDC maintains the following:

	Kimball Towers	Morgan Towers	Total
Replacement reserve	\$ 310,622	\$ 391,027	\$ 701,649
Residual receipts reserve	-	340,175	340,175
MIP and insurance impounds reserve	-	12,293	12,293
Other	977,268	-	977,268
Total restricted cash and investments	\$ 1,287,890	\$ 743,495	\$ 2,031,385

Kimball Towers

Reserve for replacements of \$310,622 represents a balance held in trust by the City of National City Community Development Commission.

Other restricted cash and investments totaling \$977,268 are included in the accompanying basic financial statements.

Morgan Towers

Reserve for replacements of \$391,027 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 \$340,175 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 totaling \$12,293, represents amounts held for the future payment of property and mortgage insurance.

E. 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, except as otherwise stated in the investment policy. Specific maturities of investments depend on liquidity needs. At June 30, 2016, the City's pooled cash and investments had the following maturities:

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

E. Risks Disclosures (Continued)

Interest Rate Risk (Continued)

As of June 30, 2016, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		1 year or less	1 to 2 years	2-3 years	3-4 years	4-5 years
LAIF	\$ 44,761,434	\$ 44,761,434	\$ -	\$ -	\$ -	\$ -
Money Market Funds	31,681	31,681	-	-	-	-
San Diego County Investment Pool	5,082,765	5,082,765	-	-	-	-
Supranational	449,667	-	-	449,667	-	-
US Corporate	1,952,278	545,657	1,406,621	-	-	-
US Treasury Obligations	7,099,744	2,013,816	2,097,120	1,748,999	1,239,809	-
US Agency Securities	13,049,264	4,078,195	4,684,227	1,888,319	1,829,745	568,778
Total Investments	\$ 72,426,833	\$ 56,513,548	\$ 8,187,968	\$ 4,086,985	\$ 3,069,554	\$ 568,778

The weighted average maturity of the portfolio was 1.38 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.

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

Investment Type	Fair Value	Moody's	Standard & Poor's
LAIF	\$ 44,761,434	Not Rated	Not Rated
Money Market Funds	31,681	Aaa	AAA
San Diego County Investment Pool	5,082,765	Not Rated	Not Rated
Supranational	449,667	Aaa	AAA
US Corporate	1,952,278	Various	Various
US Treasury Obligations	7,099,744	Aaa	AA+
US Agency Securities	13,049,264	Aaa	AA+
	\$ 72,426,833		

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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 2 – Cash and Investments (Continued)

E. Risks Disclosures (Continued)

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	\$ 44,761,434
San Diego County Investment Pool	San Diego County Pooled Investment Fund	5,082,765
US Treasury Obligations	US Treasury Obligations	7,099,744
Federal Home Loan Mortgage Corporation	Federal Agency Securities	3,923,653

F. 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, 2016 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.

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, 2016, the City had \$44,761,434 invested in LAIF, which had invested 2.81% 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, 2016, 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, 2016.

G. 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.sdtreastax.com>.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Loans Receivable

A. Government-Wide Financial Statements

At June 30, 2016, the City had the following loans receivable, including principal and accrued interest:

Copper Hills Apartments, LP	\$	7,171,473
Plaza City Apartments, LP		3,422,000
Home Improvement Loan Program		54,879
First Time Home Buyers Program		3,021,870
Owner Occupied Loan Program		661,039
Rental Rehabilitation Loan Program		3,332,500
Paradise Creek, LP		6,000,000
Subtotal		23,663,761
Less: Contractual Allowance		(11,424,899)
Total	\$	12,238,862

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, 2016, the outstanding balance was \$7,171,473.

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, 2016, 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, 2016, the outstanding balance of the loans made was \$54,879.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Loans Receivable (Continued)

A. Government-Wide Financial Statements (Continued)

First Time Home Buyers program

The City of National City First-Time Homebuyer Assistance Program is currently funded through HUD 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, 2016, the outstanding balance of the loans made was \$3,021,870.

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, 2016, the outstanding balance of the loans made was \$661,039.

Rental Rehabilitation program

The City of National City Rental Rehabilitation Loan Program is administered by the Housing Authority and funded through HUD 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, 2016, the outstanding balance of loans made was \$3,332,500.

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. During 2016, the loan receivable was transferred from the Successor Agency to the City and was recorded as a special item. As of June 30, 2016, the note receivable amount is \$6,000,000. 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”).

B. Fiduciary Fund Financial Statements

At June 30, 2016, the Agency had the following loans receivable, including principal and accrued interest:

National City Mile of Cars	\$	496,390
Total	\$	496,390

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 3 – Loans Receivable (Continued)

B. Fiduciary Fund Financial Statements (Continued)

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, 2016, the note receivable amount was \$496,390. The Participant agrees to execute a promissory note by which agree to repay the Commission the full amount of the rehabilitation loan plus interest.

Note 4 – Interfund Balances and Transactions

A. Due to/Due from other funds

At June 30, 2016, interfund receivables and payables were as follows:

	Due To Other Funds				Total
	Housing Choice Voucher Program Special Revenue Fund	Other Special Revenue Fund	Nonmajor Governmental Funds		
	Due From Other Funds				
General Fund	\$ -	\$ 1,511,198	\$ 365,269	\$ 1,876,467	
Total	\$ -	\$ 1,511,198	\$ 365,269	\$ 1,876,467	

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, 2016, long-term advances balances were as follows:

	Advances To Other Funds	
	General Fund	Total
Housing Fund	\$ 4,941,000	\$ 4,941,000
Total	\$ 4,941,000	\$ 4,941,000

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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 4 – Interfund Balances and Transactions (Continued)

C. Transfers In/Out

For the year ended June 30, 2016, interfund transfers were as follows:

	Transfers In						Total
	General Fund	Housing Choice Voucher Program Special Revenue Fund	Sewer Service Special Revenue Fund	Other Special Revenue Fund	Non-major Governmental Funds	Governmental Activities Internal Service Funds	
Transfers Out							
General Fund	\$ -	\$ 130,288	\$ -	\$ 160,000	\$ 1,837,475	\$ -	\$ 2,127,763
Sewer Service Special Revenue Fund	-	-	-	-	-	600,000	600,000
Other Special Revenue Fund	679	-	-	-	-	350,000	350,679
Governmental Activities Internal Service Funds	2,500,000	38,643	66,667	-	170,236	-	2,775,546
Total	<u>\$ 2,500,679</u>	<u>\$ 168,931</u>	<u>\$ 66,667</u>	<u>\$ 160,000</u>	<u>\$ 2,007,711</u>	<u>\$ 950,000</u>	<u>\$ 5,853,988</u>

General Fund – The General Fund budgeted transfers were for operating support to subsidize library operations, park maintenance operations, nutrition center operations, housing choice voucher program, and retiree health benefit program. The total amount of operating support transferred to the aforementioned operations and programs were \$2,127,763.

Sewer Service Special Revenue Fund – The budgeted transfer from the Sewer Service Special Revenue Fund to the Vehicle Replacement Fund was to fund the purchase of one (1) heavy-duty sewer maintenance/flusher truck.

Other Special Revenue Fund – The budgeted transfer from the Trash Rate Stabilization Fund to the Vehicle Replacement Fund was to fund the purchase of one (1) heavy-duty street sweeper.

Governmental Activities Internal Service Funds – The transfers were made from the Facilities Maintenance Fund, Information Systems Maintenance Fund, and Motor Vehicle Services Fund to the Housing Choice Voucher Program Fund, Gas Taxes Fund, and Sewer Service Special Revenue Fund to return excess of fund balance to the originating funding source.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 5 – Capital Assets

A. Governmental Activities

During the year, resulting from the State Department of Finance’s final review of the Successor Agency’s Long Range Property Management Plan (LRPMP), \$1,950,002 of capital assets held by the Successor Agency was determined to be for general government use and was transferred to the City.

A summary of changes in capital assets for governmental activities for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	LRPMP Transfer	Additions	Deletions	CIP Transfers	Balance June 30, 2016
Capital assets, not being depreciated:						
Land	\$ 20,411,750	\$ 1,600,000	\$ -	\$ -	\$ -	\$ 22,011,750
Right of way	4,245,088	-	-	-	-	4,245,088
Construction in progress	29,969,669	-	13,907,002	-	(10,832,851)	33,043,820
Total capital assets, not being depreciated	54,626,507	1,600,000	13,907,002	-	(10,832,851)	59,300,658
Capital assets, being depreciated:						
Buildings and improvements	43,486,407	1,650,000	-	-	5,473,229	50,609,636
Machinery and equipment	15,205,510	-	2,016,551	(359,331)	-	16,862,730
Infrastructure	116,361,664	-	-	(105,311)	5,359,622	121,615,975
Subtotal	175,053,581	1,650,000	2,016,551	(464,642)	10,832,851	189,088,341
Less accumulated depreciation						
Buildings and improvements	(21,915,401)	(1,299,998)	(1,604,972)	-	-	(24,820,371)
Machinery and equipment	(11,362,293)	-	(828,834)	343,632	-	(11,847,495)
Infrastructure	(62,664,858)	-	(2,692,971)	49,905	-	(65,307,924)
Subtotal	(95,942,552)	(1,299,998)	(5,126,777)	393,537	-	(101,975,790)
Total capital assets, being depreciated	79,111,029	350,002	(3,110,226)	(71,105)	10,832,851	87,112,551
Total capital assets, net	\$ 133,737,536	\$ 1,950,002	\$ 10,796,776	\$ (71,105)	\$ -	\$ 146,413,209

Depreciation expense was charged to functions/programs as follows:

General Government	\$ 248,234
Public Safety	1,022,256
Transportation	2,758,913
Community Development	29,722
Culture and Leisure	612,847
Internal Service Fund	454,805
Total depreciation expense	\$ 5,126,777

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
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	15,654,171	-	-	15,654,171
Furniture and equipment	796,638	-	-	796,638
Subtotal	16,450,809	-	-	16,450,809
Less accumulated depreciation				
Building and improvements	(10,217,197)	(283,507)	-	(10,500,704)
Furniture and equipment	(524,447)	(20,963)	-	(545,410)
Subtotal	(10,741,644)	(304,470)	-	(11,046,114)
Total capital assets, being depreciated	5,709,165	(304,470)	-	5,404,695
Total capital assets, net	\$ 6,237,547	\$ (304,470)	\$ -	\$ 5,933,077

Depreciation expense for business-type activities for the year ended June 30, 2016 was as follows:

Kimball Towers	\$ 190,931
Morgan Towers	113,539
Total depreciation expense	\$ 304,470

C. Fiduciary Funds Financial Statements

During the year, resulting from the State Department of Finance’s final review of the Successor Agency’s Long Range Property Management Plan (LRPMP), \$1,950,002 of capital assets held by the Successor Agency was determined to be for general government use and was transferred to the City.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 5 – Capital Assets (Continued)

C. Fiduciary Funds Financial Statements (Continued)

A summary of changes in capital assets for fiduciary funds for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	LRPMP Transfer	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:					
Land	\$ 2,050,000	\$ (1,600,000)	\$ -	\$ -	\$ 450,000
Total capital assets, not being depreciated	<u>2,050,000</u>	<u>(1,600,000)</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
Capital assets, being depreciated:					
Buildings	2,450,000	(1,650,000)	-	-	800,000
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	81,163	-	-	-	81,163
Subtotal	<u>2,531,163</u>	<u>(1,650,000)</u>	<u>-</u>	<u>-</u>	<u>881,163</u>
Less accumulated depreciation					
Buildings	(2,058,333)	1,299,998	(41,665)	-	(800,000)
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	(81,163)	-	-	-	(81,163)
Subtotal	<u>(2,139,496)</u>	<u>1,299,998</u>	<u>(41,665)</u>	<u>-</u>	<u>(881,163)</u>
Total capital assets, being depreciated	<u>391,667</u>	<u>(350,002)</u>	<u>(41,665)</u>	<u>-</u>	<u>-</u>
Total capital assets, net	<u>\$ 2,441,667</u>	<u>\$ (1,950,002)</u>	<u>\$ (41,665)</u>	<u>\$ -</u>	<u>\$ 450,000</u>

Depreciation expense for fiduciary fund financial statements for the year ended June 30, 2016 was \$41,665.

Note 6 – Long-Term Debt

A. Governmental Activities

A summary of changes in governmental activities long-term debt for the year ended June 30, 2016 is as follows:

	Balance June 30, 2015	Debt Issued	Debt Retired	Balance June 30, 2016	Classification	
					Due within One Year	Due in More Than One Year
Long-term Debt:						
2012 General Obligation Bonds	\$ 4,405,000	\$ -	\$ (250,000)	\$ 4,155,000	\$ 255,000	3,900,000
Bond Premium	20,863	-	(1,605)	19,258	-	19,258
Lease Revenue Refunding Bonds	1,425,000	-	(460,000)	965,000	475,000	490,000
Section 108 Bonds	4,140,000	-	(335,000)	3,805,000	365,000	3,440,000
Capital Leases	1,948,686	-	(225,202)	1,723,764	229,604	1,494,160
Total long-term debt	<u>\$ 11,939,549</u>	<u>\$ -</u>	<u>\$ (1,271,807)</u>	<u>\$ 10,668,022</u>	<u>\$ 1,324,604</u>	<u>\$ 9,343,418</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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, 2016 the outstanding balance is \$4,155,000.

The annual debt service requirements for the 2012 General Obligation Refunding Bonds outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 255,000	\$ 122,263	\$ 377,263
2018	265,000	115,763	380,763
2019	275,000	109,013	384,013
2020	280,000	102,075	382,075
2021	290,000	94,225	384,225
2022-2026	1,640,000	329,981	1,969,981
2027-2029	1,150,000	61,020	1,211,020
Total	\$ 4,155,000	\$ 934,340	\$ 5,089,340

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, 2016 the outstanding balance is \$965,000.

The annual debt service requirements for the NCJPFA Lease Revenue Refunding Bonds outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 475,000	\$ 21,825	\$ 496,825
2018	490,000	7,350	497,350
Total	\$ 965,000	\$ 29,175	\$ 994,175

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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, 2016 the outstanding balance is \$3,805,000.

The annual debt service requirements for the Section 108 Bonds outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 365,000	\$ 199,721	\$ 564,721
2018	390,000	179,934	569,934
2019	420,000	158,320	578,320
2020	455,000	134,601	589,601
2021	485,000	108,769	593,769
2022-2024	1,690,000	148,393	1,838,393
Total	\$ 3,805,000	\$ 929,738	\$ 4,734,738

Capital Leases

	Balance July 1, 2015	Debt Issued	Debt Retired	Balance June 30, 2016	Classification	
					Due within One Year	Due in More Than One Year
Honeywell Lease	\$ 1,353,373	\$ -	\$ (107,386)	\$ 1,245,987	\$ 112,800	\$ 1,133,187
CAT Loader Equipment	9,030	-	(9,030)	-	-	-
Fleet Vehicle Lease	586,283	-	(108,506)	477,777	116,804	360,973
Total	\$ 1,948,686	\$ -	\$ (224,922)	\$ 1,723,764	\$ 229,604	\$ 1,494,160

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, 2016 on this contract was \$1,245,987.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 112,800	\$ 59,604	\$ 172,404
2018	118,489	53,916	172,405
2019	124,463	47,941	172,404
2020	130,740	41,665	172,405
2021	137,332	35,072	172,404
2022-2025	622,163	67,454	689,617
Total	\$ 1,245,987	\$ 305,652	\$ 1,551,639

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Capital Leases (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, 2016 had been paid in full.

Enterprise Car Lease

A ten year contract was entered into during 2015 with Enterprise Fleet Management, Inc. to lease approximately 74 vehicles for City-use with each vehicle having a five-year payment plan. Annual payments of principal and interest are \$148,195. The balance at June 30, 2016 was \$477,777.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 116,804	\$ 31,391	\$ 148,195
2018	125,739	22,456	148,195
2019	135,361	12,834	148,195
2020	99,873	3,021	102,894
Total	\$ 477,777	\$ 69,702	\$ 547,479

B. Business-Type Activities

	Balance July 1, 2015	Debt Issued	Debt Retired	Balance June 30, 2016	Classification	
					Due within One Year	Due in More Than One Year
Morgan Towers Notes Payable	\$ 1,311,137	\$ -	\$ (283,170)	\$ 1,027,967	\$ 302,134	\$ 725,833
Total	\$ 1,311,137	\$ -	\$ (283,170)	\$ 1,027,967	\$ 302,134	\$ 725,833

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, 2016, the outstanding balance is \$1,027,967. The annual debt service payments are as follows:

Year Ending June 30,	Principal	Interest	Total
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	\$ 1,027,967	\$ 112,197	\$ 2,168,131

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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, 2016 is as follows:

	Balance July 1, 2015	Debt Issued	Debt Retired	Balance June 30, 2016	Classification	
					Due within One Year	Due in More Than One Year
1999 Tax Allocation Bonds	\$ 3,405,000	\$ -	\$ (155,000)	\$ 3,250,000	\$ 165,000	\$ 3,085,000
2004 Tax Allocation Bonds	3,145,000	-	(3,145,000)	-	-	-
2005A Tax Allocation Bonds	3,670,000	-	(3,670,000)	-	-	-
2005B Tax Allocation Bonds	9,840,000	-	-	9,840,000	760,000	9,080,000
2011 Tax Allocation Bonds	38,690,000	-	(315,000)	38,375,000	1,145,000	37,230,000
Total	\$ 58,750,000	\$ -	\$ (7,285,000)	\$ 51,465,000	\$ 2,070,000	\$ 49,395,000

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%.

1999 Tax Allocation Bonds (Continued)

The annual debt service requirements for the 1999 Tax Allocations Bonds outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 165,000	\$ 161,550	\$ 326,550
2018	175,000	153,050	328,050
2019	180,000	144,175	324,175
2020	190,000	134,925	324,925
2021	200,000	125,050	325,050
2022-2026	1,170,000	456,126	1,626,126
2027-2030	1,170,000	123,769	1,293,769
Total	\$ 3,250,000	\$ 1,298,645	\$ 4,548,645

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%. At June 30, 2016, the 2004 Tax Allocation Bonds had been paid in full.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

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. At June 30, 2016, the 2005 Series A Tax Allocation Bonds had been paid in full.

The annual debt service requirements for the 2005 Series B Tax Allocation Bonds outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 760,000	\$ 430,252	\$ 1,190,252
2018	790,000	400,407	1,190,407
2019	825,000	368,502	1,193,502
2020	855,000	334,902	1,189,902
2021	890,000	297,777	1,187,777
2022-2026	3,615,000	1,022,876	4,637,876
2027-2031	1,650,000	287,433	1,937,433
2032-2033	455,000	24,279	479,279
Total	\$ 9,840,000	\$ 3,166,428	\$ 13,006,428

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%.

The annual debt service requirements for the 2011 Tax Allocation Bonds outstanding at June 30, 2016 are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,145,000	\$ 2,487,075	\$ 3,632,075
2018	1,255,000	2,427,075	3,682,075
2019	1,315,000	2,362,825	3,677,825
2020	1,445,000	2,292,019	3,737,019
2021	1,520,000	2,210,388	3,730,388
2022-2026	9,795,000	9,344,144	19,139,144
2027-2031	14,400,000	5,375,300	19,775,300
2032-2033	7,500,000	533,750	8,033,750
Total	\$ 38,375,000	\$ 27,032,576	\$ 65,407,576

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

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.

In fiscal year 2016, the amount of property tax revenue deposited to the RPTTF for the Successor Agency totaled \$16,352,027. After deductions for County administrative fees and pass-through payments, the RPTTF revenue available for distribution to the Successor Agency was \$12,686,487. The actual amount of RPTTF revenue authorized by the State Department of Finance to be distributed to the Successor Agency was \$11,558,679. Total scheduled debt service for all Tax Allocation Bonds (TABs) was \$7,852,243, 62% of the RPTTF revenue available to the Successor Agency. In addition to the scheduled debt service payments, the Successor Agency exercised its option to redeem early the remaining principal balance of \$2,815,000 on the 2004 TABs. For fiscal year 2017, primarily as a result of the final payment on the 2005 Series A bonds being made in August 2015, the annual principal and interest payments on the remaining TABs (1999, 2005B, and 2011) drop to approximately \$5.2 million, which equals about 40% of the RPTTF revenue projected to be available for distribution to the Successor Agency. Beyond fiscal year 2017 and through final maturity in fiscal year 2033, the percentage is initially expected to hold at about 40% of available RPTTF, but gradually drop further as total payments decrease and the amount of available RPTTF grows as a result of expected growth in assessed values attributable to the former redevelopment area.

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Classification	
					Due within One Year	Due in More Than One Year
Compensated Absences	\$ 3,444,318	\$ 2,301,368	\$ (1,962,327)	\$ 3,783,359	\$ 1,962,327	\$ 1,821,032
Total	\$ 3,444,318	\$ 2,301,368	\$ (1,962,327)	\$ 3,783,359	\$ 1,962,327	\$ 1,821,032

The City’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$3,783,359 at June 30, 2016. For the governmental activities claims and judgments and compensated absences are generally liquidated by the General Fund.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 7 – Compensated Absences (Continued)

Compensated absences at June 30, 2016 are obligations of the following funds:

Governmental Funds	\$ 3,676,406
Facilities Maintenance	35,273
Liability Insurance	3,383
Information Systems Maintenance	26,910
Motor Vehicle Services	41,387
Total	<u><u>\$ 3,783,359</u></u>

Note 8 – Other Required Fund Disclosures

At June 30, 2016, the following funds had deficit fund equity:

Fund Type	Funds	Deficit
Special Revenue Fund	Brownfields Grant Fund	\$ (3,131)
Capital Projects Fund	Proposition A	\$ (247,970)
Fiduciary Fund	Successor Agency To the Community Development Commission of National City Private-Purpose Trust Fund	<u><u>\$ (35,767,435)</u></u>

Brownfields Grant Fund Special Revenue Fund – The Brownfields Grant Fund had a deficit of \$(3,131) resulting from operations during 2016. The deficit will be eliminated via interfund transfer in fiscal year 2017.

Proposition A Capital Projects Fund – The Proposition A Capital Projects Fund had a deficit of \$(247,970) resulting from increased capital outlay during 2016. The deficit will be eliminated via interfund transfer in fiscal year 2017.

Community Development Commission as the National City Redevelopment Agency (the “Successor Agency”) Private-Purpose Trust Fund - The Successor Agency to the Community Development Commission of National City Private-Purpose Trust Fund had an accumulated deficit of \$(35,767,435). The City expects to repay the amount through tax increment.

At June 30, 2016, the City had an unrestricted net position deficit of \$(26,157,042) on the Statement of Activities. This deficit was created from the implementation of GASB 68 in fiscal year 2015.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

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.

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, 2016, the City accrued \$8,128,000 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, 2016 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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Claims liabilities - beginning balance	\$ 7,886,000	\$ 7,443,000	\$ 6,776,000
Incurred claims, representing the total of a provision for events of the current fiscal year and any change in the provision for events of prior fiscal years	2,257,682	2,748,406	2,643,254
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(2,015,682)</u>	<u>(2,305,406)</u>	<u>(1,976,254)</u>
Claims liabilities - ending balance	<u>\$ 8,128,000</u>	<u>\$ 7,886,000</u>	<u>\$ 7,443,000</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans

A. Summary

Net Pension Liability

Aggregate Net Pension Liability is reported in the accompanying statement of net position as follows:

	Net Pension Liability
Miscellaneous Plan	\$ 26,305,423
Safety Plan	51,644,416
Total	\$ 77,949,839

Deferred Outflows of Resources

Deferred Outflows of Resources are reported in the accompanying statement of net position as follows:

	Deferred employer pension contributions made after measurement date
Miscellaneous Plan	\$ 2,369,792
Safety Plan	4,975,846
Total	\$ 7,345,638

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans (Continued)

A. Summary (Continued)

Deferred Inflows of Resources

Deferred Inflows of Resources are reported in the accompanying statement of net position as follows:

	Changes of assumptions	Negative differences between expected and actual experience	Investment earnings greater than expected earnings	Total pension-related deferred inflows
Miscellaneous Plan	\$ 1,134,562	\$ 986,725	\$ 751,828	\$ 2,873,115
Safety Plan	2,202,118	1,745,153	1,028,780	4,976,051
Total	\$ 3,336,680	\$ 2,731,878	\$ 1,780,608	\$ 7,849,166

Pension Expense

Pension expenses are included in the accompanying statement of revenues, expenses, and Change in Net Position as follows:

	Net Pension Expense
Miscellaneous Plan	\$ 529,801
Safety Plan	3,335,001
Total	\$ 3,864,802

B. CalPERS Pension Plans

Plan Description

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Plan and Miscellaneous Plan Agent multiple-employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee's Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic CalPERS member or PEPRA Safety member becomes eligible for Service Retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 or 12 consecutive months' fulltime equivalent monthly pay. Retirement benefits for classic miscellaneous employees are calculated as 2% to 2.7% of the average final 12 months compensation. Retirement benefits for PEPRA miscellaneous employees are calculated as 2% of the average final 36 months compensation. Retirement benefits for classic safety employees are calculated as 3% of the average final 12 months compensation. Retirement benefits for PEPRA safety employees are calculated as 2.7% of the average final 36 months compensation.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Benefits Provided (Continued)

Participant is eligible for nonindustrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard nonindustrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees. The City provides industrial disability retirement benefit to safety employees. The industrial disability retirement benefit is a monthly allowance equal to 50 percent of final compensation.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Employees Covered – At June 30, 2014, the valuation date, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Active employees	179	120
Transferred and terminated employees	232	70
Retired employees and beneficiaries	262	212

Contributions – Section 20814(c) of the California Public Employees' Retirement Law ("PERL") requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015, the average active miscellaneous and safety employee contribution rates were 8% and 9% of annual pay, respectively, and the employer's contribution rates were 23.149% and 42.973% of miscellaneous and safety employee annual payroll, respectively.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Benefits Provided (Continued)

For the year ended June 30, 2016, the contributions were:

	Miscellaneous	Safety	Aggregate Total
Contributions - employer	\$ 2,056,706	\$ 4,463,726	\$ 6,520,432

Net Pension Liability

The City's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change of Assumption

In accordance with GASB 68, the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.5% (net of administrative expense in 2014) to 7.65% as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expenses.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Net Pension Liability (Continued)

Change of Assumption (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent, which is net of administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Council action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least fiscal year 2018. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Net Pension Liability (Continued)

Change of Assumption (Continued)

The long-term expected rate of return by asset class for the measurement period ended June 30, 2015 was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	50.00%	5.25%	5.71%
Global Fixed Income	17.00%	0.99%	2.43%
Inflation Sensitive	4.00%	0.45%	3.36%
Private Equity	14.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	0.00%	4.50%	5.09%
Liquidity	4.00%	-0.55%	-1.05%
	<u>100%</u>		

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period:

	Miscellaneous Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014 (Valuation Date)	\$ 109,614,331	\$ 84,752,982	\$ 24,861,349
Changes in the year:			
Service cost	1,811,929	-	1,811,929
Interest on the total pension liabilities	7,985,539	-	7,985,539
Changes of Assumptions	(1,944,963)	-	(1,944,963)
Differences between expected and actual experience	(1,691,529)	-	(1,691,529)
Benefit payments, including refunds of members contributions	(4,995,309)	(4,995,309)	-
Contributions - employer	-	2,056,706	(2,056,706)
Contributions - employee	-	895,912	(895,912)
Net investment income	-	1,859,184	(1,859,184)
Administrative expenses	-	(94,900)	94,900
Net changes	<u>1,165,667</u>	<u>(278,407)</u>	<u>1,444,074</u>
Balance at June 30, 2015 (Measurement Date)	<u>\$ 110,779,998</u>	<u>\$ 84,474,575</u>	<u>\$ 26,305,423</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Changes in the Net Pension Liability (Continued)

	Safety Plan		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2014 (Valuation Date)	\$ 166,345,539	\$ 116,575,309	\$ 49,770,230
Changes in the year:			
Service cost	3,185,323	-	3,185,323
Interest on the total pension liabilities	12,122,308	-	12,122,308
Changes of Assumptions	(3,049,086)	-	(3,049,086)
Differences between expected and actual experience	(2,416,366)	-	(2,416,366)
Benefit payments, including refunds of members contributions	(8,022,441)	(8,022,441)	-
Contributions - employer	-	4,463,726	(4,463,726)
Contributions - employee	-	1,047,676	(1,047,676)
Net investment income	-	2,587,755	(2,587,755)
Administrative expenses	-	(131,164)	131,164
Net changes	1,819,738	(54,448)	1,874,186
Balance at June 30, 2015 (Measurement Date)	<u>\$ 168,165,277</u>	<u>\$ 116,520,861</u>	<u>\$ 51,644,416</u>

Sensitivity of the Aggregate Net Pension Liability to Changes in the Discount Rate - The following presents the City's net pension liability, calculated using the discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65)
Miscellaneous Plan	\$ 41,060,129	\$ 26,305,423	\$ 14,136,748
Safety Plan	\$ 74,866,958	\$ 51,644,416	\$ 32,647,812
Aggregate Total	<u>\$ 115,927,087</u>	<u>\$ 77,949,839</u>	<u>\$ 46,784,560</u>

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense in the amounts of \$3,335,001 and \$529,801, for the Safety and Miscellaneous plans, respectively.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ -	\$ (1,134,562)
Difference between expected and actual experience	-	(986,725)
Difference between projected and actual earning on pension plan investments	-	(751,828)
Total	\$ -	\$ (2,873,115)
Safety Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ -	\$ (2,202,118)
Difference between expected and actual experience	-	(1,745,153)
Difference between projected and actual earning on pension plan investments	-	(1,028,780)
Total	\$ -	\$ (4,976,051)
Aggregate Totals		
	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ -	\$ (3,336,680)
Difference between expected and actual experience	-	(2,731,878)
Difference between projected and actual earning on pension plan investments	-	(1,780,608)
Total	\$ -	\$ (7,849,166)

For the Safety Plan and Miscellaneous Plan, \$2,056,706 and \$4,200,467, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources		
	Miscellaneous	Safety	Total
2016	\$ (2,068,418)	\$ (2,274,060)	\$ (4,342,478)
2017	(1,159,295)	(2,274,060)	(3,433,355)
2018	(553,211)	(1,666,790)	(2,220,001)
2019	907,809	1,238,859	2,146,668
2020	-	-	-
Thereafter	-	-	-
	<u>\$ (2,873,115)</u>	<u>\$ (4,976,051)</u>	<u>\$ (7,849,166)</u>

Note 11 – Other Postemployment Benefits

Plan Description

The City provides post-employment health benefits through a single-employer defined benefit plan administered by the City. The City provides a fixed dollar contribution towards retiree health benefits for 60 retirees. In addition, 285 employees are currently working and earning service credit for eligibility for a City contribution for retiree health benefits. To be eligible for a City contribution, an employee must retire from the City and commence pension benefits under PERS on or after age 50 with at least 20 years of service (5 years for management and executive employees) with the City. The City provides a fixed dollar monthly contribution equal to \$10 (\$20 for management, executive and Safety employees) times years of service. Employees may receive the contribution to use towards non-City health insurance, if evidence of coverage is provided. The City's contribution is payable to Medicare eligibility. 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, 2014, the date of the latest actuarial valuation:

	Executives & Management	Safety	Other	Total
Eligible active employee	35	119	131	285
Enrolled eligible retirees	25	22	13	60

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 2016, the City contributed \$151,615 to the plan for current premiums.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Other Postemployment Benefits (Continued)

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:

	2016	2015	2014
Annual required contribution	\$ 443,416	\$ 436,527	\$ 216,311
Interest on net OPEB obligation	24,132	13,079	5,096
Adjustment to the annual required contribution	(21,445)	(21,445)	(7,972)
Annual OPEB cost	446,103	428,161	213,435
Contribution made (includes premiums paid)	(151,615)	(151,826)	(124,249)
Increase in net OPEB obligation	294,488	276,335	89,186
Net OPEB obligation, beginning of the year	603,300	326,965	237,779
Net OPEB obligation, end of year	<u>\$ 897,788</u>	<u>\$ 603,300</u>	<u>\$ 326,965</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 were as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 213,435	\$ 124,249	35%	\$ 326,965
2015	428,161	151,826	35%	603,300
2016	446,103	151,615	34%	897,788

Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the plan was not funded in its initial year of implementation. The actuarial accrued liability for benefits was \$4,029,831, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability (“UAAL”) of \$4,029,831 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 11 – Other Postemployment Benefits (Continued)

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 4% 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 30 years on a closed basis. The remaining amortization period is 24 years. It is assumed the City’s payroll will increase 3% per year.

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
6/30/2014	\$ -	\$ 4,029,831	\$ 4,029,831	0.00%	\$ 19,537,000	20.63%

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 HUD, US Department of Justice, US Department of Treasury, US Department of Transportation, and the US 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 of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 13 – Classification of Fund Balances

	Major Funds					Other Governmental Funds	Total
	Housing Choice			Sewer Service	Other Special Revenue		
	General	Housing	Voucher Program				
Nonspendable							
Advances to other funds	\$ 4,941,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,941,000
Land held for resale	5,784,182	-	-	-	-	-	5,784,182
Inventories and prepaid items	40,916	-	-	-	-	-	40,916
Total nonspendable	10,766,098	-	-	-	-	-	10,766,098
Restricted							
Housing	-	7,866,544	-	-	-	-	7,866,544
Debt service	734,914	-	6,276	21,353	-	1,110,203	1,872,746
Community development	19,999	-	-	-	2,089,725	1,451,812	3,561,536
Public safety	-	-	-	-	507,840	530,715	1,038,555
Transportation	-	-	-	-	592,549	1,329,445	1,921,994
General Services	-	-	394,000	17,959,023	1,432,773	1,041,047	20,826,843
Total restricted	754,913	7,866,544	400,276	17,980,376	4,622,887	5,463,222	37,088,218
Committed							
General services	2,500,000	-	-	-	-	-	2,500,000
Economic contingency	9,085,066	-	-	-	-	-	9,085,066
Total committed	11,585,066	-	-	-	-	-	11,585,066
Assigned							
Accrued employee benefits	3,676,406	-	-	-	-	-	3,676,406
Post-employment benefits	7,331,926	-	-	-	-	-	7,331,926
Community development	1,653,596	-	-	-	-	-	1,653,596
Public safety	416,737	-	-	-	-	-	416,737
Transportation	631,426	-	-	-	-	-	631,426
General Services	451,059	-	-	-	-	-	451,059
Housing	631,231	-	-	-	-	-	631,231
Total assigned	14,792,381	-	-	-	-	-	14,792,381
Unassigned	12,166,730	-	-	-	(570,858)	(251,101)	11,344,771
Total fund balances	\$ 50,065,188	\$ 7,866,544	\$ 400,276	\$ 17,980,376	\$ 4,052,029	\$ 5,212,121	\$ 85,576,534

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 13 – Classification of Fund Balances (Continued)

Categorization of Reserves under Adopted City Policies

All unassigned amounts in the City's General Fund are considered reserves under internal City policies. The City maintains the following committed reserve:

- 1) ***Economic Contingency Reserve*** – represents funds that are set-aside for use only in exceptional circumstances such as catastrophic events that could negatively impact the financial condition of the City. Funding represents 20% of the next year's operating expenditures, and no drawdowns have ever been executed on this reserve. City Policy requires a 4/5 vote of the City Council by resolution to authorize draws on this reserve. The amount of the contingency reserve as of June 30, 2016 was \$9,085,066.

- 2) ***Facilities Maintenance Reserve*** – represents funds that are set aside for future building maintenance and/or replacement costs. The funding represents approximately 5% of the total acquisition cost of the City's building assets. City Policy requires City Council approval for all transfers and expenditures therefrom. The amount of Facilities Maintenance Reserve as of June 30, 2016 was \$2,500,000.

Note 14 – Special Items

The following special item transactions were recorded as of and/or for the year ended June 30, 2016:

Transfer of Promissory Note Receivable – In September, 2013, the oversight board to the Successor Agency to the Community Development Commission as the National City Redevelopment Agency adopted Resolution 2013-09, which directed the transfer of all of housing assets held by the former redevelopment agency (CDC-RDA) to the National City Community Development Commission acting in its capacity as the Housing Authority. These assets included both real property and other assets such as leases, promissory notes, other agreements and related rights to payment of funds. The resolution applied to assets held at the time of adoption and to any housing assets thereafter acquired by the Successor Agency.

Pursuant to the disposition and development agreement (DDA) between the CDC-RDA and Paradise Creek Housing Partners, L.P., for Phase I of the Transit-Oriented Infill Affordable Housing project, a \$6.0 million loan from Successor Agency resources was made to the project and a note receivable in the amount of \$6.0 million was recorded in favor of the Successor Agency in fiscal year 2015. This note is considered to be a subsequently acquired housing asset as described in Oversight Board Resolution 2013-09 and, as such, was transferred in fiscal year 2016 from the Successor Agency Private-Purpose Trust Fund to the Low & Moderate Income Housing Asset Fund which was established to hold housing assets of the former RDA.

Real Property Assets – Pursuant to Redevelopment Agency Dissolution law, the Successor Agency to the Community Development Commission as the National City Redevelopment Agency prepared a Long-Range Property Management Plan (LRPMP) to identify all of the non-housing real estate properties owned by the Successor Agency and address the disposition and use of these properties. Subsequently, the LRPMP was approved by the California Department of Finance (DOF). One property was to be retained and sold by the Successor Agency, while the others were transferred to the City of National City to be retained for government use or held for future development. Two of the real properties identified in the LRPMP as being owned by the former RDA were found to have not been reflected in its financial records. Therefore, an accounting adjustment in the amount of \$433,616 took place to properly record these properties as Land Held for Resale in the Successor Agency Private-Purpose Trust Fund. In addition, the LRPMP identified two properties, "Days Inn" and the "McKinley parcels," as having a significant decrease in the fair market value from the amount that was previously recorded. Consequently, an impairment loss of \$4,299,943 was recognized and recorded. Then, based upon the DOF approved LRPMP, capital assets valued at \$1,950,002 net of accumulated depreciation and land held for resale valued at \$5,784,182 were transferred from the Successor Agency to the General Fund.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2016

Note 15 – Subsequent Events

The County of San Diego and certain local governments, including National City, entered into an agreement for the implementation, governance, and cost for the Next Generation Regional Communication System (NGRCS). The NGRCS will replace, modernize, and update the old regional communication system, and shall provide effective and reliable voice radio communications for routine intra- and inter-agency operations as well as inter-agency communications throughout the region during mutual aid and disaster operations. The NGRCS will include the following subsystems: a new trunked voice system, new microwave backhaul network, and a conventional voice system. The City of National City entered into an agreement with the County of San Diego for the purchase of NGRCS and to share backbone infrastructure cost. The amount financed for this project is \$1,270,762 at an annual interest rate of 2.79% for a total cost of \$1,473,799. Beginning June 1, 2017, and each year thereafter for ten (10) years, City of National City agrees to pay an annual payment of \$147,380.

**REQUIRED SUPPLEMENTARY
INFORMATION**





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City of National City
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2016

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information and other supplementary information budgetary comparison schedules:

The City Council adopts a two year operating budget, with appropriations for the first year only. The annual budget provides for the general operations of the City. It includes all proposed expenditures and inter-fund transfers, and the means of financing them. The Council also approves any amendments to appropriations throughout the year, generally at the mid-year budget review in February. This “appropriated budget” covers substantially all City expenditures, with the exception of capital improvement projects, which expenditures constitute a legally authorized “nonappropriated budget.” The legal level of budgetary control is the fund level. The budget figures used in the required supplementary information are both original and final budgeted amounts. The final budget amount includes any amendments adopted during the year.

Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations which are unencumbered lapse at year end. City Council approval is required to include any unencumbered appropriations at year end in the following fiscal year’s budget as continuing appropriations.

Budget for the General and special revenue funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenue and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparisons are presented for the debt service, capital projects, or proprietary funds, as the City is not legally required to adopt an annual budget for those types of funds.

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies to be used in future years without limitation.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 40,039,473	\$ 40,039,473	\$ 41,734,974	\$ 1,695,501
Licenses and permits	603,301	603,301	903,754	300,453
Fines and forfeitures	454,357	454,357	523,040	68,683
Use of money and property	691,500	804,000	1,236,582	432,582
Intergovernmental	286,603	509,713	2,285,530	1,775,817
Charges for services	2,094,607	2,094,607	2,462,552	367,945
Other revenues	1,675,699	3,057,751	3,726,733	668,982
Total revenues	<u>45,845,540</u>	<u>47,563,202</u>	<u>52,873,165</u>	<u>5,309,963</u>
EXPENDITURES:				
Current:				
General government	7,886,764	8,620,844	6,638,782	1,982,062
Public safety	31,034,392	31,330,829	30,906,623	424,206
Transportation	3,247,288	3,624,368	3,247,417	376,951
Community development	240,408	240,186	166,779	73,407
Culture and leisure	2,895,649	3,293,634	3,105,160	188,474
Capital outlay	7,344,967	7,628,977	4,975,491	2,653,486
Debt service:				
Principal	-	-	54,208	(54,208)
Interest and fiscal charges	-	-	16,118	(16,118)
Total expenditures	<u>52,649,468</u>	<u>54,738,838</u>	<u>49,110,578</u>	<u>5,628,260</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(6,803,928)</u>	<u>(7,175,636)</u>	<u>3,762,587</u>	<u>10,938,223</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,500,679	2,500,679
Transfers out	(2,207,761)	(3,034,338)	(2,127,763)	906,575
Transfers to Successor Agency	-	-	(826,577)	(826,577)
Total other financing sources (uses)	<u>(2,207,761)</u>	<u>(3,034,338)</u>	<u>(453,661)</u>	<u>2,580,677</u>
SPECIAL ITEMS:				
Transfers of assets from Successor Agency	-	-	5,784,182	5,784,182
Total special items	<u>-</u>	<u>-</u>	<u>5,784,182</u>	<u>5,784,182</u>
Net change in fund balance	<u>\$ (9,011,689)</u>	<u>\$ (10,209,974)</u>	<u>9,093,108</u>	<u>\$ 13,518,900</u>
Fund Balance:				
Beginning of year			<u>40,972,080</u>	
End of year			<u>\$ 50,065,188</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Housing Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 300,000	\$ 300,000	\$ 36,969	\$ (263,031)
Total revenues	<u>300,000</u>	<u>300,000</u>	<u>36,969</u>	<u>(263,031)</u>
EXPENDITURES:				
Current:				
Community development	293,441	389,830	325,858	63,972
Total expenditures	<u>293,441</u>	<u>389,830</u>	<u>325,858</u>	<u>63,972</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>6,559</u>	<u>(89,830)</u>	<u>(288,889)</u>	<u>(199,059)</u>
SPECIAL ITEMS:				
Transfer of assets from Successor Agency	-	-	6,000,000	-
Total special items	<u>-</u>	<u>-</u>	<u>6,000,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 6,559</u>	<u>\$ (89,830)</u>	5,711,111	<u>\$ 5,800,941</u>
Fund Balance:				
Beginning of year			2,155,433	
End of year			<u>\$ 7,866,544</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Housing Choice Vouchers Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 21,600	\$ 21,600	\$ 48,098	\$ 26,498
Use of money and property	-	-	16	16
Intergovernmental	10,048,000	10,048,000	10,524,259	476,259
Other revenues	-	-	40	40
Total revenues	<u>10,069,600</u>	<u>10,069,600</u>	<u>10,572,413</u>	<u>502,813</u>
EXPENDITURES:				
Current:				
Community development	10,200,137	10,198,773	10,375,798	177,025
Debt service:				
Principal	-	-	3,947	3,947
Interest and fiscal charges	-	-	1,503	1,503
Total expenditures	<u>10,200,137</u>	<u>10,198,773</u>	<u>10,381,248</u>	<u>182,475</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(130,537)</u>	<u>(129,173)</u>	<u>191,165</u>	<u>320,338</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	130,288	130,288	168,931	38,643
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>130,288</u>	<u>130,288</u>	<u>168,931</u>	<u>38,643</u>
Net change in fund balance	<u>\$ (249)</u>	<u>\$ 1,115</u>	<u>360,096</u>	<u>\$ 358,981</u>
Fund Balance:				
Beginning of year			<u>40,180</u>	
End of year			<u>\$ 400,276</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Sewer Service Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 8,495	\$ 8,495	\$ 11,090	\$ 2,595
Use of money and property	36,164	36,164	113,515	77,351
Charges for services	6,931,206	6,931,206	7,686,520	755,314
Total revenues	<u>6,975,865</u>	<u>6,975,865</u>	<u>7,811,125</u>	<u>835,260</u>
EXPENDITURES:				
Current:				
Health	9,241,429	9,303,362	6,711,792	2,591,570
Capital outlay	-	-	442,054	(442,054)
Debt service:				
Principal	-	-	15,574	(15,574)
Interest and fiscal charges	188	188	5,828	(5,640)
Total expenditures	<u>9,241,617</u>	<u>9,303,550</u>	<u>7,175,248</u>	<u>2,128,302</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,265,752)</u>	<u>(2,327,685)</u>	<u>635,877</u>	<u>2,963,562</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	66,667	66,667
Transfers out	(600,000)	(600,000)	(600,000)	-
Total other financing sources (uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>(533,333)</u>	<u>66,667</u>
Net change in fund balance	<u>\$ (2,865,752)</u>	<u>\$ (2,927,685)</u>	<u>102,544</u>	<u>\$ 3,030,229</u>
Fund Balance:				
Beginning of year			<u>17,877,832</u>	
End of year			<u>\$ 17,980,376</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Other Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 311,848	\$ 311,848	\$ 318,023	\$ 6,175
Licenses and permits	33,720	333,720	207,295	(126,425)
Use of money and property	1,300	1,300	7,780	6,480
Intergovernmental	393,233	6,593,729	5,207,803	(1,385,926)
Charges for services	300,000	300,000	585,717	285,717
Other revenues	2,000	2,000	800	(1,200)
Total revenues	<u>1,042,101</u>	<u>7,542,597</u>	<u>6,327,418</u>	<u>(1,215,179)</u>
EXPENDITURES:				
Current:				
General Government	160,000	5,170,285	348,030	4,822,255
Public Safety	742,037	1,039,248	812,914	226,334
Community Development	410,720	480,720	451,908	28,812
Health	103,216	130,967	111,344	19,623
Culture and Leisure	9,300	54,567	47,363	7,204
Capital outlay	7,270,213	8,796,260	6,718,808	2,077,452
Debt service:				
Interest and fiscal charges	-	-	30	(30)
Total expenditures	<u>8,695,486</u>	<u>15,672,047</u>	<u>8,490,397</u>	<u>7,181,650</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(7,653,385)</u>	<u>(8,129,450)</u>	<u>(2,162,979)</u>	<u>5,966,471</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	160,000	160,000	160,000	-
Transfers out	(350,000)	(350,000)	(350,679)	(679)
Total other financing sources (uses)	<u>(190,000)</u>	<u>(190,000)</u>	<u>(190,679)</u>	<u>(679)</u>
Net change in fund balance	<u>\$ (7,843,385)</u>	<u>\$ (8,319,450)</u>	<u>(2,353,658)</u>	<u>\$ 5,965,792</u>
Fund Balance:				
Beginning of year			<u>6,405,687</u>	
End of year			<u>\$ 4,052,029</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedules of Changes in the Net Pension Liability and Related Ratios
Last Ten Fiscal Years*
For the Year Ended June 30, 2016

City Miscellaneous Plan		
Total Pension Liability	2014-15	2013-14
Service cost	\$ 1,811,929	\$ 1,937,067
Interest on total pension liability	7,985,539	7,748,026
Changes in assumptions	(1,944,963)	-
Differences between expected and actual experience	(1,691,529)	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(4,995,309)	(4,818,483)
Net change in total pension liability	1,165,667	4,866,610
Total pension liability - beginning	109,614,331	104,747,721
Total pension liability - ending (a)	\$ 110,779,998	\$ 109,614,331
Plan fiduciary net position		
Contributions - employer	\$ 2,056,706	\$ 1,956,344
Contributions - employee	895,912	767,784
Investment income (net of administrative expenses)	1,859,184	12,778,105
Benefit payments	(4,995,309)	(4,818,483)
Administrative expenses	(94,900)	-
Net change in plan fiduciary net position	(278,407)	10,683,750
Plan fiduciary net position - beginning	84,752,982	74,069,232
Plan fiduciary net position - ending (b)	\$ 84,474,575	\$ 84,752,982
Net pension liability - ending (a)-(b)	\$ 26,305,423	\$ 24,861,349
Plan fiduciary net position as a percentage of the total pension liability	76.25%	77.32%
Covered-employee payroll	\$ 9,742,081	\$ 9,853,337
Net pension liability as a percentage of covered-employee payroll	270.02%	252.31%

Notes to Schedule:

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedules of Changes in the Net Pension Liability and Related Ratios (Continued)
Last Ten Fiscal Years *
For the Year Ended June 30, 2016

City Safety Plan		
Total Pension Liability	2014-15	2013-14
Service cost	\$ 3,185,323	\$ 3,249,200
Interest on total pension liability	12,122,308	11,761,448
Changes in assumptions	(3,049,086)	-
Differences between expected and actual experience	(2,416,366)	-
Changes in benefit terms	-	-
Benefit payments, including refunds of employee contributions	(8,022,441)	(7,719,645)
Net change in total pension liability	1,819,738	7,291,003
Total pension liability - beginning	166,345,539	159,054,536
Total pension liability - ending (a)	\$ 168,165,277	\$ 166,345,539
Plan fiduciary net position		
Contributions - employer	\$ 4,463,726	\$ 4,190,264
Contributions - employee	1,047,676	983,295
Investment income (net of administrative expenses)	2,587,755	17,466,806
Benefit payments	(8,022,441)	(7,719,645)
Administrative expenses	(131,164)	-
Net change in plan fiduciary net position	(54,448)	14,920,720
Plan fiduciary net position - beginning	116,575,309	101,654,589
Plan fiduciary net position - ending (b)	\$ 116,520,861	\$ 116,575,309
Net pension liability - ending (a)-(b)	\$ 51,644,416	\$ 49,770,230
Plan fiduciary net position as a percentage of the total pension liability	69.29%	70.08%
Covered-employee payroll	\$ 11,228,972	\$ 10,916,911
Net pension liability as a percentage of covered-employee payroll	459.92%	455.90%

Notes to Schedule:

Benefit changes: the figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years of Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedules of the Contributions
Last Ten Fiscal Years *
For the Year Ended June 30, 2016

City Miscellaneous Plan - 172

	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 2,369,792	\$ 2,056,706	\$ 1,956,344
Contributions in relation to the actuarially determined contributions ²	(2,369,792)	(2,056,706)	(1,956,344)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ^{3,4}	\$ 10,034,343	\$ 9,742,081	\$ 9,853,337
Contributions as a percentage of covered-employee payroll ³	23.62%	21.11%	19.85%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year (\$9,458,331) was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedules of the Contributions (Continued)
Last Ten Fiscal Years *
For the Year Ended June 30, 2016

City Safety Plan - 4923

	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 4,975,846	\$ 4,463,726	\$ 4,190,264
Contributions in relation to the actuarially determined contributions ²	(4,975,846)	(4,463,726)	(4,190,264)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll ^{3,4}	\$ 11,565,841	\$ 11,228,972	\$ 10,916,911
Contributions as a percentage of covered-employee payroll ³	43.02%	39.75%	38.38%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

⁴ Payroll from prior year (\$10,901,915) was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2012 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedule of Funding Progress for Other Post Employment Benefits
For the Year Ended June 30, 2016

The following Schedule of Funding Progress shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

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
6/30/2010	\$ -	\$ 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%
6/30/2014	-	4,029,831	4,029,831	0.00%	19,537,000	20.63%



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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 HUD – Community Development Block Program.

HOME Program Fund - This fund is used to account for federal funds received from HUD 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.



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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 PROJECT FUNDS:

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.

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.

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.

PERMANENT FUNDS:

Library Endowment 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.

City of National City
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Special Revenue				
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax
ASSETS					
Cash and investments	\$ 1,011,697	\$ 158,313	\$ 145,339	\$ 384,823	\$ 290,487
Receivables:					
Accounts	-	-	-	71	-
Taxes	-	3,765	4,387	5,320	-
Interest	-	-	-	-	462
Loans	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 1,011,697	\$ 162,078	\$ 149,726	\$ 390,214	\$ 290,949
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 31,725	\$ 4,419	\$ 42,244	\$ 29,037	\$ 60,147
Accrued liabilities	-	15,210	17,243	-	7,402
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	31,725	19,629	59,487	29,037	67,549
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	979,972	142,449	90,239	361,177	223,400
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	979,972	142,449	90,239	361,177	223,400
Total liabilities and fund balances	\$ 1,011,697	\$ 162,078	\$ 149,726	\$ 390,214	\$ 290,949

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2016

	Special Revenue				
	Parks and Recreation Capital Outlay	CDBG	HOME Program	Asset Forfeiture	Nutrition
ASSETS					
Cash and investments	\$ 124,618	\$ 613	\$ 249,306	\$ 552,071	\$ 252,071
Receivables:					
Accounts	402	-	-	-	82,495
Taxes	-	-	-	-	-
Interest	-	-	394	156	-
Loans	-	54,879	1,029,486	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	322,370	97,076	-	-
Total assets	\$ 125,020	\$ 377,862	\$ 1,376,262	\$ 552,227	\$ 334,566
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 17,433	\$ 17,028	\$ 21,512	\$ 13,740
Accrued liabilities	-	4,376	-	-	49,561
Due to other funds	-	263,475	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	285,284	17,028	21,512	63,301
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	125,020	92,578	1,359,234	530,715	271,265
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	125,020	92,578	1,359,234	530,715	271,265
Total liabilities and fund balances	\$ 125,020	\$ 377,862	\$ 1,376,262	\$ 552,227	\$ 334,566

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2016

	Special Revenue	Debt Service		Capital Projects	
	Brownfields Grant	National City Joint Powers Financing Authority	Library Bonds	STP Local/ <i>TransNet</i>	Proposition A
ASSETS					
Cash and investments	\$ -	\$ 218	\$ 1,108,835	\$ -	\$ 1,701
Receivables:					
Accounts	-	-	-	13	-
Taxes	-	-	1,150	-	-
Interest	-	-	-	-	-
Loans	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ -	\$ 218	\$ 1,109,985	\$ 13	\$ 1,701
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 902	\$ -	\$ -	\$ -	\$ 150,106
Accrued liabilities	-	-	-	-	-
Due to other funds	2,229	-	-	-	99,565
Advances from other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	3,131	-	-	-	249,671
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	218	1,109,985	13	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(3,131)	-	-	-	(247,970)
Total fund balances	(3,131)	218	1,109,985	13	(247,970)
Total liabilities and fund balances	\$ -	\$ 218	\$ 1,109,985	\$ 13	\$ 1,701

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2016

	<u>Capital Projects</u>	<u>Permanent</u>	Total Other Governmental Funds
	State-Local Partnership	Library Endowment	
ASSETS			
Cash and investments	\$ 125,879	\$ 50,806	\$ 4,456,777
Receivables:			
Accounts	-	-	82,981
Taxes	-	-	14,622
Interest	194	78	1,284
Loans	-	-	1,084,365
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	419,446
Total assets	<u>\$ 126,073</u>	<u>\$ 50,884</u>	<u>\$ 6,059,475</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 388,293
Accrued liabilities	-	-	93,792
Due to other funds	-	-	365,269
Advances from other funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>847,354</u>
Fund Balances:			
Nonspendable	-	-	-
Restricted	126,073	50,884	5,463,222
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	(251,101)
Total fund balances	<u>126,073</u>	<u>50,884</u>	<u>5,212,121</u>
Total liabilities and fund balances	<u>\$ 126,073</u>	<u>\$ 50,884</u>	<u>\$ 6,059,475</u>

(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, 2016

	Special Revenue				
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax
REVENUES:					
Taxes	\$ -	\$ 742,377	\$ 865,057	\$ 115,437	\$ 1,314,998
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	2,002
Intergovernmental	-	5,562	6,482	-	-
Charges for services	-	-	-	-	-
Other revenues	-	-	1,863	38,208	-
Total revenues	-	747,939	873,402	153,645	1,317,000
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Transportation	-	-	-	-	1,299,559
Community development	-	-	-	-	-
Health	-	-	-	-	-
Culture and leisure	-	1,744,795	1,269,906	69,757	-
Capital outlay	31,725	-	50,421	1,060,879	26,787
Debt service:					
Principal	-	-	32,095	-	-
Interest and fiscal charges	-	-	11,427	-	100
Total expenditures	31,725	1,744,795	1,363,849	1,130,636	1,326,446
REVENUES OVER (UNDER) EXPENDITURES	(31,725)	(996,856)	(490,447)	(976,991)	(9,446)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	995,460	458,084	-	170,235
Total other financing sources (uses)	-	995,460	458,084	-	170,235
CHANGES IN FUND BALANCES	(31,725)	(1,396)	(32,363)	(976,991)	160,789
FUND BALANCES:					
Beginning of year	1,011,697	143,845	122,602	1,338,168	62,611
End of year	<u>\$ 979,972</u>	<u>\$ 142,449</u>	<u>\$ 90,239</u>	<u>\$ 361,177</u>	<u>\$ 223,400</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, 2016

	Special Revenue				
	Parks and Recreation Capital Outlay	CDBG	HOME Program	Asset Forfeiture	Nutrition
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	75,232	-
Use of money and property	-	630	47,616	3,924	-
Intergovernmental	-	757,984	125,276	-	292,838
Charges for services	-	-	-	-	-
Other revenues	-	-	-	-	121,047
Total revenues	-	758,614	172,892	79,156	413,885
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	66,367	-
Transportation	-	-	-	-	-
Community development	-	271,475	157,553	-	-
Health	-	-	-	-	764,665
Culture and leisure	923	-	-	-	-
Capital outlay	400,000	-	336	225,500	1,701
Debt service:					
Principal	-	335,000	-	-	-
Interest and fiscal charges	-	162,799	-	-	-
Total expenditures	400,923	769,274	157,889	291,867	766,366
REVENUES OVER (UNDER) EXPENDITURES	(400,923)	(10,660)	15,003	(212,711)	(352,481)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	383,932
Total other financing sources (uses)	-	-	-	-	383,932
CHANGES IN FUND BALANCES	(400,923)	(10,660)	15,003	(212,711)	31,451
FUND BALANCES:					
Beginning of year	525,943	103,238	1,344,231	743,426	239,814
End of year	\$ 125,020	\$ 92,578	\$ 1,359,234	\$ 530,715	\$ 271,265

(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, 2016

	Special Revenue	Debt Service		Capital Projects		
	Brownfields Grant	National City Joint Powers Financing Authority		Library Bonds	STP Local/ <i>TransNet</i>	Proposition A
REVENUES:						
Taxes	\$ -	\$ -	\$ 384,093	\$ -	\$ -	
Fines and forfeitures	-	-	-	-	-	
Use of money and property	-	-	-	-	4,499	
Intergovernmental	-	495,850	-	-	1,680,000	
Charges for services	-	-	-	-	-	
Other revenues	-	-	-	-	-	
Total revenues	<u>-</u>	<u>495,850</u>	<u>384,093</u>	<u>-</u>	<u>1,684,499</u>	
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	
Public safety	-	-	-	-	-	
Transportation	-	-	-	-	-	
Community development	3,131	-	-	-	-	
Health	-	-	-	-	-	
Culture and leisure	-	-	1,163	-	-	
Capital outlay	-	-	-	-	2,804,043	
Debt service:						
Principal	-	460,000	250,000	-	-	
Interest and fiscal charges	-	35,850	127,950	-	3,118	
Total expenditures	<u>3,131</u>	<u>495,850</u>	<u>379,113</u>	<u>-</u>	<u>2,807,161</u>	
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,131)</u>	<u>-</u>	<u>4,980</u>	<u>-</u>	<u>(1,122,662)</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>(3,131)</u>	<u>-</u>	<u>4,980</u>	<u>-</u>	<u>(1,122,662)</u>	
FUND BALANCES:						
Beginning of year	-	218	1,105,005	13	874,692	
End of year	<u>\$ (3,131)</u>	<u>\$ 218</u>	<u>\$ 1,109,985</u>	<u>\$ 13</u>	<u>\$ (247,970)</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, 2016

	<u>Capital Projects</u>	<u>Permanent</u>	Total Other Governmental Funds
	State-Local Partnership	Library Endowment	
REVENUES:			
Taxes	\$ -	\$ -	\$ 3,421,962
Fines and forfeitures	-	-	75,232
Use of money and property	783	317	59,771
Intergovernmental	-	-	3,363,992
Charges for services	-	-	-
Other revenues	-	-	161,118
Total revenues	<u>783</u>	<u>317</u>	<u>7,082,075</u>
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	66,367
Transportation	-	-	1,299,559
Community development	-	-	432,159
Health	-	-	764,665
Culture and leisure	-	-	3,086,544
Capital outlay	-	-	4,601,392
Debt service:			
Principal	-	-	1,077,095
Interest and fiscal charges	-	-	341,244
Total expenditures	<u>-</u>	<u>-</u>	<u>11,669,025</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>783</u>	<u>317</u>	<u>(4,586,950)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	2,007,711
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,007,711</u>
CHANGES IN FUND BALANCES	783	317	(2,579,239)
FUND BALANCES:			
Beginning of year	125,290	50,567	7,791,360
End of year	<u>\$ 126,073</u>	<u>\$ 50,884</u>	<u>\$ 5,212,121</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ -	\$ 1,004,015	\$ 31,725	\$ 972,290
Total expenditures	<u>-</u>	<u>1,004,015</u>	<u>31,725</u>	<u>972,290</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(1,004,015)</u>	<u>(31,725)</u>	<u>972,290</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,004,015)</u>	<u>(31,725)</u>	<u>\$ 972,290</u>
FUND BALANCE:				
Beginning of year			<u>1,011,697</u>	
End of year			<u>\$ 979,972</u>	

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 813,297	\$ 813,297	\$ 742,377	\$ (70,920)
Intergovernmental	8,004	8,004	5,562	(2,442)
Total revenues	<u>821,301</u>	<u>821,301</u>	<u>747,939</u>	<u>(73,362)</u>
EXPENDITURES:				
Current:				
Culture and leisure	1,866,762	1,841,303	1,744,795	96,508
Total expenditures	<u>1,866,762</u>	<u>1,841,303</u>	<u>1,744,795</u>	<u>96,508</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,045,461)</u>	<u>(1,020,002)</u>	<u>(996,856)</u>	<u>23,146</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,045,461	1,045,461	995,460	(50,001)
Total other financing sources (uses)	<u>1,045,461</u>	<u>1,045,461</u>	<u>995,460</u>	<u>(50,001)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 25,459</u>	<u>(1,396)</u>	<u>\$ (26,855)</u>
FUND BALANCE:				
Beginning of year			<u>143,845</u>	
End of year			<u>\$ 142,449</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 974,698	\$ 974,698	\$ 865,057	\$ (109,641)
Intergovernmental	9,327	9,327	6,482	(2,845)
Other revenues	-	-	1,863	1,863
Total revenues	<u>984,025</u>	<u>984,025</u>	<u>873,402</u>	<u>(110,623)</u>
EXPENDITURES:				
Current:				
Culture and leisure	1,426,876	1,426,876	1,269,906	(156,970)
Capital outlay	-	-	50,421	50,421
Debt Service:				
Principal	10,721	10,721	32,095	21,374
Interest and fiscal charges	4,510	4,510	11,427	6,917
Total expenditures	<u>1,442,107</u>	<u>1,442,107</u>	<u>1,363,849</u>	<u>78,258</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(458,082)</u>	<u>(458,082)</u>	<u>(490,447)</u>	<u>(32,365)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	458,082	458,082	458,084	2
Total other financing sources (uses)	<u>458,082</u>	<u>458,082</u>	<u>458,084</u>	<u>2</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(32,363)</u>	<u>\$ (32,363)</u>
FUND BALANCE:				
Beginning of year			<u>122,602</u>	
End of year			<u>\$ 90,239</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 75,750	\$ 75,750	\$ 115,437	\$ 39,687
Other revenues	40,400	40,400	38,208	(2,192)
Total revenues	<u>116,150</u>	<u>116,150</u>	<u>153,645</u>	<u>37,495</u>
EXPENDITURES:				
Current:				
Culture and leisure	78,358	78,358	69,757	(8,601)
Capital outlay	703,789	1,203,789	1,060,879	142,910
Total expenditures	<u>782,147</u>	<u>1,282,147</u>	<u>1,130,636</u>	<u>151,511</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(665,997)</u>	<u>(1,165,997)</u>	<u>(976,991)</u>	<u>189,006</u>
CHANGE IN FUND BALANCE	<u>\$ (665,997)</u>	<u>\$ (1,165,997)</u>	<u>(976,991)</u>	<u>\$ 189,006</u>
FUND BALANCE:				
Beginning of year			<u>1,338,168</u>	
End of year			<u>\$ 361,177</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,381,520	\$ 1,381,520	\$ 1,314,998	\$ (66,522)
Use of money and property	4,242	4,242	2,002	(2,240)
Total revenues	<u>1,385,762</u>	<u>1,385,762</u>	<u>1,317,000</u>	<u>(68,762)</u>
EXPENDITURES:				
Current:				
Transportation	1,363,130	1,366,837	1,299,559	67,278
Capital outlay	27,104	27,104	26,787	317
Debt Service:				
Interest and fiscal charges	-	-	100	(100)
Total expenditures	<u>1,390,234</u>	<u>1,393,941</u>	<u>1,326,446</u>	<u>67,495</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,472)</u>	<u>(8,179)</u>	<u>(9,446)</u>	<u>(1,267)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	170,235	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>170,235</u>	<u>170,235</u>
CHANGE IN FUND BALANCE	<u>\$ (4,472)</u>	<u>\$ (8,179)</u>	160,789	<u>\$ 168,968</u>
FUND BALANCE:				
Beginning of year			<u>62,611</u>	
End of year			<u>\$ 223,400</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
Culture and Leisure	\$ -	\$ 923	\$ 923	\$ -
Capital outlay	400,000	400,000	400,000	-
Total expenditures	<u>400,000</u>	<u>400,923</u>	<u>400,923</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(400,000)</u>	<u>(400,923)</u>	<u>(400,923)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ (400,000)</u>	<u>\$ (400,923)</u>	<u>(400,923)</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>525,943</u>	
End of year			<u>\$ 125,020</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 12,257	\$ 12,257	\$ 630	\$ (11,627)
Intergovernmental	846,344	846,344	757,984	(88,360)
Total revenues	<u>858,601</u>	<u>858,601</u>	<u>758,614</u>	<u>(99,987)</u>
EXPENDITURES:				
Current:				
Community development	305,916	360,357	271,475	(88,882)
Debt Service:				
Principal	335,000	335,000	335,000	-
Interest and fiscal charges	217,685	162,799	162,799	-
Total expenditures	<u>858,601</u>	<u>858,156</u>	<u>769,274</u>	<u>88,882</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>445</u>	<u>(10,660)</u>	<u>(11,105)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 445</u>	<u>(10,660)</u>	<u>\$ (11,105)</u>
FUND BALANCE:				
Beginning of year			<u>103,238</u>	
End of year			<u>\$ 92,578</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 47,616	\$ 47,616
Intergovernmental	583,829	583,829	125,276	(458,553)
Total revenues	<u>583,829</u>	<u>583,829</u>	<u>172,892</u>	<u>(410,937)</u>
EXPENDITURES:				
Current:				
Community development	939,816	939,594	157,553	(782,041)
Capital outlay	1,148	1,148	336	(812)
Total expenditures	<u>940,964</u>	<u>940,742</u>	<u>157,889</u>	<u>782,853</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(357,135)</u>	<u>(356,913)</u>	<u>15,003</u>	<u>371,916</u>
CHANGE IN FUND BALANCE	<u>\$ (357,135)</u>	<u>\$ (356,913)</u>	<u>15,003</u>	<u>\$ 371,916</u>
FUND BALANCE:				
Beginning of year			<u>1,344,231</u>	
End of year			<u>\$ 1,359,234</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 96,693	\$ 96,693	\$ 75,232	\$ (21,461)
Use of money and property	1,010	1,010	3,924	2,914
Total revenues	<u>97,703</u>	<u>97,703</u>	<u>79,156</u>	<u>(18,547)</u>
EXPENDITURES:				
Current:				
Public safety	2,700	77,167	66,367	(10,800)
Capital outlay	225,628	225,628	225,500	(128)
Total expenditures	<u>228,328</u>	<u>302,795</u>	<u>291,867</u>	<u>10,928</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(130,625)</u>	<u>(205,092)</u>	<u>(212,711)</u>	<u>(7,619)</u>
CHANGE IN FUND BALANCE	<u>\$ (130,625)</u>	<u>\$ (205,092)</u>	<u>(212,711)</u>	<u>\$ (7,619)</u>
FUND BALANCE:				
Beginning of year			<u>743,426</u>	
End of year			<u>\$ 530,715</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 292,000	\$ 292,000	\$ 292,838	\$ 838
Other revenues	107,000	107,000	121,047	14,047
Total revenues	399,000	399,000	413,885	14,885
EXPENDITURES:				
Current:				
Health	812,930	812,930	764,665	54,179
Capital outlay	-	-	1,701	1,701
Total expenditures	812,930	812,930	766,366	46,564
REVENUES OVER (UNDER) EXPENDITURES	(413,930)	(413,930)	(352,481)	61,449
OTHER FINANCING SOURCES (USES):				
Transfers in	413,930	413,930	383,932	(29,998)
Total other financing sources (uses)	413,930	413,930	383,932	(29,998)
CHANGE IN FUND BALANCE	\$ -	\$ -	31,451	\$ 31,451
FUND BALANCE:				
Beginning of year			239,814	
End of year			\$ 271,265	

City of National City
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Brownfields Grant Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Community Development	-	494,146	3,131	(491,015)
Total expenditures	<u>-</u>	<u>-</u>	<u>3,131</u>	<u>(3,131)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(3,131)</u>	<u>(3,131)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(3,131)	<u>\$ (3,131)</u>
FUND BALANCE:				
Beginning of year			<u>-</u>	
End of year			<u>\$ (3,131)</u>	

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 495,850	\$ 495,850	\$ 495,850	\$ -
Total revenues	<u>495,850</u>	<u>495,850</u>	<u>495,850</u>	<u>-</u>
EXPENDITURES:				
Current:				
Debt Service:				
Principal	460,000	460,000	460,000	-
Interest and fiscal charges	35,850	35,850	35,850	-
Total expenditures	<u>495,850</u>	<u>495,850</u>	<u>495,850</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 379,450	\$ 379,450	\$ 384,093	\$ 4,643
Total revenues	<u>379,450</u>	<u>379,450</u>	<u>384,093</u>	<u>4,643</u>
EXPENDITURES:				
Current:				
Culture and Leisure	1,500	1,500	1,163	(337)
Debt Service:				
Principal	250,000	250,000	250,000	-
Interest and fiscal charges	127,950	127,950	127,950	-
Total expenditures	<u>379,450</u>	<u>379,450</u>	<u>379,113</u>	<u>337</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>4,980</u>	<u>4,980</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>4,980</u>	<u>\$ 4,980</u>
FUND BALANCE:				
Beginning of year			<u>1,105,005</u>	
End of year			<u>\$ 1,109,985</u>	

INTERNAL SERVICE FUNDS

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.

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, 2016

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
ASSETS				
Current assets:				
Cash and investments	\$ 180,950	\$ 9,872,975	\$ 636,206	\$ 635,768
Due from other governments	-	24,468	-	-
Restricted cash and investments with fiscal agents	10,334	-	-	-
Inventories	-	-	-	-
Prepaid items and deposits	43,101	7,012	5,667	-
Total current assets	<u>234,385</u>	<u>9,904,455</u>	<u>641,873</u>	<u>635,768</u>
Noncurrent assets:				
Non-depreciable assets	-	-	-	-
Capital assets, net	1,499,231	-	367,046	-
Total noncurrent assets	<u>1,499,231</u>	<u>-</u>	<u>367,046</u>	<u>-</u>
Total assets	<u>1,733,616</u>	<u>9,904,455</u>	<u>1,008,919</u>	<u>635,768</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	168,733	161,049	175,874	-
Salaries payable	11,928	1,282	4,386	-
Interest payable	-	-	-	-
Capital leases payable - due within one year	125,037	-	-	-
Compensated absences - due within one year	35,273	3,383	26,910	-
Claims payable - due within one year	-	2,305,406	-	-
Total current liabilities	<u>340,971</u>	<u>2,471,120</u>	<u>207,170</u>	<u>-</u>
Noncurrent liabilities:				
Capital leases payable - due in more than one year	1,175,905	-	-	-
Claims payable - due within one year	-	5,822,594	-	-
Total noncurrent liabilities	<u>1,175,905</u>	<u>5,822,594</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,516,876</u>	<u>8,293,714</u>	<u>207,170</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	198,289	-	367,046	-
Restricted	10,334	-	-	-
Unrestricted	8,117	1,610,741	434,703	635,768
Total net position	<u>\$ 216,740</u>	<u>\$ 1,610,741</u>	<u>\$ 801,749</u>	<u>\$ 635,768</u>

City of National City
Combining Statement of Net Position (Continued)
All Internal Service Funds
June 30, 2016

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
ASSETS				
Current assets:				
Cash and investments	\$ 98,343	\$ 87,130	\$ 3,121,534	\$ 14,632,906
Due from other governments	-	-	-	24,468
Restricted cash and investments with fiscal agents	-	-	-	10,334
Inventories	-	-	-	-
Prepaid items and deposits	-	-	-	55,780
Total current assets	<u>98,343</u>	<u>87,130</u>	<u>3,121,534</u>	<u>14,723,488</u>
Noncurrent assets:				
Non-depreciable assets	-	-	-	-
Capital assets, net	-	129,777	1,742,178	3,738,232
Total noncurrent assets	<u>-</u>	<u>129,777</u>	<u>1,742,178</u>	<u>3,738,232</u>
Total assets	<u>98,343</u>	<u>216,907</u>	<u>4,863,712</u>	<u>18,461,720</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	23,946	45,726	109,956	685,284
Salaries payable	-	5,221	-	22,817
Interest payable	-	-	-	-
Capital leases payable - due within one year	-	-	-	125,037
Compensated absences - due within one year	-	41,387	-	106,953
Claims payable - due within one year	-	-	-	2,305,406
Total current liabilities	<u>23,946</u>	<u>92,334</u>	<u>109,956</u>	<u>3,245,497</u>
Noncurrent liabilities:				
Capital leases payable - due in more than one year	-	-	-	1,175,905
Claims payable - due within one year	-	-	-	5,822,594
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,998,499</u>
Total liabilities	<u>23,946</u>	<u>92,334</u>	<u>109,956</u>	<u>10,243,996</u>
NET POSITION				
Net investment in capital assets	-	129,777	1,742,178	2,437,290
Restricted	-	-	-	10,334
Unrestricted	74,397	(5,204)	3,011,578	5,770,100
Total net position	<u>\$ 74,397</u>	<u>\$ 124,573</u>	<u>\$ 4,753,756</u>	<u>\$ 8,217,724</u>

City of National City
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2016

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
OPERATING REVENUES:				
Charges for services	\$ 2,877,456	\$ 2,933,871	\$ 2,439,663	\$ -
Other	-	609,299	-	-
Total operating revenues	<u>2,877,456</u>	<u>3,543,170</u>	<u>2,439,663</u>	<u>-</u>
OPERATING EXPENSES:				
Operations and administration	798,248	2,611,573	863,812	20,646
Maintenance	1,988,457	277,945	1,439,485	-
Depreciation	150,749	-	84,443	7,317
Total operating expenses	<u>2,937,454</u>	<u>2,889,518</u>	<u>2,387,740</u>	<u>27,963</u>
Operating income (loss)	<u>(59,998)</u>	<u>653,652</u>	<u>51,923</u>	<u>(27,963)</u>
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	-	-	-
Interest income	-	-	-	-
Interest expense	(69,075)	-	-	-
Total nonoperating revenues (expenses)	<u>(69,075)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	<u>(129,073)</u>	<u>653,652</u>	<u>51,923</u>	<u>(27,963)</u>
TRANSFERS:				
Transfers in	-	-	-	-
Transfers out	(255,638)	-	(1,297,333)	-
Total transfers	<u>(255,638)</u>	<u>-</u>	<u>(1,297,333)</u>	<u>-</u>
Changes in net position	<u>(384,711)</u>	<u>653,652</u>	<u>(1,245,410)</u>	<u>(27,963)</u>
NET POSITION:				
Beginning of year	601,451	957,089	2,047,159	663,731
End of year	<u>\$ 216,740</u>	<u>\$ 1,610,741</u>	<u>\$ 801,749</u>	<u>\$ 635,768</u>

City of National City
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
All Internal Service Funds
For the Year Ended June 30, 2016

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,449,474	\$ 315,744	\$ 10,016,208
Other	-	34,579	8,405	652,283
Total operating revenues	-	1,484,053	324,149	10,668,491
OPERATING EXPENSES:				
Operations and administration	218,005	410,263	49,586	4,972,133
Maintenance	-	985,411	-	4,691,298
Depreciation	-	75,448	136,848	454,805
Total operating expenses	218,005	1,471,122	186,434	10,118,236
Operating income (loss)	(218,005)	12,931	137,715	550,255
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	(69,075)
Total nonoperating revenues (expenses)	-	-	-	(69,075)
Income (loss) before transfers	(218,005)	12,931	137,715	481,180
TRANSFERS:				
Transfers in	-	-	950,000	950,000
Transfers out	-	(1,222,575)	-	(2,775,546)
Total transfers	-	(1,222,575)	950,000	(1,825,546)
Changes in net position	(218,005)	(1,209,644)	1,087,715	(1,344,366)
NET POSITION:				
Beginning of year	292,402	1,334,217	3,666,041	\$ 9,562,090
End of year	<u>\$ 74,397</u>	<u>\$ 124,573</u>	<u>\$ 4,753,756</u>	<u>\$ 8,217,724</u>

City of National City
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2016

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ 2,877,456	\$ 2,909,403	\$ 2,439,663	\$ -
Cash payments to suppliers and employees for goods and services	(2,861,536)	(2,589,994)	(2,355,265)	(20,646)
Other operating revenues	-	609,299	-	-
Net cash provided by (used in) operating activities	<u>15,920</u>	<u>928,708</u>	<u>84,398</u>	<u>(20,646)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	(119,098)	-	-	-
Acquisition of capital assets	-	-	(130,492)	-
Interest paid	(69,075)	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(188,173)</u>	<u>-</u>	<u>(130,492)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	-
Transfers (out)	(255,638)	-	(1,297,333)	-
Net cash (used in) noncapital financing activities	<u>(255,638)</u>	<u>-</u>	<u>(1,297,333)</u>	<u>-</u>
Net change in cash and cash equivalents	(427,891)	928,708	(1,343,427)	(20,646)
CASH AND CASH EQUIVALENT:				
Beginning of year	619,175	8,944,267	1,979,633	656,414
End of year	<u>\$ 191,284</u>	<u>\$ 9,872,975</u>	<u>\$ 636,206</u>	<u>\$ 635,768</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 180,950	\$ 9,872,975	\$ 636,206	\$ 635,768
Restricted cash and investments with fiscal agents	10,334	-	-	-
Total cash and cash equivalents	<u>\$ 191,284</u>	<u>\$ 9,872,975</u>	<u>\$ 636,206</u>	<u>\$ 635,768</u>

City of National City
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2016

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ -	\$ 1,449,474	\$ 315,744	\$ 9,991,740
Cash payments to suppliers and employees for goods and services	(194,059)	(1,415,208)	1,094,259	(8,342,449)
Other operating revenues	-	34,579	8,405	652,283
Net cash provided by (used in) operating activities	(194,059)	68,845	1,418,408	2,301,574
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	-	-	-	(119,098)
Acquisition of capital assets	-	15,698	(1,651,808)	(1,766,602)
Interest paid	-	-	-	(69,075)
Net cash provided by (used in) capital and related financing activities	-	15,698	(1,651,808)	(1,954,775)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	950,000	950,000
Transfers (out)	-	(1,222,575)	-	(2,775,546)
Net cash (used in) noncapital financing activities	-	(1,222,575)	950,000	(1,825,546)
Net change in cash and cash equivalents	(194,059)	(1,138,032)	716,600	(1,478,747)
CASH AND CASH EQUIVALENT:				
Beginning of year	292,402	1,225,162	2,404,934	16,121,987
End of year	<u>\$ 98,343</u>	<u>\$ 87,130</u>	<u>\$ 3,121,534</u>	<u>\$ 14,643,240</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 98,343	\$ 87,130	\$ 3,121,534	\$ 14,632,906
Restricted cash and investments with fiscal agents	-	-	-	10,334
Total cash and cash equivalents	<u>\$ 98,343</u>	<u>\$ 87,130</u>	<u>\$ 3,121,534</u>	<u>\$ 14,643,240</u>

City of National City
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2016

	<u>Facilities Maintenance</u>	<u>Liability Insurance</u>	<u>Information Systems Maintenance</u>	<u>Office Equipment Depreciation</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (59,998)	\$ 653,652	\$ 51,923	\$ (27,963)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	150,749	-	84,443	7,317
Changes in operating assets and liabilities:				
Prepays and deposits	-	(7,012)	(5,667)	-
Accounts payable	(70,877)	64,514	(40,595)	-
Salaries payable	1,597	590	169	-
Compensated absences	(5,551)	(568)	(5,875)	-
Claims payable	-	242,000	-	-
Total adjustments	<u>75,918</u>	<u>275,056</u>	<u>32,475</u>	<u>7,317</u>
Net cash provided by (used in) operating activities	<u>\$ 15,920</u>	<u>\$ 928,708</u>	<u>\$ 84,398</u>	<u>\$ (20,646)</u>

City of National City
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2016

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (218,005)	\$ 12,931	\$ 137,715	\$ 550,255
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	75,448	136,848	454,805
Changes in operating assets and liabilities:				
Prepays and deposits	-	-	1,033,889	1,021,210
Accounts payable	23,946	(26,704)	109,956	60,240
Salaries payable	-	2,017	-	4,373
Compensated absences	-	5,153	-	(6,841)
Claims payable	-	-	-	242,000
Total adjustments	<u>23,946</u>	<u>55,914</u>	<u>1,280,693</u>	<u>1,751,319</u>
Net cash provided by (used in) operating activities	<u>\$ (194,059)</u>	<u>\$ 68,845</u>	<u>\$ 1,418,408</u>	<u>\$ 2,301,574</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, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Cobra Insurance Fund</u>				
Assets:				
Cash and investments	\$ 1,017	\$ 419,704	\$ (407,282)	\$ 13,439
Total assets	\$ -	\$ 419,704	\$ (407,282)	\$ 13,439
Liabilities:				
Vouchers payable	\$ 1,017	\$ 825,389	\$ (812,967)	\$ 13,439
Total liabilities	\$ -	\$ 825,389	\$ (812,967)	\$ 13,439
<u>Miscellaneous Deposits</u>				
Assets:				
Cash and investments	\$ 988,240	\$ 354,258	\$ (334,365)	\$ 1,008,133
Total assets	\$ 988,240	\$ 354,258	\$ (334,365)	\$ 1,008,133
Liabilities:				
Vouchers payable	\$ 50,609	\$ 196,027	\$ (230,353)	\$ 16,283
Deposits payable	937,631	354,857	(300,638)	991,850
Total liabilities	\$ 988,240	\$ 550,884	\$ (530,991)	\$ 1,008,133
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 989,257	\$ 773,962	\$ (741,647)	\$ 1,021,572
Total assets	\$ 989,257	\$ 773,962	\$ (741,647)	\$ 1,021,572
Liabilities:				
Vouchers payable	\$ 51,626	\$ 1,021,416	\$ (1,043,320)	\$ 29,722
Deposits payable	937,631	354,857	(300,638)	991,850
Total liabilities	\$ 989,257	\$ 1,376,273	\$ (1,343,958)	\$ 1,021,572



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STATISTICAL SECTION



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

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental Activities:					
Net Investment in					
Capital Assets	\$ 95,083,039	\$ 90,395,315	\$ 98,809,386	\$ 99,340,829	\$ 93,567,130
Restricted for:					
General Services ¹	-	-	-	-	-
Community Development	31,487,994	41,864,051	36,760,186	43,423,854	33,109,741
Public Safety	1,323,836	1,603,522	3,422,897	4,018,272	3,035,845
Transportation	7,235,075	6,801,568	2,730,410	1,694,415	1,604,977
Culture and Leisure/General Services	1,203,143	2,812,810	5,178,912	5,394,040	4,101,046
Housing	-	-	-	1,079,035	1,472,075
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Unrestricted	5,449,969	7,376,407	8,481,142	7,832,285	13,523,659
Total governmental activities net position	\$ 141,783,056	\$ 150,853,673	\$ 107,290,528	\$ 162,782,730	\$ 150,414,473
Business-type Activities:					
Net Investment in					
Capital Assets	\$ 10,407,472	\$ 5,584,797	\$ 5,354,253	\$ 5,148,247	\$ 4,939,455
Restricted					
Community Development	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	(21,211)	-	-	-	-
Culture and Leisure	-	-	-	-	-
Housing	1,799,835	1,996,801	2,101,803	1,524,392	1,631,621
Debt Service	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net position	\$ 12,186,096	\$ 7,581,598	\$ 7,456,056	\$ 6,672,639	\$ 6,571,076
Primary Government:					
Net Investment in					
Capital Assets	105,490,511	95,980,112	104,163,639	104,489,076	98,506,585
Restricted	43,028,672	55,078,752	50,194,208	57,134,008	44,955,305
Unrestricted	5,449,969	7,376,407	8,481,142	7,832,285	13,523,659
Total primary government net position	\$ 153,969,152	\$ 158,435,271	\$ 162,838,989	\$ 169,455,369	\$ 156,985,549

¹ General Services category added in 2014

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Governmental Activities:					
Net Investment in					
Capital Assets	\$ 100,450,699	\$ 99,343,176	\$ 108,881,192	\$ 120,377,947	\$ 134,444,245
Restricted for:					
General Services ¹	-	-	25,690,372	24,671,923	29,511,338
Community Development	4,427,765	535,026	4,522,562	5,348,413	3,448,959
Public Safety	927,816	-	-	-	-
Transportation	3,894,025	-	-	-	-
Culture and Leisure/General Services	25,086,031	-	-	-	-
Housing	8,253,320	-	-	-	-
Debt Service	-	472,988	1,691,931	1,676,222	1,845,117
Capital projects	-	2,332,408	2,769,086	2,193,169	942,285
Unrestricted	24,828,920	71,462,265	40,409,653	(34,896,708)	(26,157,042)
Total governmental activities net position	<u>\$ 167,868,576</u>	<u>\$ 174,145,863</u>	<u>\$ 183,964,796</u>	<u>\$ 119,370,966</u>	<u>\$ 144,034,902</u>
Business-type Activities:					
Net Investment in					
Capital Assets	\$ 4,744,375	\$ 4,760,761	\$ 4,725,523	\$ 4,926,410	\$ 4,905,110
Restricted					
Community Development	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Culture and Leisure	-	-	-	-	-
Housing	-	-	-	-	-
Debt Service	-	1,953,838	2,121,988	1,876,125	2,031,385
Unrestricted	1,982,828	265,456	4,502	98,698	99,478
Total business-type activities net position	<u>\$ 6,727,203</u>	<u>\$ 6,980,055</u>	<u>\$ 6,852,013</u>	<u>\$ 6,901,233</u>	<u>\$ 7,035,973</u>
Primary Government:					
Net Investment in					
Capital Assets	105,195,074	104,103,937	113,606,715	125,304,357	139,349,355
Restricted	42,588,957	5,294,260	36,795,939	35,765,852	37,779,084
Unrestricted	26,811,748	71,727,721	40,414,155	(34,798,010)	(26,057,564)
Total primary government net position	<u>\$ 174,595,779</u>	<u>\$ 181,125,918</u>	<u>\$ 190,816,809</u>	<u>\$ 126,272,199</u>	<u>\$ 151,070,875</u>

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				
	2007	2008	2009	2010	2011
Expenses:					
Governmental Activities:					
General government	\$ 5,219,116	\$ 5,881,015	\$ 5,224,693	\$ 6,774,769	\$ 6,813,807
Public safety	25,943,803	27,218,309	29,670,520	32,426,770	32,287,471
Transportation	2,680,880	7,144,911	7,735,716	2,966,635	3,642,820
Community development	22,209,522	24,841,387	17,049,437	17,679,675	19,204,057
Health	6,273,178	7,426,569	5,963,766	7,775,510	6,846,972
Culture and leisure	6,387,197	6,304,412	6,928,456	6,238,223	5,734,894
Interest and fiscal charges	2,768,004	2,853,399	2,525,568	2,524,121	4,091,247
Depreciation expense (unallocated)	-	-	-	-	-
Total governmental activities expenses	\$ 71,481,700	\$ 81,670,002	\$ 75,098,156	\$ 76,385,703	\$ 78,621,268
Business-type Activities:					
Transportation Development Act ¹	\$ 2,689,687	\$ 2,218,661	\$ -	\$ -	\$ -
Community development commission	2,059,738	2,078,822	2,191,014	2,854,075	2,313,011
Kimball Towers	-	-	-	-	-
Morgan Towers	-	-	-	-	-
Total business-type activities expenses	\$ 4,749,425	\$ 4,297,483	\$ 2,191,014	\$ 2,854,075	\$ 2,313,011
Total primary government expenses	\$ 76,231,125	\$ 85,967,485	\$ 77,289,170	\$ 79,239,778	\$ 80,934,279
Program Revenue:					
Government Activities:					
Charges for services:					
General government	\$ 11,210,231	\$ 3,035,893	\$ 2,331,329	\$ 3,624,978	\$ 2,924,037
Public safety	74,987	192,291	1,820,369	1,976,414	2,564,953
Transportation	-	-	-	-	-
Community development	767,558	776,094	631,769	625,194	945,733
Health	-	7,426,730	7,355,009	7,258,317	7,418,448
Culture and leisure	843,273	935,297	420,314	771,433	216,746
Operating grants and contributions	23,016,167	26,090,615	20,674,207	21,051,606	16,763,058
Capital grants and contributions	166,994	112,107	-	-	-
Total governmental activities program revenue	\$ 36,079,210	\$ 38,569,027	\$ 33,232,997	\$ 35,307,942	\$ 30,832,975
Business-type Activities:					
Charges for services:					
Transportation Development Act ¹	\$ 891,013	\$ -	\$ -	\$ -	\$ -
Community development commission	1,955,520	2,044,277	2,041,477	2,063,715	2,208,044
Kimball Towers	-	-	-	-	-
Morgan Towers	-	-	-	-	-
Operating grants and contributions	990,340	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenue	\$ 3,836,873	\$ 2,044,277	\$ 2,041,477	\$ 2,063,715	\$ 2,208,044
Total primary government program revenue	\$ 39,916,083	\$ 40,613,304	\$ 35,274,474	\$ 37,371,657	\$ 33,041,019
Net Revenues (Expenses):					
Governmental activities	(35,402,490)	(43,100,975)	(41,865,159)	(41,077,761)	(47,788,293)
Business-type activities	(912,552)	(2,253,206)	(149,537)	(790,360)	(104,967)
Total Net Revenues (Expenses)	\$ (36,315,042)	\$ (45,354,181)	\$ (42,014,696)	\$ (41,868,121)	\$ (47,893,260)

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

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Expenses:					
Governmental Activities:					
General government	\$ 5,858,519	\$ 443,592	\$ 5,240,947	\$ 6,299,372	\$ 6,237,858
Public safety	29,477,075	28,024,676	29,045,583	31,522,488	31,293,361
Transportation	4,399,470	3,061,647	6,315,524	6,737,292	8,605,631
Community development	13,959,966	11,991,339	11,669,866	11,603,528	11,812,563
Health	6,595,669	8,477,778	7,026,857	7,416,697	7,499,719
Culture and leisure	5,943,563	5,784,578	6,712,036	6,349,578	7,188,896
Interest and fiscal charges	5,082,341	633,338	439,367	407,194	308,808
Depreciation expense (unallocated)	-	4,423,669	-	-	-
Total governmental activities expenses	\$ 71,316,603	\$ 62,840,617	\$ 66,450,180	\$ 70,336,149	\$ 72,946,836
Business-type Activities:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	2,181,928	-	-	-	-
Kimball Towers	-	1,089,698	1,356,385	1,251,377	1,160,095
Morgan Towers	-	1,177,596	1,130,218	1,078,546	1,113,885
Total business-type activities expenses	\$ 2,181,928	\$ 2,267,294	\$ 2,486,603	\$ 2,329,923	\$ 2,273,980
Total primary government expenses	\$ 73,498,531	\$ 65,107,911	\$ 68,936,783	\$ 72,666,072	\$ 75,220,816
Program Revenue:					
Government Activities:					
Charges for services:					
General government	\$ 1,394,546	\$ 1,258,710	\$ 2,371,861	\$ 3,101,468	\$ 5,081,812
Public safety	3,767,099	3,018,064	3,150,630	3,807,824	2,681,493
Transportation	-	1,549,092	2,195,535	1,863,599	1,344,988
Community development	1,179,697	2,079,578	2,994,274	3,260,501	1,908,755
Health	6,984,746	7,414,151	7,534,320	9,522,136	8,363,190
Culture and leisure	282,197	246,880	199,493	353,740	306,675
Operating grants and contributions	19,261,931	14,732,996	15,818,335	12,508,517	13,295,661
Capital grants and contributions	1,312,296	1,006,059	6,284,789	11,399,349	7,299,398
Total governmental activities program revenue	\$ 34,182,512	\$ 31,305,530	\$ 40,549,237	\$ 45,817,134	\$ 40,281,972
Business-type Activities:					
Charges for services:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	2,334,863	-	-	-	-
Kimball Towers	-	1,073,082	1,096,559	1,101,514	1,124,578
Morgan Towers	-	1,241,253	1,244,129	1,260,181	1,266,441
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenue	\$ 2,334,863	\$ 2,314,335	\$ 2,340,688	\$ 2,361,695	\$ 2,391,019
Total primary government program revenue	\$ 36,517,375	\$ 33,619,865	\$ 42,889,925	\$ 48,178,829	\$ 42,672,991
Net Revenues (Expenses):					
Governmental activities	(37,134,091)	(31,535,087)	(25,900,943)	(24,519,015)	(32,664,864)
Business-type activities	152,935	47,041	(145,915)	31,772	117,039
Total Net Revenues (Expenses)	\$ (36,981,156)	\$ (31,488,046)	\$ (26,046,858)	\$ (24,487,243)	\$ (32,547,825)

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

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

	Fiscal Year				
	2007	2008	2009	2010	2011
General Revenue and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 15,232,910	\$ 16,421,961	\$ 15,827,505	\$ 9,983,799	\$ 14,184,279
Sales taxes ¹	22,102,515	24,072,743	20,700,283	18,872,987	21,731,925
Franchise taxes	1,440,770	1,416,236	1,737,134	1,941,081	1,949,759
Motor vehicle license	4,837,677	5,100,399	5,370,617	5,181,701	5,219,884
Transient occupancy taxes	908,187	841,745	630,049	725,901	838,255
Utilities tax	-	-	-	-	-
Investment earnings ¹	3,405,789	3,369,224	1,425,385	572,489	374,153
Other miscellaneous revenues	(27,714)	-	270,269	461,101	365,734
Rent	85,527	305,082	733,454	763,157	868,535
Transfers	-	2,378,910	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-
Transfer to Successor Agency	-	-	-	-	-
Special items	-	-	-	-	-
Total governmental activities	<u>\$ 47,985,661</u>	<u>\$ 53,906,300</u>	<u>\$ 46,694,696</u>	<u>\$ 38,502,216</u>	<u>\$ 45,532,524</u>
Business-type Activities:					
Investment earnings	\$ 82,069	\$ 27,618	\$ 23,995	\$ 6,943	\$ 3,404
Other misc	-	-	-	-	-
Rent	27,714	-	-	-	-
Transfers	-	(2,378,910)	-	-	-
Total business-type activities	<u>\$ 109,783</u>	<u>\$ (2,351,292)</u>	<u>\$ 23,995</u>	<u>\$ 6,943</u>	<u>\$ 3,404</u>
Total primary government	<u>\$ 48,095,444</u>	<u>\$ 51,555,008</u>	<u>\$ 46,718,691</u>	<u>\$ 38,509,159</u>	<u>\$ 45,535,928</u>
Changes in Net Position:					
Governmental activities	12,583,171	10,805,325	4,829,537	(2,575,545)	(2,255,769)
Business-type activities	(802,769)	(4,604,498)	(125,542)	(783,417)	(101,563)
Total Primary Government	<u>\$ 11,780,402</u>	<u>\$ 6,200,827</u>	<u>\$ 4,703,995</u>	<u>\$ (3,358,962)</u>	<u>\$ (2,357,332)</u>

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 Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2012	2013	2014	2015	2016
General Revenue and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 11,373,533	\$ 4,724,959	\$ 9,908,109	\$ 10,301,592	\$ 10,293,634
Sales taxes ¹	22,864,669	23,757,635	25,586,661	27,095,666	29,170,512
Franchise taxes	1,852,996	1,602,891	1,718,023	1,902,082	1,922,723
Motor vehicle license	4,962,804	-	27,056	-	-
Transient occupancy taxes	887,820	5,154,530	1,082,339	1,383,793	1,611,788
Utilities tax	-	815,136	825,388	818,820	867,488
Investment earnings ¹	297,882	1,873,896	459,019	304,655	553,184
Other miscellaneous revenues	23,811	-	-	-	1,864
Rent	-	-	-	-	-
Transfers	-	-	-	-	-
Gain (loss) on sale of assets	-	151,879	(268,224)	-	-
Transfer to Successor Agency	-	-	-	-	(826,577)
Special items	-	-	-	-	13,734,184
Total governmental activities	<u>\$ 42,263,515</u>	<u>\$ 38,080,926</u>	<u>\$ 39,338,371</u>	<u>\$ 41,806,608</u>	<u>\$ 57,328,800</u>
Business-type Activities:					
Investment earnings	\$ 3,192	\$ 3,685	\$ 2,520	\$ 2,579	\$ 3,678
Other misc	-	14,776	15,353	14,869	14,023
Rent	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>\$ 3,192</u>	<u>\$ 18,461</u>	<u>\$ 17,873</u>	<u>\$ 17,448</u>	<u>\$ 17,701</u>
Total primary government	<u>\$ 42,266,707</u>	<u>\$ 38,099,387</u>	<u>\$ 39,356,244</u>	<u>\$ 41,824,056</u>	<u>\$ 57,346,501</u>
Changes in Net Position:					
Governmental activities	5,129,424	6,545,839	13,437,428	17,287,593	24,663,936
Business-type activities	156,127	65,502	(128,042)	49,220	134,740
Total Primary Government	<u>\$ 5,285,551</u>	<u>\$ 6,611,341</u>	<u>\$ 13,309,386</u>	<u>\$ 17,336,813</u>	<u>\$ 24,798,676</u>

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				
	2007	2008	2009	2010	2011
General Fund:					
Reserved	\$ 1,501,213	\$ 1,727,692	\$ 1,164,034	\$ 1,126,408	\$ -
Unreserved (designated, undesignated)	15,585,066	18,298,540	17,276,654	10,699,617	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	1,671,257
Assigned	-	-	-	-	4,829,800
Unassigned	-	-	-	-	7,059,792
Total general fund	<u>\$ 17,086,279</u>	<u>\$ 20,026,232</u>	<u>\$ 18,440,688</u>	<u>\$ 11,826,025</u>	<u>\$ 13,560,849</u>
All Other Governmental Funds:					
Reserved	\$ 25,758,503	\$ 23,958,237	\$ 22,821,977	\$ 28,011,724	\$ -
Unreserved					
Designated	15,554,052	10,832,286	18,774,518	25,433,482	-
Undesignated:					
Special revenue funds	15,595,453	23,394,266	19,853,304	15,651,538	-
Capital projects funds	4,201,534	9,750,823	4,428,286	(244,185)	-
Debt service funds	-	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	103,585,798
Committed	-	-	-	-	2,002,596
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(538,052)
Total all other governmental funds	<u>\$ 61,109,542</u>	<u>\$ 67,935,612</u>	<u>\$ 65,878,085</u>	<u>\$ 68,852,559</u>	<u>\$ 105,050,342</u>

¹ The City of National City implemented GASB 54 for the fiscal year ended June 30, 2016. The City has elected not to restate fund balance amounts for previous years.

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

	Fiscal Year				
	2012	2013	2014	2015	2016
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved (designated, undesignated)	-	-	-	-	-
Nonspendable	-	10,162	4,952,830	4,963,916	10,766,098
Restricted	-	707,262	611,780	590,998	754,913
Committed	1,671,257	9,085,066	9,085,066	9,085,066	11,585,066
Assigned	5,536,697	6,787,396	15,042,191	16,065,736	14,792,381
Unassigned	10,708,984	6,995,075	7,797,176	10,266,365	12,166,732
Total general fund	<u>\$ 17,916,938</u>	<u>\$ 23,584,961</u>	<u>\$ 37,489,043</u>	<u>\$ 40,972,081</u>	<u>\$ 50,065,190</u>
All Other Governmental Funds:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved					
Designated	-	-	-	-	-
Undesignated:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Nonspendable	-	8,164,235	7,926,759	7,927,027	-
Restricted	42,694,439	33,122,400	31,713,774	31,005,844	36,333,305
Committed	2,166,798	-	-	-	-
Assigned	-	740,177	733,384	706,558	-
Unassigned	485,332	24,729	(8,165,223)	(5,368,938)	(821,959)
Total all other governmental funds	<u>\$ 45,346,569</u>	<u>\$ 42,051,541</u>	<u>\$ 32,208,694</u>	<u>\$ 34,270,491</u>	<u>\$ 35,511,346</u>

¹ The City of National City implemented GASB 54 for the fiscal year ended June 30, 2016. The City has elected not to restate fund balance amounts for previous years.

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenues:					
Taxes ¹	\$ 46,477,691	\$ 49,871,559	\$ 47,448,811	\$ 44,435,811	\$ 46,981,938
Licenses and permits	872,998	801,232	742,616	555,717	772,326
Fines and forfeitures	939,083	1,322,347	1,303,006	1,454,328	1,574,031
Interest ¹ and rents	3,405,789	3,369,224	2,387,531	1,414,747	971,728
Use of money and property	-	-	-	-	-
Intergovernmental	23,863,565	24,377,473	21,575,928	22,200,569	17,498,972
Charges for services	9,328,340	8,471,286	8,371,734	9,064,198	9,161,970
Other revenues	2,358,768	2,680,389	1,926,494	3,465,296	2,166,456
Total revenues	\$ 87,246,234	\$ 90,893,510	\$ 83,756,120	\$ 82,590,666	\$ 79,127,421
Expenditures:					
Current:					
General government	\$ 4,723,185	\$ 5,354,513	\$ 4,559,601	\$ 6,517,068	\$ 6,595,278
Public safety	25,130,868	26,528,937	27,958,385	30,715,473	27,631,707
Transportation	3,236,793	3,756,298	3,079,647	2,118,325	1,945,357
Community development	20,992,576	23,721,153	18,029,047	21,840,082	17,752,422
Health	6,273,178	7,426,569	5,963,766	7,761,907	6,842,236
Culture and leisure	6,387,197	6,276,859	6,928,456	6,160,615	5,127,204
Capital outlay	2,074,818	1,636,398	14,450,567	5,501,888	6,468,842
Debt service:					
Principal	2,871,863	2,891,709	3,024,837	3,191,174	3,327,360
Interest and fiscal charges	2,898,962	2,864,933	2,689,608	2,535,113	2,456,640
Cost of issuance	-	-	-	-	439,442
Total expenditures	\$ 74,589,440	\$ 80,457,369	\$ 86,683,914	\$ 86,341,645	\$ 78,586,488
Excess (deficiency) of revenues over (under) expenditures	12,656,794	10,436,141	(2,927,794)	(3,750,979)	540,933
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.					
Other Financing Sources (uses)					
Issuance of long-term debt	\$ -	\$ -	\$ -	\$ -	\$ 42,775,000
Premium on debt issuance	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	(3,115,000)
Original discount on issuance	-	-	-	-	(1,056,085)
Proceeds from sale of property	-	-	-	-	-
Proceeds from lease	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-
Transfers in	8,182,525	13,096,724	8,227,100	10,620,576	16,870,308
Transfers out	(8,982,525)	(13,151,446)	(8,642,100)	(10,917,436)	(16,196,104)
Transfers to Successor Agency	-	-	-	-	-
Total other financing sources (uses)	\$ (800,000)	\$ (54,722)	\$ (415,000)	\$ (296,860)	\$ 39,278,119
Extraordinary/Special Items	-	-	-	-	-
Net change in fund balances	\$ 11,856,794	\$ 10,381,419	\$ (3,342,794)	\$ (4,047,839)	\$ 39,819,052
Debt services as a percentage of noncapital expenditures	7.96%	7.30%	7.91%	7.08%	8.02%

Source: City of National City Comprehensive Annual Financial Reports or financial statements

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Revenues:					
Taxes ¹	\$ 42,797,241	\$ 38,837,279	\$ 41,386,311	\$ 43,573,589	\$ 45,474,959
Licenses and permits	837,532	1,225,571	1,099,929	1,567,617	1,122,139
Fines and forfeitures	1,873,119	1,044,422	1,111,961	885,722	646,370
Interest ¹ and rents	720,301	-	-	-	-
Use of money and property	-	768,612	1,122,149	1,073,543	1,417,606
Intergovernmental	19,427,220	15,803,886	23,571,850	26,791,254	21,381,584
Charges for services	8,482,536	10,080,029	9,531,741	10,024,879	10,734,789
Other revenues	2,025,862	757,913	1,651,370	4,387,660	3,925,718
Total revenues	\$ 76,163,811	\$ 68,517,712	\$ 79,475,311	\$ 88,304,264	\$ 84,703,165
Expenditures:					
Current:					
General government	\$ 5,650,734	\$ 5,349,464	\$ 5,062,227	\$ 5,403,805	\$ 6,986,812
Public safety	28,458,759	28,156,246	27,687,841	29,100,717	31,785,904
Transportation	1,667,437	2,957,941	3,673,470	3,941,747	4,546,976
Community development	13,657,581	10,529,246	11,235,322	11,173,792	11,752,502
Health	7,015,478	8,559,588	6,994,103	7,179,865	7,587,801
Culture and leisure	5,138,826	5,797,227	6,057,037	5,306,518	6,239,067
Capital outlay	2,839,897	3,749,471	20,361,948	17,176,753	16,737,745
Debt service:					
Principal	4,547,823	1,068,801	1,376,871	1,142,186	1,150,824
Interest and fiscal charges	4,560,865	547,580	477,061	427,209	364,723
Cost of issuance	-	-	-	-	-
Total expenditures	\$ 73,537,400	\$ 66,715,564	\$ 82,925,880	\$ 80,852,592	\$ 87,152,354
Excess (deficiency) of revenues over (under) expenditures	2,626,411	1,802,148	(3,450,569)	7,451,672	(2,449,189)
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.					
Other Financing Sources (uses)					
Issuance of long-term debt	\$ -	\$ 4,885,000	\$ -	\$ 554,604	\$ -
Premium on debt issuance	-	25,678	-	-	-
Payment to bond escrow agent	-	(4,760,000)	-	-	-
Original discount on issuance	-	(150,678)	-	-	-
Proceeds from sale of property	-	-	7,052,194	-	-
Proceeds from lease	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-
Transfers in	7,017,427	3,085,535	5,131,249	1,765,336	4,903,988
Transfers out	(6,738,538)	(2,514,688)	(4,671,639)	(4,277,182)	(3,078,442)
Transfers to Successor Agency	-	-	-	-	(826,577)
Total other financing sources (uses)	\$ 278,889	\$ 570,847	\$ 7,511,804	\$ (1,957,242)	\$ 998,969
Extraordinary/Special Items	(59,950,984)	-	-	-	11,784,182
Net change in fund balances	\$ (57,045,684)	\$ 2,372,995	\$ 4,061,235	\$ 5,494,430	\$ 10,333,962
Debt services as a percentage of noncapital expenditures	12.88%	2.57%	2.96%	2.46%	2.15%

Source: City of National City Comprehensive Annual Financial Reports or financial statements

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

Category	Fiscal Year				
	2007	2008	2009	2010	2011
Secured:					
Residential Property	\$ 1,519,346,327	\$ 1,675,533,232	\$ 1,727,050,075	\$ 1,486,019,671	\$ 1,438,117,757
Commercial Property	704,702,806	744,585,873	797,911,588	871,757,000	886,630,566
Industrial Property	262,732,815	264,996,707	276,149,692	288,230,654	282,442,202
Institutional Property	5,568,713	4,382,185	44,982,886	54,514,910	55,348,512
Irrigated Property	-	-	35,858	36,575	-
Recreational Property	4,745,005	6,697,142	14,655,682	26,509,839	26,677,054
Unknown	-	-	-	-	-
Vacant Land	58,129,839	68,304,793	92,409,693	93,470,678	96,674,219
Dry Farm	-	-	-	-	224,466
Total Secured	<u>\$ 2,555,225,505</u>	<u>\$ 2,764,499,932</u>	<u>\$ 2,953,195,474</u>	<u>\$ 2,820,539,327</u>	<u>\$ 2,786,114,776</u>
Unsecured	142,087,044	154,942,915	168,066,373	204,465,642	200,239,342
SBE Nonunitary	5,931,260	4,039,249	5,858,889	5,586,456	5,195,618
Total Taxable Assessed Value	<u>\$ 2,703,243,809</u>	<u>\$ 2,923,482,096</u>	<u>\$ 3,127,120,736</u>	<u>\$ 3,030,591,425</u>	<u>\$ 2,991,549,736</u>
Total Direct Tax Rate	0.56773	0.56773	0.57066	0.55977	0.54335

Note: Exempt values not included in totals.

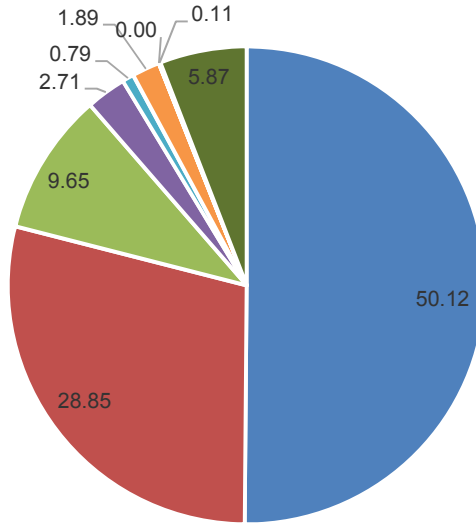
City of National City
Assessed Value and Actual Value of Taxable Property (Continued)
Last Ten Fiscal Years

Category	Fiscal Year				
	2012	2013	2014	2015	2016
Secured:					
Residential Property	\$ 1,482,008,218	\$ 1,503,553,951	\$ 1,547,773,659	\$ 1,665,406,317	\$ 1,717,835,128
Commercial Property	899,802,065	915,142,395	971,070,608	\$ 992,982,224	\$ 1,026,863,991
Industrial Property	275,585,085	370,755,962	372,617,155	\$ 360,527,549	\$ 345,186,211
Institutional Property	44,298,664	45,384,698	46,107,183	\$ 46,316,498	\$ 47,648,063
Irrigated Property	-	-	-	-	-
Recreational Property	27,127,749	29,056,094	25,828,782	\$ 25,827,429	\$ 24,799,504
Unknown	-	-	-	-	-
Vacant Land	58,383,925	57,090,009	61,320,039	\$ 60,685,749	\$ 66,017,188
Dry Farm	-	-	-	-	-
Total Secured	<u>\$ 2,787,205,706</u>	<u>\$ 2,920,983,109</u>	<u>\$ 3,024,717,426</u>	<u>\$ 3,151,745,766</u>	<u>\$ 3,228,350,085</u>
Unsecured	201,267,744	183,790,343	224,847,953	\$ 197,869,900	\$ 208,192,396
SBE Nonunitary	5,195,618	5,195,618	5,224,473	\$ 5,224,473	\$ 4,088,740
Total Taxable Assessed Value	<u><u>\$ 2,993,669,068</u></u>	<u><u>\$ 3,109,969,070</u></u>	<u><u>\$ 3,254,789,852</u></u>	<u><u>\$ 3,354,840,139</u></u>	<u><u>\$ 3,440,631,221</u></u>
Total Direct Tax Rate	0.54734	0.54683	0.24559	0.20747	0.20813

Note: Exempt values not included in totals.

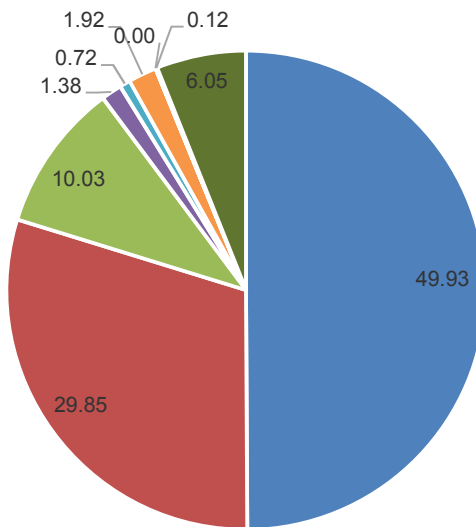
City of National City 2015/16 Use Category Summary (Percentages)

Assessed Value



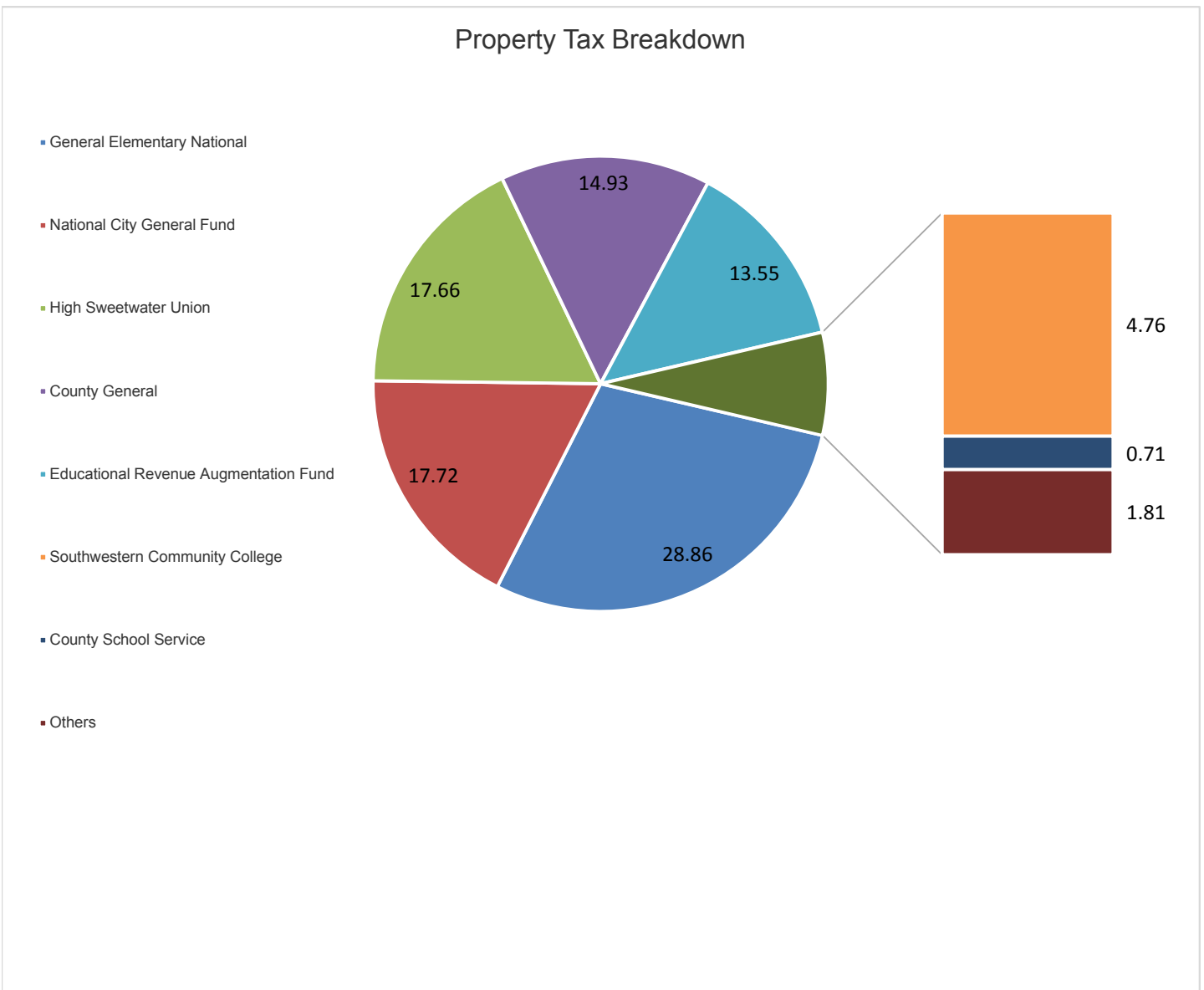
• Residential • Commercial • Industrial • Institutional • Recreational • Vacant • Exempt • SBE Nonunitary • Unsecured

Net Taxable Value



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

City of National City Property Tax Dollar Breakdown (Percentages)



**City of National City
2015/16 Roll Summary
Taxable Property Values**

	<u>Secured</u>	<u>Nonunitary Utilities</u>	<u>Unsecured</u>
Parcels	10,032	8	1,596
TRAs	42	3	18
Values			
Land	\$ 1,423,216,047	\$ 4,088,740	\$ -
Improvements	1,945,433,875	-	75,877,844
Personal Property	2,993,818	-	134,754,483
Fixtures	-	-	-
Aircraft	-	-	-
Total Value	\$ 3,371,643,740	\$ 4,088,740	\$ 210,632,327
Exemptions			
Real Estate	\$ 143,293,655	\$ -	\$ 542,823
Personal Property	-	-	1,897,108
Fixture	-	-	-
Aircraft	-	-	-
Homeowners	29,783,600	-	-
Total Exemptions	\$ 143,293,655	\$ -	\$ 2,439,931
Total Net Value	\$ 3,228,350,085	\$ 4,088,740	\$ 208,192,396

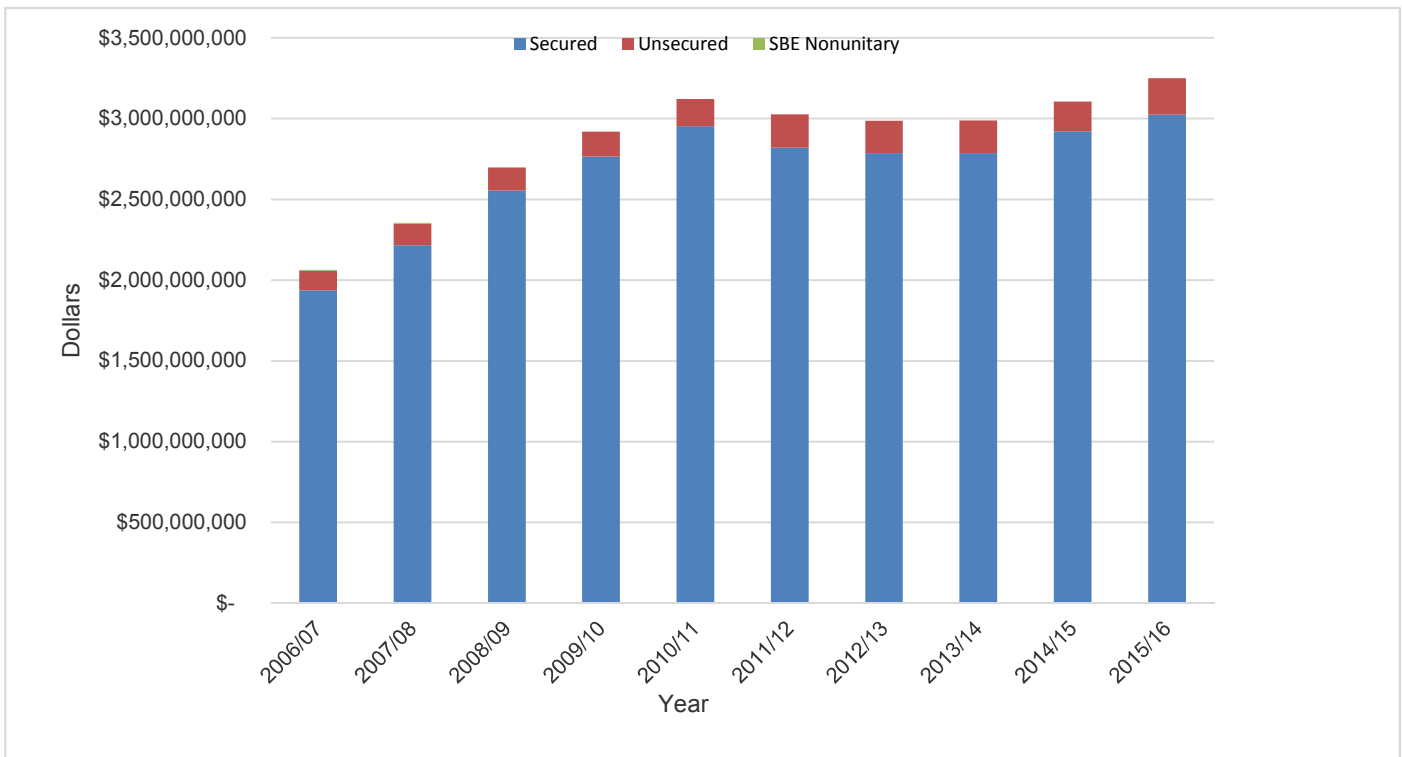
Combined Values	Total
Total Values	\$ 3,586,364,807
Total Exemptions	\$ 145,733,586
Net Total Values	\$ 3,440,631,221
Net Aircraft Values	\$ -

Notes: Total Exemptions does not include homeowner exemption.

Aircraft values and exemptions are reported separately.

City of National City
Net Taxable Assessed Value History
2006/07 - 2015/16

Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
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%
2014/15	\$ 3,151,745,766	\$ 197,869,900	\$ 5,224,473	\$ 3,354,840,139	3.07%
2015/16	\$ 3,228,350,085	\$ 208,192,396	\$ 4,088,740	\$ 3,440,631,221	2.56%



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

	Calendar Year				
	2007	2008	2009	2010	2011
Apparel Stores	\$ 101,240	\$ 107,259	\$ 110,810	\$ 120,759	\$ 129,870
General Merchandise	140,764	150,957	146,586	146,377	156,947
Food Stores	24,215	27,052	27,572	27,865	28,619
Eating and Drinking Places	109,237	114,360	114,705	121,704	126,315
Auto Dealers and Supplies	579,008	420,630	333,247	372,166	417,165
Service Stations	82,077	87,464	66,588	75,945	87,217
Other Retail Stores	250,259	216,033	154,854	141,441	148,291
All Other Outlets	261,214	239,732	202,615	248,235	246,672
Total	\$ 1,548,014	\$ 1,363,487	\$ 1,156,977	\$ 1,254,492	\$ 1,341,096

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 2016 not available as of the date of issuance of this report.

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

	Calendar Year				
	2012	2013	2014	2015	2016
Apparel Stores	\$ 133,977	\$ 134,008	\$ 134,775	\$ 135,071	NA
General Merchandise	163,970	165,316	171,124	177,381	NA
Food Stores	31,886	31,865	33,041	32,666	NA
Eating and Drinking Places	132,912	138,668	148,888	162,818	NA
Auto Dealers and Supplies	506,080	548,327	581,390	622,925	NA
Service Stations	85,842	77,680	79,502	71,593	NA
Other Retail Stores	155,451	165,755	180,920	198,828	NA
All Other Outlets	262,154	294,424	299,890	335,514	NA
Total	\$ 1,472,272	\$ 1,556,043	\$ 1,629,530	\$ 1,736,796	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 2016 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				
	2007	2008	2009	2010	2011
Current Year Tax Levy	\$ 2,678,832	\$ 2,855,587	\$ 3,119,018	\$ 3,133,984	\$ 3,118,154
Current Tax Collections	2,670,618	2,843,810	3,102,793	3,104,248	3,079,633
Percent of Levy Collected	99.69%	99.59%	99.48%	99.05%	98.76%
Delinquent Tax Receivable	13,618	15,637	16,472	16,863	17,417
Delinquent Tax Collections	1,502	1,104	2,886	1,864	2,717
Total Tax Collections	\$ 2,672,120	\$ 2,844,914	\$ 3,105,679	\$ 3,106,112	\$ 3,082,350
Percent of Total Tax Collections To Tax Levy	99.75%	99.63%	99.57%	99.11%	98.85%
Outstanding Delinquent Taxes	\$ 20,330	\$ 26,310	\$ 29,810	\$ 44,735	\$ 53,222
Percent of Delinquent Taxes To Tax Levy	0.76%	0.92%	0.96%	1.43%	1.71%

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Current Year Tax Levy	\$ 3,207,237	\$ 3,348,632	\$ 3,099,715	\$ 3,240,544	\$ 3,205,191
Current Tax Collections	3,160,964	3,330,941	3,087,464	3,227,793	3,195,983
Percent of Levy Collected	98.56%	99.47%	99.60%	99.61%	99.71%
Delinquent Tax Receivable	19,334	19,089	19,203	19,758	17,764
Delinquent Tax Collections	1,995	1,781	1,542	1,312	1,564
Total Tax Collections	\$ 3,162,959	\$ 3,332,721	\$ 3,089,006	\$ 3,229,105	\$ 3,197,547
Percent of Total Tax Collections To Tax Levy	98.62%	99.52%	99.65%	99.65%	99.76%
Outstanding Delinquent Taxes	\$ 63,612 0	\$ 34,999 0	\$ 29,912 0	\$ 31,197	\$ 25,408
Percent of Delinquent Taxes To Tax Levy	1.98%	1.05%	0.96%	0.96%	0.79%

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

Agency	Fiscal Year				
	2007	2008	2009	2010	2011
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000
Chula Vista Elementary	0.02662	0.02029	0.01762	0.02507	0.02611
Gen Bond Chula Vista Prop Jj, 2013A Ref	0.00000	0.00000	0.00000	0.00000	0.00000
Gen Bond Chula Vista Sfid 2012B, Prop E 11/06/12	0.00000	0.00000	0.00000	0.00000	0.00000
Gen Bond Chula Vista Sfid 2012-1, Prop E	0.00000	0.00000	0.00000	0.00000	0.00000
Gen Bond National City-Prop N 11/04/14 Ser 2014A	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00470	0.00450	0.00430	0.00430	0.00370
National City Gen. Obligation Bonds 2002 Series A	0.01570	0.01430	0.01300	0.01270	0.01420
San Diego Community College Bond	0.01782	0.02740	0.01212	0.02482	0.02494
Southwestern Community College	0.01405	0.01253	0.01320	0.03442	0.03635
Sweetwater High Bond	0.02016	0.04711	0.04621	0.05580	0.05517
Total Direct & Overlapping² Tax Rates	1.09905	1.12613	1.10645	1.15711	1.16047
City's Share of 1% Levy Per Prop 13 ³	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate	0.01570	0.01430	0.01300	0.01270	0.01420
Redevelopment Authority Rate ⁴	1.00470	1.00450	1.00430	1.00430	1.00370
Total Direct Rate ⁵	0.56773	0.57636	0.57066	0.55977	0.54335

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 tax rate area and only includes 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. The Approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵ Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information and excludes revenues derived from aircraft beginning in 2013/14. The total DR no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purpose of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

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

Agency	Fiscal Year				
	2012	2013	2014	2015	2016
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000
Chula Vista Elementary	0.02594	0.02526	0.00995	0.00932	0.00863
Gen Bond Chula Vista Prop Jj, 2013A Ref	0.00000	0.00000	0.01264	0.01074	0.01035
Gen Bond Chula Vista Sfid 2012B, Prop E 11/06/12	0.00000	0.00000	0.00000	0.00000	0.01166
Gen Bond Chula Vista Sfid 2012-1, Prop E	0.00000	0.00000	0.02372	0.02747	0.01237
Gen Bond National City-Prop N 11/04/14 Ser 2014A	0.00000	0.00000	0.00000	0.00000	0.03055
Metropolitan Water District	0.00370	0.00350	0.00350	0.00350	0.00350
National City Gen. Obligation Bonds 2002 Series A	0.01370	0.01320	0.01190	0.00960	0.00920
San Diego Community College Bond	0.03740	0.03636	0.04760	0.04381	0.03939
Southwestern Community College	0.03308	0.03753	0.03675	0.03582	0.03961
Sweetwater High Bond	0.06079	0.05862	0.05823	0.05407	0.05169
Total Direct & Overlapping² Tax Rates	1.17461	1.17447	1.20429	1.19433	1.21695
City's Share of 1% Levy Per Prop 13 ³	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate	0.01370	0.01320	0.01190	0.00960	0.00920
Redevelopment Authority Rate ⁴	1.00370	0.00000	0.00000	0.00000	0.00000
Total Direct Rate ⁵	0.54734	0.54683	0.24559	0.20747	0.20813

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.

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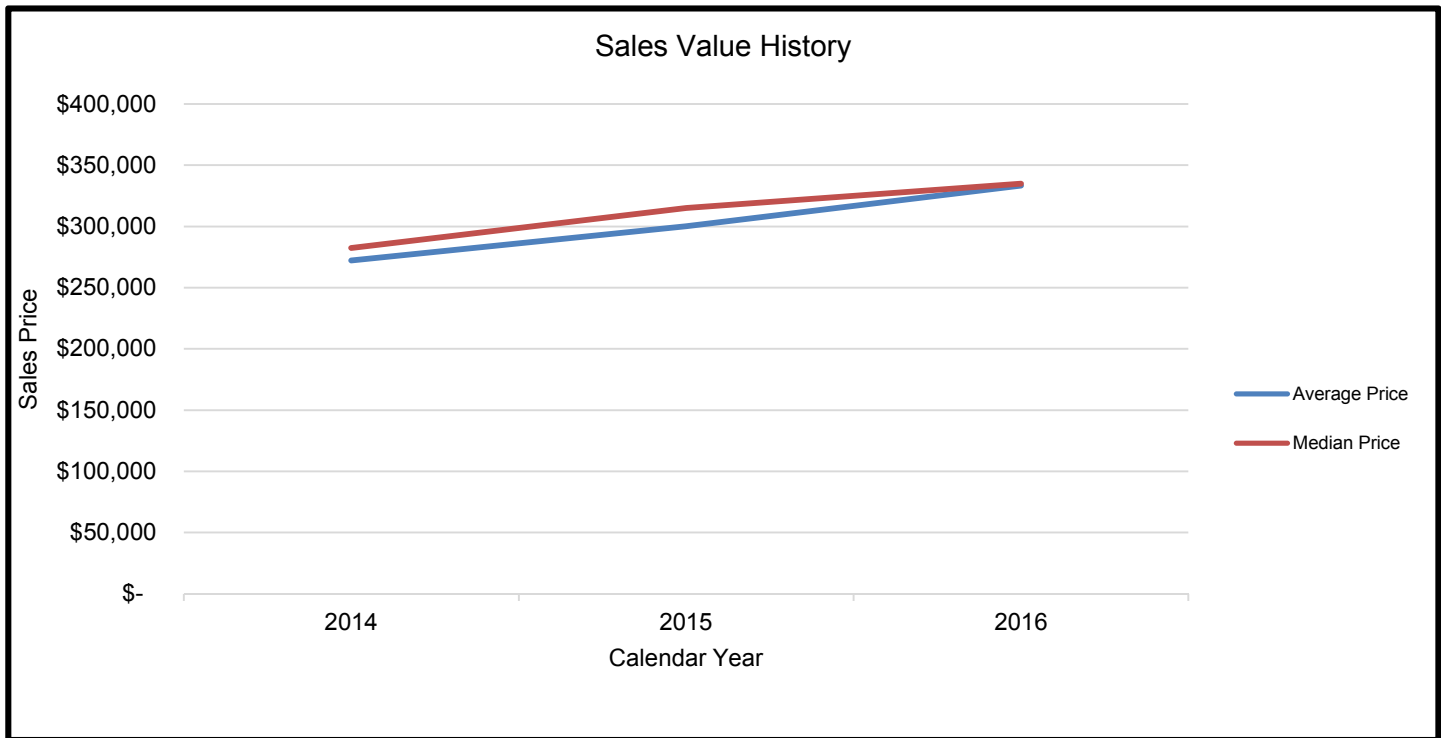
**City of National City
Principal Property Tax Payers
Current Year and Nine Years Ago**

	2015/2016			2006/2007		
	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</u> (Parcels)						
Centermark Properties Inc. (11)	\$ 253,146,556	1	7.36%	-	-	-
Pasha Automotive Services	75,666,898	2	2.20%	-	-	-
PVHR LLC (3)	54,355,245	3	1.58%	-	-	-
Costco Wholesale Corporation (1)	43,287,976	4	1.26%	-	-	-
R O I C California LLC	39,911,592	5	1.16%	-	-	-
Fenton NCP LLC	32,407,909	6	0.94%	-	-	-
MPT Of Paradise Valley L P	31,509,886	7	0.92%	-	-	-
Target Corporation	28,339,838	8	0.82%	-	-	-
Dixieline Lumber Company	24,837,910	9	0.72%	-	-	-
Sweetwater Associates LP	24,526,536	10	0.71%	-	-	-
Centermark Properties Inc.	-	-	-	\$ 163,516,107	1	6.05%
Group The Pasha	-	-	-	\$ 46,876,908	2	1.73%
Wells Fargo Bank	-	-	-	25,169,910	3	0.93%
Sweetwater Associates LP	-	-	-	21,522,066	4	0.80%
G.W. Williams Company	-	-	-	21,447,976	5	0.79%
WalMart Real Estate Business Trust	-	-	-	19,165,710	6	0.71%
Costco Wholesale Corporation (1)	-	-	-	18,233,737	7	0.67%
C I P Venture	-	-	-	15,601,758	8	0.58%
Granger 180 LLC	-	-	-	15,419,386	9	0.57%
Dixieline Lumber Company	-	-	-	15,054,645	10	0.56%
Top Ten Total	\$ 607,990,346		17.67%	\$ 362,008,203		13.39%
City Total	\$ 3,440,631,221 *			\$ 2,703,243,809 *		

* Value includes outer TRA's

City of National City
Sales Value History
Single Family Residential Full Value Sales (1/1/2014-7/31/2016)

<u>Year</u>	<u>Full Value Sales</u>	<u>Average Price</u>	<u>Median Price</u>	<u>Median % Change</u>
2014	254	\$ 272,301	\$ 282,500	
2015	299	\$ 300,132	\$ 315,000	11.5
2016	163	\$ 333,472	\$ 335,000	6.35





City of National City
Top 25 Sales Tax Producers
For 2015-16 & 2006-07

2015-2016		2006-2007	
Business Name	Business Category	Business Name	Business Category
Arco	Service Stations	Arco	Service Stations
Arco AM PM	Service Stations	Ball Honda Acura Mitsubishi Suzuki Kia	New Motor Vehicle Dealers
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
JC Penny	Department Stores	Frank Auto Pros	New Motor Vehicle Dealers
Macys	Department Stores	Harrison Buick	New Motor Vehicle Dealers
Mor Furniture 4 Less	Home Furnishings	JC Penny	Department Stores
Mossy Nissan	New Motor Vehicle Dealers	Macys	Department Stores
Nordstrom Rack	Department Stores	McCune Motors	New Motor Vehicle Dealers
Perry Chrysler Dodge Jeep Ram	New Motor Vehicle Dealers	Mervyns	Department Stores
Perry Ford	New Motor Vehicle Dealers	Mossy Nissan	New Motor Vehicle Dealers
Probuild Company	Lumber/Building Materials	Perry Ford	New Motor Vehicle Dealers
Ron Baker Chevrolet	New Motor Vehicle Dealers	Reliance Steel & Aluminum	Heavy Industrial
Ross	Family Apparel	Ron Baker Chevrolet	New Motor Vehicle Dealers
South Bay Volkswagen	New Motor Vehicle Dealers	Ross	Family Apparel
South County Buick GMC	New Motor Vehicle Dealers	San Diego Dodge	New Motor Vehicle Dealers
Sweetwater Harley Davidson	Boats/Motorcycles	South Bay Subaru	New Motor Vehicle Dealers
Target	Discount Dept Stores	South Bay Volkswagen	New Motor Vehicle Dealers
Univar	Drugs/Chemicals	South Bay Yamaha	Boats/Motorcycles
USA Gasoline	Service Stations	Toys R Us	Specialty Stores
Walmart Supercenter	Discount Dept Stores	Univar	Drugs/Chemicals
Westcott Mazda	New Motor Vehicle Dealers	Walmart Supercenter	Discount Dept Stores
Westair Gases & Equipment	Heavy Industrial	Westcott Mazda	New Motor Vehicles Dealers

Percent of 2015-2016 total paid by top 25 accounts = 54.10

Percent of 2006-2007 total paid by top 25 accounts = 58.93

* Firms listed alphabetically

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental Activities:					
NCJPFA Lease Revenue Refunding Bond	\$ 4,220,000	\$ 3,920,000	\$ 3,605,000	\$ 3,280,000	\$ 3,115,000
Tax Allocation Bonds	43,885,000	41,820,000	39,680,000	37,455,000	74,590,000
General Obligation Bonds	5,720,000	5,585,000	5,440,000	5,285,000	5,120,000
HUD 108 Bond 2003 A	6,380,000	6,185,000	5,975,000	5,750,000	5,505,000
Total Bonded Debt	\$ 60,205,000	\$ 57,510,000	\$ 54,700,000	\$ 51,770,000	\$ 88,330,000
Per Capita	\$ 1,078	\$ 1,026	\$ 971	\$ 913	\$ 1,528
Percent of Taxable Assessed Values	2.23%	1.97%	1.75%	1.71%	2.95%
Other Governmental Activities Debt					
Capital Lease Payable	1,655,327	1,372,940	1,117,728	2,611,714	2,416,722
Business-Type Activities:					
Notes Payable	3,328,141	3,180,054	3,022,049	2,853,463	2,481,662
Total Primary Government	\$ 65,188,468	\$ 62,062,994	\$ 58,839,777	\$ 57,235,177	\$ 93,228,384
Percent of Personal Income	8.55%	7.85%	7.35%	7.27%	10.95%
Per Capita	\$ 1,167	\$ 1,107	\$ 1,045	\$ 1,009	\$ 1,613

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

	Fiscal Year				
	2012	2013	2014	2015	2016
Governmental Activities:					
NCJPFA Lease Revenue Refunding Bond	\$ 2,715,000	\$ 2,300,000	\$ 1,870,000	\$ 1,425,000	\$ 965,000
Tax Allocation Bonds	71,115,000	67,160,000	63,040,000	58,750,000	51,465,000
General Obligation Bonds	4,945,000	4,846,073	4,613,668	4,371,263	4,123,858
HUD 108 Bond 2003 A	5,245,000	4,965,000	4,450,000	4,140,000	3,805,000
Total Bonded Debt	\$ 84,020,000	\$ 79,271,073	\$ 73,973,668	\$ 68,686,263	\$ 60,358,858
Per Capita	\$ 1,425	\$ 1,347	\$ 1,246	\$ 1,160	\$ 993
Percent of Taxable Assessed Values	2.81%	2.55%	2.27%	2.05%	1.75%
Other Governmental Activities Debt					
Capital Lease Payable	2,147,477	1,866,025	1,571,831	1,948,686	1,723,764
Business-Type Activities:					
Notes Payable	2,853,463	2,058,393	1,576,533	1,311,137	1,027,967
Total Primary Government	\$ 89,020,940	\$ 83,195,491	\$ 77,122,032	\$ 71,946,086	\$ 63,110,589
Percent of Personal Income	9.54%	8.63%	7.85%	7.36%	6.18%
Per Capita	\$ 1,510	\$ 1,414	\$ 1,299	\$ 1,215	\$ 1,039



City of National City
Direct and Overlapping Debt
As of June 30, 2016

2015-2016 Assessed Valuation: \$3,442,331,058

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2016	% Applicable ¹	City's Share of Debt 06/30/16
Metropolitan Water District	\$ 92,865,000	0.140%	\$ 130,011
San Diego Community College District	1,266,024,827	0.002%	25,320
Southwestern Community College District	336,243,676	7.248%	24,370,942
Chula Vista City School District	52,855,000	1.563%	826,124
Chula Vista City School District School Facilities Improvement District No. 1	40,650,000	2.908%	1,182,102
National School District	18,000,000	93.156%	16,768,080
Sweetwater Union High School District	398,811,637	8.671%	34,580,957
Chula Vista City School District Community Facilities Districts	-	0.000%	-
Sweetwater Union High School District Community Facilities Districts	11,578,379	4.035-24.174%	2,093,611
City Overlapping Tax and Assessment Debt Subtotal	2,217,028,519		79,977,147
City of National City	4,155,000	100%	4,155,000
City Tax and Assessment Debt Subtotal	4,155,000		4,155,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 2,221,183,519		\$ 84,132,147
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 307,830,000	0.778%	\$ 2,394,917
San Diego County Pension Obligation Bonds	649,860,000	0.778%	5,055,911
San Diego County Superintendent of Schools Obligations	13,295,000	0.778%	103,435
Southwestern Community College District General Fund Obligations	980,000	7.248%	71,030
Sweetwater Union High School District Certificates of Participation	41,850,000	8.671%	3,628,814
Chula Vista City School District Certificates of Participation	165,785,000	1.563%	2,591,220
City of National City General Fund Obligations	965,000	100.000%	965,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$ 1,180,565,000		\$ 14,810,327
Overlapping Tax Increment Debt (Successor Agency)	\$ 54,280,000	100%	\$ 54,280,000
COMBINED TOTAL DEBT	\$ 3,401,748,519		\$ 98,942,474
Total Direct Debt			\$ 5,120,000
Total Direct and Overlapping Tax and Assessment Debt			93,822,474
Combined Total Debt ²			\$ 98,942,474

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$4,155,000)	0.12%
Total Direct and Overlapping Tax and Assessment Debt	2.44%
Total Direct Debt (\$5,120,000)	0.15%
Combined Total Debt	4.45%
<u>Ratios to Redevelopment Successor Agency Incremental Valuation</u>	
<u>(\$1,592,552,160):</u>	
Total Overlapping Tax Increment Debt	3.41%

¹ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

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				
	2007	2008	2009	2010	2011
Assessed Valuation	\$ 2,703,243,809	\$ 2,923,482,096	\$ 3,127,120,736	\$ 3,030,591,425	\$ 2,991,549,736
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 675,810,952	\$ 730,870,524	\$ 781,780,184	\$ 757,647,856	\$ 747,887,434
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 101,371,643	\$ 109,630,579	\$ 117,267,028	\$ 113,647,178	\$ 112,183,115
Total Debt (due more than one year)	\$ 65,688,525	\$ 62,378,019	\$ 59,277,180	\$ 58,583,736	\$ 93,559,890
Less: Non Bonded Debt					
Claims Payable	(2,890,000)	(2,578,000)	(2,759,900)	(4,286,256)	(4,535,629)
Compensated Absences	(1,062,113)	(1,326,678)	(1,356,429)	(1,053,748)	(803,341)
Capitalized Lease Obligation	(1,372,949)	(1,099,735)	874,565	(2,423,051)	(2,037,295)
Notes Payable	(2,853,463)	(2,673,606)	(2,481,662)	(2,276,886)	(2,058,393)
Total Applicable to Limitation	<u>\$ 57,510,000</u>	<u>\$ 54,700,000</u>	<u>\$ 53,553,754</u>	<u>\$ 48,543,795</u>	<u>\$ 84,125,232</u>
Legal Debt Margin	<u>\$ 43,861,643</u>	<u>\$ 54,930,579</u>	<u>\$ 63,713,274</u>	<u>\$ 65,103,383</u>	<u>\$ 28,057,883</u>
Total debt applicable to the limit as a percentage of debt limit	57%	50%	46%	43%	75%

City of National City
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years

	Fiscal Year				
	2012	2013	2014	2015	2016
Assessed Valuation	\$ 2,993,669,068	\$ 3,109,969,070	\$ 3,254,789,852	\$ 3,354,840,139	\$ 3,440,631,221
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 748,417,267	\$ 777,492,268	\$ 813,697,463	\$ 838,710,035	\$ 860,157,805
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 112,262,590	\$ 116,623,840	\$ 122,054,619	\$ 125,806,505	\$ 129,023,671
Total Debt (due more than one year)	\$ 23,783,337	\$ 21,416,534	\$ 20,857,367	\$ 20,579,839	\$ 19,496,761
Less: Non Bonded Debt					
Claims Payable	(4,701,604)	(4,604,010)	\$ (5,466,746)	\$ (5,580,594)	\$ (6,112,318)
Compensated Absences	(3,044,777)	(948,661)	\$ (1,421,472)	\$ (1,632,485)	\$ (1,821,032)
Capitalized Lease Obligation	(2,059,274)	(1,571,831)	\$ (1,362,172)	\$ (1,723,765)	\$ (1,494,160)
Notes Payable	(1,825,270)	(1,576,533)	\$ (1,311,137)	\$ (1,027,967)	\$ (725,833)
Total Applicable to Limitation	\$ 12,152,412	\$ 12,715,499	\$ 11,295,840	\$ 10,615,028	\$ 9,343,418
Legal Debt Margin	\$ 100,110,178	\$ 103,908,341	\$ 110,758,779	\$ 115,191,477	\$ 119,680,253
Total debt applicable to the limit as a percentage of debt limit	11%	11%	9%	8%	7%

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Revenue					
Property Tax Gross Incremental Revenue	\$ 10,834,596	\$ 11,766,428	\$ 11,790,224	\$ 11,184,289	\$ 11,070,963
Debt Service Requirements					
Principal	\$ 2,000,000	\$ 2,065,000	\$ 2,140,000	\$ 2,225,000	\$ 2,525,000
Interest and Fiscal Charges	2,033,220	2,017,843	1,883,148	1,806,370	1,706,646
Pass-through Payments	1,452,351	1,525,468	1,553,258	7,395,921	2,613,680
	<u>\$ 5,485,571</u>	<u>\$ 5,608,311</u>	<u>\$ 5,576,406</u>	<u>\$ 11,427,291</u>	<u>\$ 6,845,326</u>
Debt Coverage	1.98	2.10	2.11	0.98	1.62

City of National City
Pledged Revenue Coverage (Continued)
Last Ten Fiscal Years

	Fiscal Year					
	2012	#	2013	2014	2015	2016
Revenue						
Property Tax Gross Incremental Revenue	\$ 6,054,668		\$ 11,505,010	\$ 13,608,368	\$ 12,705,481	\$ 11,558,679
Debt Service Requirements						
Principal	\$ 3,955,000		\$ 4,120,000	\$ 4,290,000	\$ 5,230,000	\$ 2,070,000
Interest and Fiscal Charges	3,978,074		3,797,907	3,589,747	3,484,532	3,078,878
Pass-through Payments	-		-	-	-	-
	<u>\$ 7,933,074</u>		<u>\$ 7,917,907</u>	<u>\$ 7,879,747</u>	<u>\$ 8,714,532</u>	<u>\$ 5,148,878</u>
Debt Coverage	0.76		1.45	1.73	1.46	2.24



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%)			
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%	2.0%	31.5	3.44	65.1%	12.6%	18.9%	\$933,389	\$15,829
2013	58,838	1.9%	-0.2%	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
2015	59,235	1.8%	-0.2%	31.5	3.41	69.8%	12.5%	8.1%	\$977,614	\$16,504
2016	60,768	1.8%	2.6%	31.9	3.40	70.8%	12.7%	6.6%	\$1,020,729	\$16,797

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

<u>Function/Program</u>	Fiscal Year				
	2007	2008	2009	2010	2011
General Government					
City Clerk	3.16	3.16	3.16	3.16	3.16
City Manager	7.50	7.50	7.50	7.50	9.50
Risk Management	1.00	2.00	2.00	2.00	2.00
Management Information Systems	4.00	4.00	4.00	4.00	4.00
Finance	17.00	17.00	17.00	17.00	16.55
Purchasing	2.48	3.48	3.48	2.48	2.48
City Attorney	3.50	3.50	3.50	3.50	3.50
Human Resources	6.25	4.80	4.80	5.30	5.50
Community Development ¹	—	—	—	—	—
Planning	6.50	7.50	7.70	5.10	5.17
Building	4.00	4.00	4.00	4.40	4.33
Engineering	14.95	14.95	14.70	14.70	14.70
Redevelopment ¹	4.00	4.00	7.00	5.20	5.70
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
Neighborhood Services ¹	11.00	12.00	11.00	6.00	11.00
Public Works ²	36.30	36.05	35.30	36.30	36.30
Community Services ²	23.00	23.00	23.00	22.50	22.50
Nutrition Center	15.00	15.00	12.25	11.25	11.25
Library	25.91	25.91	31.18	28.51	60.07
Public Safety					
Police	134.36	139.36	139.36	139.36	134.36
Fire	48.25	48.25	48.25	48.25	48.25
Transit ³	—	—	—	—	—

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
Full-time Equivalent City Government Employees by Function/Program (Continued)
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year				
	2012	2013	2014	2015	2016
General Government					
City Clerk	3.00	3.00	3.00	3.00	3.00
City Manager	9.00	7.05	8	8.00	3.00
Risk Management	2.00	1.00	1.00	1.00	1.00
Management Information Systems	4.00	3.00	3.00	3.50	4.00
Finance	16.75	14.48	14.48	14.77	15.77
Purchasing	2.48	2.48	2.48	1.48	1.48
City Attorney	3.50	3.00	3.5	4.00	3.50
Human Resources	5.50	3	3	3.00	4.00
Community Development ¹	—	19.6	19.34	15.01	—
Planning	4.83	3.00	3	3	4
Building	4.33	3.00	4	4	5
Engineering	14.04	9	10	11	13
Redevelopment ¹	3.20	3.20	3.20	0.00	0.00
Advanced Planning / Economic Development ¹	—	—	—	—	—
Housing & Grants ¹	17.05	14.50	14	15.00	15.00
Neighborhood Services ¹	9.50	10.00	10	10.00	11.00
Public Works ²	36.96	41	42	45.00	45.00
Community Services ²	33.69	28.35	19.35	15.01	17.98
Nutrition Center	11.25	6.75	10	10.00	10.00
Library	59.31	56.47	56.3	20.35	21.35
Public Safety					
Police	135.38	124.38	125.38	129.50	129.50
Fire	48.25	42	43	43.00	47.00
Transit ³	—	—	—	—	—

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

<u>Function/Program</u>	Fiscal Year				
	2007	2008	2009	2010	2011
Police					
Physical Arrests	3,000	3,100	3,834	3,456	3,008
Parking Violations	5,341	5,003	4,956	9,843	12,157
Traffic Violations	1,941	2,450	3,154	3,491	2,325
Fire					
Emergency Responses	5,402	5,497	5,394	5,165	6,008
Fires Extinguished	170	158	118	140	79
Inspections	2,099	NA	NA	NA	1,909
Other Public Works					
Street Resurfacing (miles)	NA	NA	17	25	5
Parks and Recreation					
Athletic Field Permits Issued	24	24	24	17	11
Community Center Admissions ¹	49,767	49,803	49,825	65,609	57,142
Library					
Volumes in Collection	185,722	194,383	200,516	207,100	212,175
Total Volumes Borrowed	273,646	312,591	316,075	285,527	243,055
Wastewater					
Average Daily Sewage Treatment (million gallons per day)	5.211	5.211	5.211	4.482	4.566

NA: Not available.

¹ Excludes Nutrition Center admissions.

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

<u>Function/Program</u>	Fiscal Year				
	2012	2013	2014	2015	2016
Police					
Physical Arrests	3,082	3,861	3,167	3,484	3,418
Parking Violations	10,406	9,704	11,283	7,434	8,659
Traffic Violations	3,384	3,811	2,158	1,801	1,561
Fire					
Emergency Responses	7,240	6,974	6,264	7,815	8,228
Fires Extinguished	136	155	149	121	141
Inspections	3,505	1,591	1,583	1,316	900
Other Public Works					
Street Resurfacing (miles)	0	0	0	2	0
Parks and Recreation					
Athletic Field Permits Issued	10	9	9	18	26
Community Center Admissions ¹	54,520	54,520	54,520	18,138	42,762
Library					
Volumes in Collection	213,177	241,921	246,299	238,114	233,109
Total Volumes Borrowed	252,356	247,608	215,955	189,145	129,762
Wastewater					
Average Daily Sewage Treatment (million gallons per day)	4.566	3.917	3.902	3.891	3.891

NA: Not available.

¹ Excludes Nutrition Center admissions.

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

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

NA: Not available.

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

<u>Function/Program</u>	Fiscal Year				
	2012	2013	2014	2015	2016
Police					
Stations	1	1	1	1	1
Zone Offices	1	1	1	1	1
Patrol Units	38	38	34	38	45
Fire Stations	2	2	2	2	2
Other Public Works					
Streets (miles)	101	101	101	101	101
Highways (miles)	6	6	6	6	6
Streetlights	1,730	1,730	1,730	1,730	1,730
Traffic Signals	88	88	74	74	75
Parks and Recreation					
Acreage	84	84	84	84	75
Playgrounds	4	4	4	4	5
Baseball/Softball Diamonds	5	5	5	5	5
Soccer/Football Fields	1	1	1	1	1
Community Centers	5	5	5	5	1
Wastewater					
Sanitary Sewers (miles)	97	97	97	97	97
Storm Sewers (miles)	25.3	25.3	45.0	45.0	45.0
Treatment Capacity (million gallons per day)	7.10	7.10	7.20	7.20	7.20

NA: Not available.