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NATIONAL CITY
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INCORPORATED



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED
JUNE 30, 2017**

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**City of National City
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017**

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
Table of Contents	i
Letter of Transmittal.....	v
City Officials	xv
City Organizational Chart	xvi
GFOA Certificate of Achievement.....	xvii
 <u>FINANCIAL SECTION</u>	
Independent Auditors’ Report on Financial Statements	1
Management’s Discussion and Analysis (Required Supplementary Information - Unaudited)	5
 Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	18
Statement of Activities and Changes in Net Position.....	20
 Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet.....	26
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balance	30
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	32
Proprietary Fund Financial Statements:	
Statement of Net Position	35
Statement of Revenues, Expenses, and Changes in Net Position	37
Statement of Cash Flows	38
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position.....	42
Statement of Changes in Fiduciary Net Position	44
 Notes to the Basic Financial Statements	 45

**City of National City
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017**

Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION (Continued):</u>	
Required Supplementary Information (Unaudited):	
Notes to the Budgetary Comparison Schedules	99
Budgetary Comparison Schedules:	
General Fund	100
Housing Special Revenue Fund	101
Housing Choice Vouchers Special Revenue Fund	102
Sewer Service Special Revenue Fund	103
Other Special Revenue Fund	104
Schedules of Changes in the Net Pension Liability and Related Ratios	105
Schedules of Contributions	107
Schedules of Changes in Net OPEB Liability and Related Ratios	109
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	120
Schedule of Revenues, Expenditures, and Change in Fund Balances – Budget and Actual:	
General Capital Outlay Special Revenue Fund	124
Library Special Revenue Fund	125
Parks Maintenance Special Revenue Fund	126
Library Capital Outlay Special Revenue Fund	127
Gas Tax Special Revenue Fund	128
Parks and Recreation Capital Outlay Special Revenue Fund	129
Community Development Block Grant Special Revenue Fund	130
HOME Program Special Revenue Fund	131
Asset Forfeiture Special Revenue Fund	132
Nutrition Special Revenue Fund	133
Brownfields Grant Special Revenue Fund	134
National City Joint Powers Financing Authority Debt Service Fund	135
Library Bonds Debt Service Fund	136
Internal Service Funds:	
Combining Statement of Net Position	138
Combining Statement of Revenues, Expenses, and Changes in Net Position	140
Combining Statement of Cash Flows	142
Fiduciary Funds:	
Statement of Changes in Assets and Liabilities	149

**City of National City
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017**

Table of Contents (Continued)

	<u>Page</u>
<u>STATISTICAL SECTION (Unaudited)</u>	
Financial Trends:	
Net Position by Component – Last Ten Fiscal Years	154
Changes in Net Position – Last Ten Fiscal Years	156
Fund Balances of Governmental Funds – Last Ten Fiscal Years	160
Changes in Fund Balance of Governmental Fund – Last Ten Fiscal Years	162
Revenue Capacity:	
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years.....	164
2016/17 Use Category Summary	166
Property Tax Dollar Breakdown.....	167
2016/17 Roll Summary	168
Net Taxable Assessed Value History.....	169
Taxable Sales by Category.....	170
Property Tax Levies and Collections – Last Ten Fiscal Years	172
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	174
Principal Property Taxpayers – Current and Nine Years Ago.....	176
Sales Value History	177
Top 25 Sales Tax Producers	179
Debt Capacity:	
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	180
Direct and Overlapping Debt	183
Legal Debt Margin Information – Last Ten Fiscal Years	184
Pledged Revenue Coverage – Last Ten Fiscal Years	186
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Calendar Years.....	189
Operating Information:	
Full-Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years.....	190
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	192
Capital Assets Statistics by Function/Program – Last Ten Fiscal Years	194
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 <i>Government Auditing Standards</i>	
	197



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Office of the City Manager

December 19, 2017

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, 2017. 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, 2017. The independent auditor’s report is presented as the first component of the financial section of this CAFR.

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

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on internal controls and compliance with legal requirements, with emphasis on those involving the administration of federal awards. The City’s Single Audit Report is issued separately.

PROFILE OF THE CITY OF NATIONAL CITY

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

Transmittal Letter

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

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

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

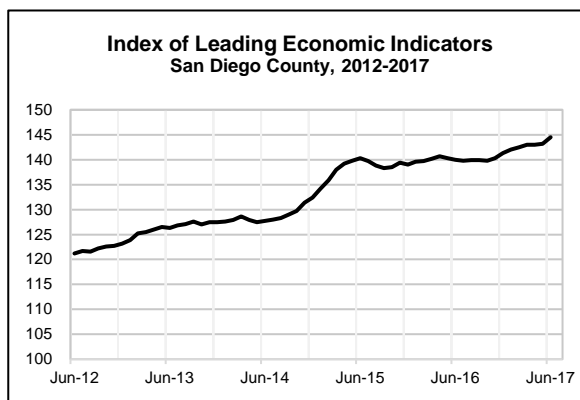
BUDGETARY CONTROL

The annual budget serves as the foundation for the City's financial planning and control. The proposed budget is presented to the City Council for review and adoption prior to the beginning of each fiscal year, July 1st. The Council is required to hold public hearings on the proposed budget prior to adoption. The state mandates a structurally balanced budget. The budget is prepared by fund and department. After budget adoption, in accordance with budget policy, an increase in a department's total appropriation must be approved by the Council when it involves the use of fund balance or an appropriation of unanticipated or over-realized revenue identified to a specific source. The City Manager is authorized to make budgetary revisions between budget line items within a fund. And department directors may transfer appropriations within their respective departments. The budget is regularly monitored and the Council receives quarterly updates. Budget-to-actual comparisons are provided in this report for each major governmental fund for which an annual budget has been adopted. For the General Fund, this comparison is presented on page 100 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 101.

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 2017, the Index increased approximately 3.2% indicating an improving local economy. In addition, the Index continues to reflect an overall positive year-over-year trend since fiscal year 2012.



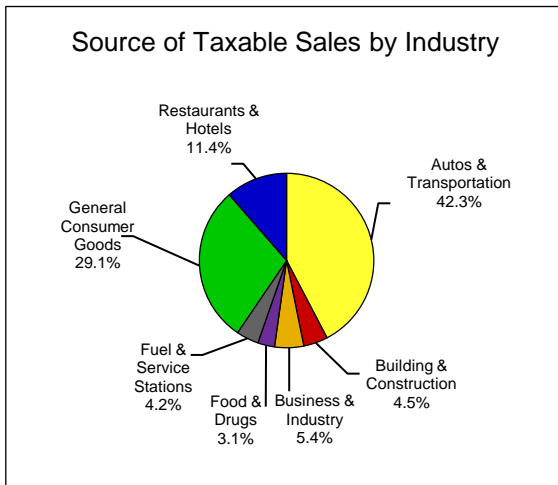
A key factor in the improving economy is the decline in unemployment rates for the June 2016 to June 2017 period, which fell at the state level and local levels – California’s from 5.5% to 4.7%, the San Diego County metropolitan area’s from 5.1% to 4.3%, and the City’s from 6.2% to 5.5%. Also contributing to the recovery is a return to growth over the past five 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 2017, sales tax revenues were boosted by strong receipts in the general

Table 1

Prior Years Sales- & Property-Related Taxes			Projection
FY 15	FY 16	FY 17	FY 18
\$34.5M	\$36.6M	\$37.1M	\$38.4M

Table 2



consumer goods and business & industry sectors. The autos & transportation segment was the single largest contributor to sales tax revenue, accounting for approximately 42.3% of sales tax revenues. The most significant growth in revenues generated by the City’s voter-approved 1% district transactions & use (“Proposition ‘D’”) tax occurred in building & construction. The principal source of district transactions & use tax revenues was general consumer goods, which accounted for approximately 41.2% of the total. The restaurants & hotels sector showed strength as well and was a substantial element 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 4.3% in 2017, 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
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
2017	3,588,038,313	147,407,092	4.3%	1,233,029,967

As noted above, the improving economy has led to sustained revenue growth, particularly from sales- and property-related taxes, which represent more than seventy percent of the General Fund’s revenue total. As a result, General Fund revenues, excluding those associated with one-time events, are expected to increase slightly in fiscal year 2018.

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

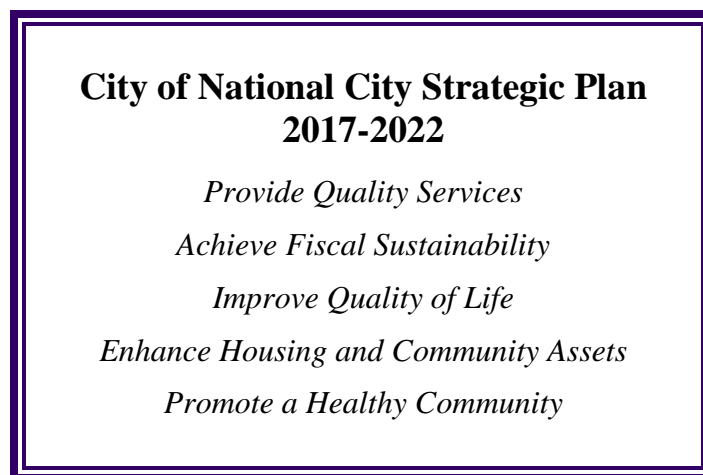
enclosed mall in the South San Diego Bay area. Both attract shoppers from throughout the County and outlying areas and continue to be major revenue sources for the City, directly supporting local programs and services. The Walmart Supercenter is the retail hub of the City’s central section, generating 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 more than \$11 million of revenue per year. During the November 2014 General Election, 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 2018 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 2018-2022 total approximately \$80.1 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 strive to accumulate and maintain a Contingency Reserve balance equal to between twenty-five percent (25%) and fifty percent (50%) of a single year’s General Fund operating expenditures for these purposes. When combined, the fund balance previously committed by the Council to the Contingency Reserve and the City’s unassigned fund balance, the portion of fund balance which is available for use at Council’s discretion, are sufficient to meet the Contingency Reserve’s minimum threshold.

The City’s reserve policy also commits a portion of General Fund fund balance to the “Facilities Maintenance Reserve,” which was established 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, 2017.

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

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

Phases I and II of the project, completed in fiscal years 2015 and 2016, respectively, included traffic calming and pedestrian enhancements as part of the Coolidge Avenue Safe Routes to School and “A” Avenue Green Street projects, respectively. Phase III included traffic calming, pedestrian, bicycle and transit enhancements on Plaza Boulevard between Coolidge and “A” Avenues, such as enhanced crosswalks with corner bulb-outs and high intensity signing and striping; pedestrian curb ramps for Americans with Disabilities (ADA) compliance; new bike “sharrows” with signage; new street lights; wayfinding signage; storm water treatment infiltration areas; and benches at bus stops. Phase IV included new pedestrian curb ramps for ADA compliance on West 14th Street between Coolidge and “A” Avenues.

Safe Routes to School – City-wide Pedestrian Crossing Enhancements (\$300,000 project; completed December 2016)

The project included 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 included construction of a raised crosswalk.

CCTV Camera Video Storage Capacity Upgrades (\$100,000 project; completed December 2016)

The project upgraded closed-circuit television camera video storage capacity to address system expansion and data retention requirements.

Safe Routes to School Pedestrian and Bicycle Safety Enhancements (\$600,000 project; completed March 2017)

Projects included various infrastructure improvements City-wide to enhance access and safety for children walking and biking to school. Fiscal Year 2017 improvements included, 1) installation of pedestrian actuated flashing crosswalk signs and high intensity striping at eight school crosswalks; 2) construction of traffic calming measures, such as corner bulb-outs, pedestrian actuated flashing crosswalk signs, and high intensity striping, and new pedestrian curb ramps for ADA compliance at the intersection of Grove and East 16th Streets; and 3) construction of a raised crosswalk with pedestrian actuated flashing crosswalk signs, high intensity striping, and new pedestrian curb ramps for ADA compliance on Granger Avenue in front of Granger Junior High School.

Plaza Boulevard Widening – Phase I (\$4,800,000 project; completed June 2017)

The project included utility undergrounding and widening of Plaza Boulevard between “N” Avenue and Interstate 805 to expand roadway capacity and improve traffic flow. Other improvements included roadway rehabilitation and restriping, traffic signal modifications, new street lights, sidewalks and curb ramps for ADA compliance.

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

The project included design, fabrication and installation of custom bicycle racks at parks and public buildings and along bicycle corridors. The bicycle racks provide cyclists with safe, secure, and convenient parking for end-of-trip storage. The project also complemented 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 which show the locations of bicycle storage facilities throughout the City.

National City Wayfinding Signage Project (\$2,200,000 project; completed November 2017)

The project will design and implement a comprehensive wayfinding signage program for National City to inform residents and guests of key points of interest, such as historic districts, civic centers, transit centers, public library, community parks, and recreation facilities. The project will also install truck route signs along designated truck routes to reduce cut-through truck traffic in local neighborhoods. Phase I will focus on Downtown, Kimball Park, Westside (Old Town), and Marina District. Phase II will expand the program to other areas of National City, including designated gateways.

Sewer Replacement and Upsizing Project (\$2,500,000 project; estimated completion December 2017)

The project includes replacement of 21-inch-, 12-inch-, and 8-inch-diameter PVC sewer main, manholes, and sewer laterals; cold-mill grind and overlay of existing road section for Plaza Boulevard, as well as National City Boulevard from and including the intersection of Mile of Cars Way through the intersection of 22nd Street; installation of curb and gutter, asphalt concrete (“AC”) dikes, AC driveways and entrances; sidewalks, pedestrian curb ramps for ADA compliance, signing and striping, and other related improvements.

18th Street Community Corridor – Phases I & II (\$2,000,000; estimated completion February 2018)

Phase I of the project, completed in January 2015, included traffic calming, pedestrian, bicycle, and Safe Routes to School enhancements on 18th Street between Wilson Avenue and “D” Avenue. Improvements included a raised crosswalk with high intensity striping and new plaza area with lighting, landscaping, benches, and bike racks in front of Kimball Elementary School; pedestrian curb ramps for ADA compliance; street resurfacing; new bike lanes with signage; and green bike boxes at two signalized intersections, National City Boulevard and “D” Avenue. Phase II includes traffic calming, pedestrian, bicycle, and Safe Routes to School enhancements on 18th Street between “D” Avenue and Granger Avenue. Improvements include street resurfacing; enhanced crosswalks with high intensity signing and striping; new sidewalks and pedestrian curb ramps for ADA compliance; new bike sharrows with signage; traffic calming measures such as corner bulb-outs at school crosswalks; and storm water treatment infiltration areas.

Westside Pedestrian & Bicycle Enhancements (\$2,000,000 project; estimated completion March 2018)

The project includes traffic calming, pedestrian and bicycle enhancements within the Westside Specific Plan Area. Improvements include a traffic calming roundabout at the intersection of Harding Avenue and West 14th Street near Casa de Salud Youth Center; conversion of West Avenue to a one-way street northbound; enhanced crosswalks with high intensity signing and striping; new sidewalks and pedestrian curb ramps for ADA compliance; Class II bike lanes with signage on Civic Center Drive, Wilson Avenue and West 22nd Street; and other amenities, such as new lighting, landscaping, benches, bike racks, and public art.

Housing

Westside Infill Transit Oriented Development (“WI-TOD”) Affordable Housing Project (Phase I Housing; completed December 2016. Phase II Housing; estimated completion March 2018. Community Park; estimated completion June 2018)

The 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 included 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.

Facilities

Civic Center (City Hall) Improvements (\$300,000 project; completed February 2017)

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

Fire Station 31 Improvements (\$180,000 project; completed February 2017)

The project included replacement of the air conditioning unit, roof repairs, painting, bathroom upgrades, plumbing repairs, and a new patio area for Fire Station 31.

Police Department Building Improvements (\$2 million project; completed March 2017)

The project included 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 included other deferred maintenance to improve facility operations.

Fire Station 33 (\$360,000 project; completed October 2017)

The project consisted of site preparation and installation of a mobile home trailer with furnishings to serve as a satellite fire station to support the Fire Department squad pilot program. Additional improvements included installation of security fencing, lighting, cameras, and two large carports adjacent to the building, one for the squad’s medium-duty response vehicle and the other for the Police Department Mobile Command Vehicle. The temporary facility is located in the parking lot adjacent to the El Toyon Recreation Center in El Toyon Park.

Parks & Recreation

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

The project delivered the following improvements: construction of multiple bioretention areas and expansion of wetlands habitats in and around Kimball Park to treat a highly urbanized drainage area of approximately 64 acres; restoration of approximately 1,050 linear feet of Paradise Creek through Kimball Park by removing the concrete channel, widening the creek, and reintroducing native riparian vegetation; implementation of low-impact development (LID) measures to improve water quality from urban storm water runoff; and construction of walking paths, benches, overlooks, and educational signage along the restored creek and expanded wetland areas within

the park to provide an opportunity for residents and guests to interact with a natural, tidally-influenced water body.

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

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

Camacho Recreation Center Improvements (\$120,000 project; Completed in December 2016)

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

Kimball Park Improvements (\$4,000,000 project; completed February 2017)

The project included implementation of storm water LID measures, electrical infrastructure upgrades for new lighting and public safety cameras, ADA upgrades, new restrooms, skate park, central plaza, benches, bike racks, drought tolerant landscaping, walking paths, wayfinding, and trash receptacles at Kimball Park.

El Toyon Park Improvements (\$1,000,000 project; completed February 2017)

The project included new restrooms, electrical infrastructure upgrades for new lighting and public safety cameras, ADA upgrades, a raised crosswalk with high intensity signing and striping on "U" Avenue, tennis court resurfacing, new nets and net posts, trash receptacles, and programmable metal swing gates for the "horseshoe" parking lot at El Toyon Park.

National City Aquatic Center Improvements (\$170,000 project; completed May 2017)

The project included the following improvements to the National City Aquatic Center and adjacent parking lot: installation of public safety cameras; demolition, removal, and disposal of two bungalows (formerly used as temporary Aquatic Center), which involved proper removal and disposal of lead and asbestos materials prior to demolition, and restriping of parking lot as needed; and removal temporary meter and replacement with permanent stainless steel electric meter pedestal with breaker panel (meter provides service to dock pumps and public safety cameras).

Paradise Creek Education Park (\$930,000 project; completed August 2017)

The project expanded Paradise Creek Educational Park, which is located on West 19th Street behind Kimball Elementary School. Improvements included removal of approximately 13,600 square feet of asphalt pavement on West 19th Street and Hoover Avenue to construct an educational native plant walk with interpretive signage, community garden, bioretention areas for treatment of urban storm water runoff, and a cistern to collect and recycle rainwater. Other improvements included establishment of approximately 0.07 acres of native vegetation and construction of an approximately 14,000 square foot decomposed granite nature trail along Paradise Creek connecting the Park and School to the 24th Street Trolley Station.

El Toyon & Las Palmas Lighting Improvements (\$1,000,000 project; completed September 2017)

The project included the replacement and installation of light fixtures in both parks. This improvement improved overall lighting for the baseball fields located at Las Palmas Park by installing new stadium lights for baseball games. Additional lighting was also installed throughout El Toyon Park – this included installation of new light fixtures around the tennis courts, basketball

courts, and pedestrian walkway along the park. This project improved the visibility and promote a safe environment for park visitors at night.

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, 2016. 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



Directory of City Officials

City Council

Ron Morrison
Mayor

Albert Mendivil
Vice Mayor

Jerry Cano
Councilmember

Mona Rios
Councilmember

Alejandra Sotelo-Solis
Councilmember

City Treasurer

R. Mitchel Beauchamp

City Clerk

Michael R. Dalla

City Manager

Leslie Deese

City Attorney

Angil Morris-Jones

Department Heads

Brad Raulston

Deputy City Manager

Stacey Stevenson

Deputy City Manager

Frank Parra

Director of Emergency Services

Stephen Manganiello

Director of Engineering & Public Works

Mark Roberts

Director of Finance

Alfredo Ybarra

Director of Housing & Economic Development

Minh Duong

City Librarian

Armando Vergara

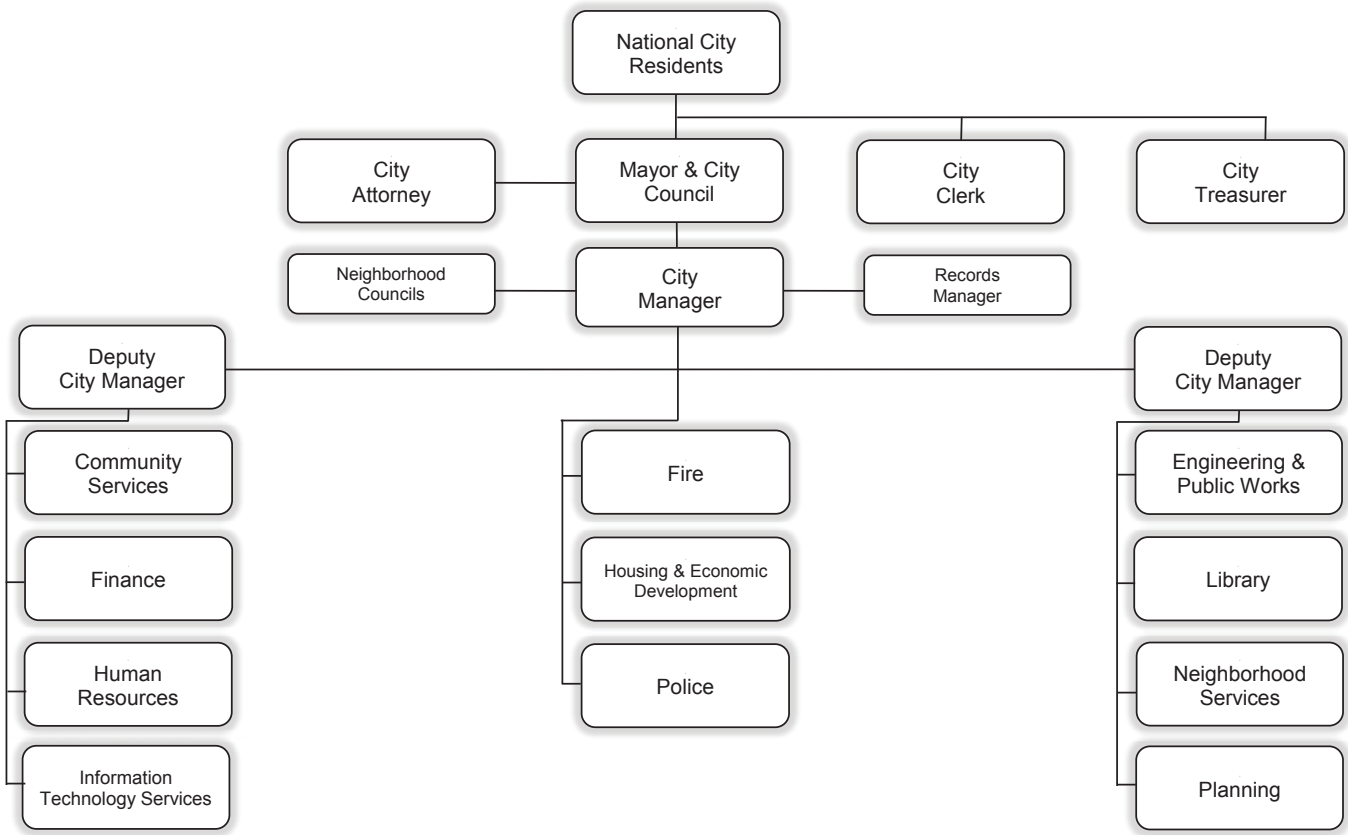
Director of Neighborhood Services

Manuel Rodriguez

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, 2016

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, 2017, 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, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Implementation of GASB Statement No. 75

As discussed in Note 14 to the financial statements, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this standard required retrospective application of previously reported net position and reclassification of certain accounts as of July 1, 2017 as described in Note 14 to the financial statements. In addition, the total other postemployment benefit (OPEB) liability is reported in the Statement of Net Position in the amount of \$5,116,397 as of the measurement date. Net OPEB liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2017, the measurement date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedules of Contributions, and Schedule of Changes in Net OPEB Liability and Related Ratios on pages 5 to 14 and 99 to 109 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 Non-Major 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.

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

The Combining and Individual Non-Major Fund Financial Statements and Fund Budgetary Comparison Schedules on pages 116 through 145 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 Non-Major 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017, 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 19, 2017



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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, 2017. 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 18-21 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 26-32. 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 116-123.

The City adopts annual budgets for its General, Housing, Housing Choice Voucher Program, and Sewer Service Funds. Budgetary comparison statements, found on pages 100-104, 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 35-37. Individual fund data for the internal service funds is provided in the form of supplementary combining statements and can be found on pages 138-141.

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 149.

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 ("OPEB") to its employees. Required supplementary information can be found on pages 105-109.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented on pages 116-123 and 138-144, 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, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 109,304,350	\$ 106,318,129	\$ 2,437,382	\$ 2,310,402	\$ 111,741,732	\$ 108,628,531
Capital Assets, Net	151,758,623	146,413,209	5,721,624	5,933,077	157,480,247	152,346,286
TOTAL ASSETS	261,062,973	252,731,338	8,159,006	8,243,479	269,221,979	260,974,817
Deferred Outflows of Resources	19,505,299	7,396,038	-	-	19,505,299	7,396,038
Current Liabilities	18,433,134	12,160,183	583,316	481,673	19,016,450	12,641,856
Long-term Liabilities	113,980,793	96,083,125	407,397	725,833	114,388,190	96,808,958
TOTAL LIABILITIES	132,413,927	108,243,308	990,713	1,207,506	133,404,640	109,450,814
Deferred Inflows of Resources	5,221,122	7,849,166	-	-	5,221,122	7,849,166
Net Position:						
Invested in Capital Assets, Net of Related Debt	140,128,868	134,444,245	4,991,859	4,905,110	145,120,727	139,349,355
Restricted	32,497,958	35,747,699	2,185,518	2,031,385	34,683,476	37,779,084
Unrestricted	(29,693,603)	(26,157,042)	(9,084)	99,478	(29,702,687)	(26,057,564)
TOTAL NET POSITION	\$ 142,933,223	\$ 144,034,902	\$ 7,168,293	\$ 7,035,973	\$ 150,101,516	\$ 151,070,875

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$151,101,516 at June 30, 2017, a decrease of \$969,359 from June 30, 2016. By far, the largest portion of the City's net position, \$145,120,727, 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, \$34,683,476, represents resources that are subject to external restrictions on how they may be used. The remainder of net position, unrestricted net position, consists of the City's net pension liability of (\$90,287,055), the total OPEB liability (\$5,116,397), and \$65,700,765, the latter of which may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position was (\$29,702,687), as of June 30, 2017. The decline in unrestricted net position of \$3,645,123 was primarily due to the implementation of Governmental Accounting Standards Board Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires the inclusion of the City's total OPEB liability in the government-wide financial statements, during Fiscal Year 2017.

Inclusion of the net pension liability and total OPEB 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) and GASB 75, respectively. The primary objective of GASB 68 and GASB 75 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 total OPEB liability and a more comprehensive measure of pension and OPEB

expenses through note disclosures and required supplementary information. Information intended to enhance decision-usefulness and accountability can be found starting on page 81 of this report.

TABLE 2
CHANGES IN NET POSITION
For the year ended June 30, 2017

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program Revenues:						
Charges for Services	\$ 18,177,006	\$ 19,686,913	\$ 2,419,723	\$ 2,391,019	\$ 20,596,729	\$ 22,077,932
Operating Grants and Contributions	15,280,776	13,295,661	-	-	15,280,776	13,295,661
Capital Grants and Contributions	3,878,546	7,299,398	-	-	3,878,546	7,299,398
General Revenues:	<u>37,336,328</u>	<u>40,281,972</u>	<u>2,419,723</u>	<u>2,391,019</u>	<u>39,756,051</u>	<u>42,672,991</u>
Taxes:						
Property Taxes	11,948,882	10,293,634	-	-	11,948,882	10,293,634
Sales Taxes	29,284,869	29,170,512	-	-	29,284,869	29,170,512
Franchise Taxes	1,856,039	1,922,723	-	-	1,856,039	1,922,723
Utility User Tax	886,455	867,488	-	-	886,455	867,488
Motor Vehicle in-lieu Taxes	-	-	-	-	-	-
Transient Occupancy Taxes	1,597,957	1,611,788	-	-	1,597,957	1,611,788
Investment Earnings	361,077	553,184	5,261	3,678	366,338	556,862
Gain on Sale of Capital Assets	-	-	-	-	-	-
Miscellaneous	-	1,864	15,464	14,023	15,464	15,887
Gain on Sale of Capital Assets	-	-	-	-	-	-
Loss on Disposition of Capital Assets(1)	-	-	-	-	-	-
TOTAL REVENUES	<u>83,271,607</u>	<u>84,703,165</u>	<u>2,440,448</u>	<u>2,408,720</u>	<u>85,712,055</u>	<u>87,111,885</u>
EXPENSES:						
General Government	7,379,307	6,237,858	-	-	7,379,307	6,237,858
Public Safety	34,007,632	31,293,361	-	-	34,007,632	31,293,361
Transportation	8,925,351	8,605,631	-	-	8,925,351	8,605,631
Community Development	13,560,523	11,812,563	-	-	13,560,523	11,812,563
Health	8,102,830	7,499,719	-	-	8,102,830	7,499,719
Culture and Leisure	8,129,529	7,188,896	-	-	8,129,529	7,188,896
Depreciation	-	-	-	-	-	-
Interest on Long-term Debt	243,832	308,808	-	-	243,832	308,808
Kimball Towers	-	-	1,166,521	1,160,095	1,166,521	1,160,095
Morgan Towers	-	-	1,141,607	1,113,885	1,141,607	1,113,885
TOTAL EXPENSES	<u>80,349,004</u>	<u>72,946,836</u>	<u>2,308,128</u>	<u>2,273,980</u>	<u>82,657,132</u>	<u>75,220,816</u>
	<u>2,922,603</u>	<u>11,756,329</u>	<u>132,320</u>	<u>134,740</u>	<u>3,054,923</u>	<u>11,891,069</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)	(4,024,282)	-	-	-	(4,024,282)	-
CHANGE IN NET POSITION	<u>(1,101,679)</u>	<u>26,317,090</u>	<u>132,320</u>	<u>134,740</u>	<u>(969,359)</u>	<u>26,451,830</u>
NET POSITION, BEGINNING OF YEAR	144,034,902	119,370,966	7,035,973	6,901,233	151,070,875	126,272,199
NET POSITION, END OF YEAR	<u>\$ 142,933,223</u>	<u>\$ 144,034,902</u>	<u>\$ 7,168,293</u>	<u>\$ 7,035,973</u>	<u>\$ 150,101,516</u>	<u>\$ 151,070,875</u>

The \$969,359 (0.6 percent) decline in the City's total net position resulted from a decrease in governmental activities of \$1,101,679 and increase in business-type activities of \$132,320, respectively. Governmental and business-type operating results are discussed on page 20. Table 2 provides a condensed summary of activities of the City's governmental and business-type operations for the period ended June 30, 2017, with the prior fiscal year presented for comparative purposes.

As noted above, net position for governmental activities declined by \$1,101,679. Key elements of the decrease include:

- implementation of GASB 75, which required a prior period adjustment of \$4,024,282 and restatement of beginning net position from \$144,034,902 to \$140,010,620 and
- an excess of revenues over expenses of \$2,922,603. The significant drivers of the excess are discussed below.

Business-type activities increased the City's net position by \$132,320, due to an excess of revenues over expenses.

Governmental Activities. The City's total revenues from governmental activities were \$83,271,607 for the fiscal year ended June 30, 2017. The largest source of revenue for the City, at 35.2 percent, is sales-related taxes (comprising sales & use tax and district transaction & use tax). Revenues from sales-related taxes grew \$114,357, or 0.39 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"]), represented 19.6 percent of total revenues at the end of the current fiscal year (fiscal year 2017) and increased by \$1,593,700, or 10.8 percent.

Operating grants and contributions for governmental activities ended the fiscal year \$1,985,115, or 14.9 percent, higher than the prior year. Capital grants and contributions fell by \$3,420,852, or 46.9 percent, from the prior year. Lastly, charges for services declined \$1,509,907, or 7.67 percent.

The City's expenses for governmental activities cover a wide array of services, with \$34,007,632, or 42.3 percent, for fiscal year 2017 related to public safety and \$13,560,523, or 16.9 percent, to community development. Overall, expenses for governmental activities rose \$7,402,168, or 10.5 percent, with a \$2,714,271, or 8.67 percent, growth in public safety expenses; \$1,747,960, or 14.8 percent, growth in community development; and \$1,141,449, or 18.3 percent growth in general government expenses the primary drivers of the change.

Business-type Activities. Overall revenues from the City's business-type activities increased 1.3%, or \$31,728, to \$2,440,448 for the current fiscal year, \$2,419,723 of which was from rental income, which increased \$28,704, or 1.2 percent, year over year.

The City's business-type activities expenses account for the operations of Kimball Towers and Morgan Towers, the City's two business-type activities. These expenses increased 1.5%, or \$34,148, over the prior year, totaling \$2,308,128.

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:

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

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

TABLE 3
GOVERNMENTAL FUNDS SUMMARY
For the year ended June 30, 2017

	General Fund		Housing Choice Voucher Program Fund		Other Governmental Funds		Total Governmental Funds	
	2017	2016	2017	2016	2017	2016	2017	2016
Total Assets	\$ 57,686,402	\$ 53,627,269	\$ 676,253	\$ 416,565	\$ 41,398,547	\$ 44,368,274	\$ 99,761,202	\$ 98,412,108
Total Liabilities	9,292,312	3,562,081	19,689	16,289	9,388,269	9,257,204	18,700,270	12,835,574
Deferred Inflows of Resources	-	-	-	-	-	-	-	-
Fund Balances								
Non-spendable	9,963,816	10,766,098	128,645	-	1,507,925	-	11,600,386	10,766,098
Restricted	616,253	754,913	527,919	400,276	31,487,941	35,933,029	32,632,113	37,088,218
Committed	11,585,066	11,585,066	-	-	-	-	11,585,066	11,585,066
Assigned	14,325,683	14,792,381	-	-	-	-	14,325,683	14,792,381
Unassigned	11,903,272	12,166,730	-	-	(985,588)	(821,959)	10,917,684	11,344,771
Total Fund Balance	48,394,090	50,065,188	656,564	400,276	32,010,278	35,111,070	81,060,932	85,576,534
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 57,686,402	\$ 53,627,269	\$ 676,253	\$ 416,565	\$ 41,398,547	\$ 44,368,274	\$ 99,761,202	\$ 98,412,108

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$81,060,932, a decrease of \$4,515,602 over the prior year. The restricted component represents the largest portion, 40.3 percent, of ending fund balance followed by assigned, at 17.7 percent, and committed, which includes assets the City has set aside in reserves for future economic contingencies and for facilities maintenance, 14.3 percent. Nonspendable fund balance represents 14.3 percent of total fund balance. Lastly, unassigned fund balance represents 13.5 percent of total fund balance.

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 \$48,394,090 in comparison to \$50,065,188 the prior year, a decrease of \$1,671,098. General Fund revenues decreased \$1,250,138 with decreases of \$1,543,904 and \$1,333,857 in intergovernmental and other revenues, respectively, offsetting an increase of \$1,412,225 in taxes. General Fund expenditures grew \$2,149,708, with a \$3,192,808 increase in public safety activities offset by a decrease of \$1,142,528 in general government functions. Other financing uses increased \$1,580,178, primarily as the result of transfers of excess fund balances from the City’s internal service

funds for the creation of a General Fund facilities maintenance reserve and the transfer of the Successor Agency real estate properties to the General Fund, both of which occurred during fiscal year 2016 and 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 94, in Note 13 of the Notes to Financial Statements section.

The Housing Choice Voucher Program Fund total fund balance increased by \$256,288. While actual revenues were higher than last fiscal year by \$625,475 particularly revenue received for housing assistance, expenditures grew by \$729,284 of which \$580,594 related to housing assistance payment. Other funds with significant Fund balance changes includes Sewer Service Fund and General Capital Outlay fund with a reduction of \$1,129,824, and \$844,294 respectively.

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.

General Fund Budgetary Highlights

TABLE 4

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Total Revenues	47,766,702	52,674,998	51,623,027	(1,051,971)
Expenditures:				
General Government	7,376,662	7,391,672	5,496,254	1,895,418
Public Safety	33,844,966	34,629,586	34,099,431	530,155
Transportation	3,187,344	3,346,646	3,123,771	222,875
Community Development	680,792	740,792	268,929	471,863
Culture and Leisure	3,843,799	3,939,185	3,764,416	174,769
Capital Outlay	2,131,619	12,002,020	4,264,238	7,737,782
Principal	123,072	107,361	215,893	(108,532)
Interest on Long-term Debt	64,187	27,354	27,354	(0)
Total Expenditures	51,252,441	62,184,615	51,260,286	10,924,329
Revenues Over (Under) Expenditures	(3,485,739)	(9,509,617)	362,741	9,872,358
Other Financing Sources (Uses)	(1,944,695)	(1,453,163)	(2,033,839)	(580,676)
Special Items	-	-	-	
Net Change in Fund Balances	(5,430,434)	(10,962,780)	(1,671,098)	9,291,682
Beginning Fund Balance			50,065,188	
Ending Fund Balance			48,394,090	

Final budgeted General Fund revenues increased \$4,908,296 from the total originally budgeted for fiscal year 2017, mostly due to for the addition of \$4.8 million for the Westside Infill Transit Oriented Development (“WI-TOD”) improvements capital project. The increase of \$491,532 in other financing sources (uses) largely resulted from a budget adjustment of \$514,172 added to transfers in to account for reimbursement from the State Grant Fund for the Las Palmas and El Toyon lighting project.

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

- Actual revenues were \$1,051,971 less than the final budget, primarily due to the above-referenced

\$4,800,000 budget increase for which only \$104,510 was recorded as revenue with the remaining \$4,695,490 recorded as unearned revenue (liability). Conversely, actual revenues for all other revenue sources exceeded the final budgeted amount by \$3,643,519. Of this amount, the most significant (positive) variance from their budgeted amounts were the residual redevelopment property tax trust fund distribution of \$1,210,344, unanticipated revenue from the City of San Diego related to the termination of the Enterprise Zone program of \$410,855, and public safety overtime reimbursements totaling \$376,600.

- Actual expenditures were less than their overall budgeted amount \$10,924,329. The most significant variance of approximately \$7.7 million is attributable to unspent appropriations for capital projects not completed during the year (and, thus, are carried over to the following fiscal year). The remaining \$2.5 million variance is due to operational cost savings, particularly personnel cost savings of approximately \$1.6 million resulting from less-than-anticipated compensation increases and vacant positions.

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, 2017, amounted to \$157,691,700. This investment includes land, rights of ways, construction in progress, buildings and improvements, machinery, and infrastructure. Infrastructure assets represented 46.0 percent of total combined assets.

TABLE 5
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)
For the year ended June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 22,011,750	\$ 22,011,750	\$ 528,382	\$ 528,382	\$ 22,540,132	\$ 22,540,132
Right-of-way	4,245,088	4,245,088	-	-	4,245,088	4,245,088
Construction in progress	15,082,792	33,043,820	-	-	15,082,792	33,043,820
Buildings and improvements	29,856,959	25,789,266	5,153,467	5,153,467	35,010,426	30,942,733
Machinery and equipment	6,743,115	5,015,233	251,228	251,228	6,994,343	5,266,461
Infrastructure	72,611,694	56,308,054	-	-	72,611,694	56,308,054
Radio Rights	1,207,225	-	-	-	1,207,225	-
TOTALS	\$ 151,758,623	\$ 146,413,211	\$ 5,933,077	\$ 5,933,077	\$ 157,691,700	\$ 152,346,288

The largest addition to capital assets during the current fiscal year was in infrastructure, which grew \$16,303,640 to \$72,611,694. The most significant contributors to the growth were the completion of several road-related capital improvement projects, including Plaza Boulevard widening, Granger Avenue & Lanoitan Avenue pedestrian and bicycle enhancements, 8th Street improvements, Coolidge Avenue improvements, and Highland Avenue community corridor improvements. Buildings and improvements additions totaled \$4,067,693, increasing these assets to \$29,856,959. The most significant contributor to the change was the completion of the public works facility relocation, park restrooms, and Police Department building improvements, including to the property and evidence room. Construction in progress totaled \$15,082,792, a decrease of \$17,961,028 from the prior year, with the change mainly due to the completion of the aforementioned infrastructure and building and improvements projects, offset by the addition of new and ongoing projects. The most significant projects for which construction was underway

during the fiscal year were City-wide street resurfacing; El Toyon, Las Palmas, and Kimball Park improvements; sewer system maintenance and upsizing; and Plaza Boulevard widening. Depreciation expense during the fiscal year was \$6,280,426 for governmental activities and \$298,437 for business-type activities.

Additional information on the City’s capital assets can be found in Note 5 on pages 70-72 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$30,166,512, including bonded debt of \$7,830,000.

TABLE 6
OUTSTANDING LONG-TERM DEBT
For the year ended June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
2012 General Obligation Refunding Bonds	\$ 3,900,000	\$ 4,155,000	\$ -	\$ -	\$ 3,900,000	\$ 4,155,000
Bond Premium	17,653	19,258	-	-	17,653	19,258
NCJPFA Lease Revenue Refunding Bonds	490,000	965,000	-	-	490,000	965,000
HUD 108 Bonds, Series A	3,440,000	3,805,000	-	-	3,440,000	3,805,000
Notes Payable	1,158,837	-	-	-	1,158,837	-
Capital Leases	1,494,160	1,723,764	-	-	1,494,160	1,723,764
Morgan Towers Notes Payable	-	-	725,833	1,027,967	725,833	1,027,967
Compensated Absences	4,027,498	3,783,359	-	-	4,027,498	3,783,359
Claims Payable	9,494,000	8,128,000	-	-	9,494,000	8,128,000
OPEB Liability	5,116,397	897,789	-	-	5,116,397	897,789
TOTALS	\$29,138,545	\$23,477,170	\$ 725,833	\$ 1,027,967	\$29,864,378	\$24,505,137

The City’s total debt increased by \$5,359,241, or 29.1%, during the current fiscal year. The net increase primarily resulted from normal scheduled principal payments, offset by the addition of a note payable for the City’s share of upgrade costs for the Regional Communication System and increases in claims payable, other postemployment benefits, and employees’ compensated absences benefits. It is important to note the significant increase in the OPEB liability is due to the change in reporting requirements pursuant to GASB 75.

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 72 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, 2017

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 82,985,416	\$ 159,346	\$ 83,144,762
Receivables:			
Accounts	1,735,327	1,111	1,736,438
Taxes	4,576,280	-	4,576,280
Interest	160,321	-	160,321
Due from other governments	1,026,063	-	1,026,063
Due from Successor Agency	262,894	-	262,894
Land held for resale	6,239,182	-	6,239,182
Inventories and prepaid items	191,754	91,407	283,161
Total current assets	97,177,237	251,864	97,429,101
Noncurrent assets:			
Restricted cash and investments:			
Held by fiscal agent	10,334	2,185,518	2,195,852
Loans receivable	12,116,779	-	12,116,779
Non-depreciable capital assets	41,339,630	528,382	41,868,012
Depreciable capital assets, net	110,418,993	5,193,242	115,612,235
Total noncurrent assets	163,885,736	7,907,142	171,792,878
Total assets	261,062,973	8,159,006	269,221,979
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	46,200	-	46,200
Pension related deferred outflows	19,459,099	-	19,459,099
Total deferred outflows of resources	19,505,299	-	19,505,299

City of National City
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 5,299,248	\$ 151,513	\$ 5,450,761
Due to other governments	701,957	-	701,957
Accrued liabilities	1,641,121	18,127	1,659,248
Interest payable	102,023	3,932	105,955
Unearned revenue	4,875,360	-	4,875,360
Deposits payable	-	91,308	91,308
Compensated absences - due within one year	2,003,743	-	2,003,743
Claims payable - due within one year	2,305,406	-	2,305,406
Long-term debt - due within one year	1,504,276	322,368	1,826,644
Total current liabilities	18,433,134	587,248	19,020,382
Noncurrent liabilities:			
Developer deposits	368,618	-	368,618
Total OPEB liability	5,116,397	-	5,116,397
Aggregate net pension liability	90,287,055	-	90,287,055
Compensated absences - due in more than one year	2,023,755	-	2,023,755
Claims payable - due in more than one year	7,188,594	-	7,188,594
Long-term debt - due in more than one year	8,996,374	403,465	9,399,839
Total noncurrent liabilities	113,980,793	403,465	114,384,258
Total liabilities	132,413,927	990,713	133,404,640
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	5,221,122	-	5,221,122
Total deferred inflows of resources	5,221,122	-	5,221,122
NET POSITION			
Net investment in capital assets	140,128,868	4,995,791	145,124,659
Restricted:			
General services	17,830,592	-	17,830,592
Community development	1,413,792	1,422,433	2,836,225
Public safety	1,566,498	-	1,566,498
Transportation	2,279,981	-	2,279,981
Housing	8,450,433	-	8,450,433
Debt service	1,753,076	763,085	2,516,161
Capital projects	840,156	-	840,156
Total restricted	34,134,528	2,185,518	36,320,046
Unrestricted (deficit)	(31,330,173)	(13,016)	(31,343,189)
Total net position	\$ 142,933,223	\$ 7,168,293	\$ 150,101,516

City of National City
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2017

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	\$ 7,379,307	\$ 2,697,690	\$ 496,825	\$ (1,072,309)	\$ 2,122,206
Public safety	34,007,632	2,704,952	1,446,557	-	4,151,509
Transportation	8,925,351	1,218,156	193,086	4,945,067	6,356,309
Community development	13,560,523	2,105,289	13,067,878	5,788	15,178,955
Health	8,102,830	8,819,322	30,818	-	8,850,140
Culture and leisure	8,129,529	631,597	45,612	-	677,209
Interest on long-term debt	243,832	-	-	-	-
Total governmental activities	<u>80,349,004</u>	<u>18,177,006</u>	<u>15,280,776</u>	<u>3,878,546</u>	<u>37,336,328</u>
Business-type activities:					
Kimball Towers	1,166,521	1,130,543	-	-	1,130,543
Morgan Towers	1,141,607	1,289,180	-	-	1,289,180
Total business-type activities	<u>2,308,128</u>	<u>2,419,723</u>	<u>-</u>	<u>-</u>	<u>2,419,723</u>
Total primary government	<u>\$ 82,657,132</u>	<u>\$ 20,596,729</u>	<u>\$ 15,280,776</u>	<u>\$ 3,878,546</u>	<u>\$ 39,756,051</u>

City of National City
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (5,257,101)	\$ -	\$ (5,257,101)
Public safety	(29,856,123)	-	(29,856,123)
Transportation	(2,569,042)	-	(2,569,042)
Community development	1,618,432	-	1,618,432
Health	747,310	-	747,310
Culture and leisure	(7,452,320)	-	(7,452,320)
Interest on long-term debt	(243,832)	-	(243,832)
Total governmental activities	<u>(43,012,676)</u>	<u>-</u>	<u>(43,012,676)</u>
Business-type activities:			
Kimball Towers	-	(35,978)	(35,978)
Morgan Towers	-	147,573	147,573
Total business-type activities	<u>-</u>	<u>111,595</u>	<u>111,595</u>
Total primary government	<u>(43,012,676)</u>	<u>111,595</u>	<u>(42,901,081)</u>
General revenues:			
Taxes:			
Property taxes	11,948,882	-	11,948,882
Sales taxes	29,284,869	-	29,284,869
Franchise taxes	1,856,039	-	1,856,039
Utilities user taxes	886,455	-	886,455
Transient occupancy taxes	1,597,957	-	1,597,957
Total taxes	<u>45,574,202</u>	<u>-</u>	<u>45,574,202</u>
Investment earnings	361,077	5,261	366,338
Miscellaneous	-	15,464	15,464
Total general revenues	<u>45,935,279</u>	<u>20,725</u>	<u>45,956,004</u>
Changes in net position	2,922,603	132,320	3,054,923
Net Position - beginning of year, as restated (Note 14)	<u>140,010,620</u>	<u>7,035,973</u>	<u>147,046,593</u>
Net Position - end of year	<u>\$ 142,933,223</u>	<u>\$ 7,168,293</u>	<u>\$ 150,101,516</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, 2017

	Major Funds			
	General Fund	Housing Special Revenue Fund	Housing Choice Voucher Program Special Revenue Fund	Sewer Service Special Revenue Fund
ASSETS				
Cash and investments	\$ 39,749,905	\$ 495,239	\$ 475,681	\$ 17,116,095
Receivables:				
Accounts	1,368,445	-	71,927	123,442
Taxes	4,518,646	-	-	10,927
Interest	123,062	644	-	34,108
Loans	-	10,745,767	-	-
Due from other funds	1,899,845	-	-	-
Due from other governments	62,683	-	-	3,582
Due from Successor Agency	-	-	-	262,894
Advances to other funds	4,941,000	-	-	-
Inventories and prepaid items	28,634	-	128,645	31
Land held for resale	4,994,182	1,245,000	-	-
Total assets	<u><u>\$ 57,686,402</u></u>	<u><u>\$ 12,486,650</u></u>	<u><u>\$ 676,253</u></u>	<u><u>\$ 17,551,079</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,224,757	\$ -	\$ 9,177	\$ 687,516
Due to other governments	701,957	-	-	-
Accrued liabilities	1,478,819	4,786	10,512	13,011
Due to other funds	-	-	-	-
Advances from other funds	-	4,941,000	-	-
Deposits	11,419	-	-	-
Unearned revenue	4,875,360	-	-	-
Total liabilities	<u>9,292,312</u>	<u>4,945,786</u>	<u>19,689</u>	<u>700,527</u>
Deferred inflows of resources:				
Unavailable revenues	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	9,963,816	1,245,000	128,645	262,925
Restricted	616,253	6,295,864	527,919	16,587,627
Committed	11,585,066	-	-	-
Assigned	14,325,683	-	-	-
Unassigned	11,903,272	-	-	-
Total fund balances	<u>48,394,090</u>	<u>7,540,864</u>	<u>656,564</u>	<u>16,850,552</u>
Total liabilities and fund balances	<u><u>\$ 57,686,402</u></u>	<u><u>\$ 12,486,650</u></u>	<u><u>\$ 676,253</u></u>	<u><u>\$ 17,551,079</u></u>

**City of National City
Balance Sheet (Continued)
Governmental Funds
June 30, 2017**

	<u>Major Funds</u>		
	<u>Other Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 5,322,664	\$ 3,501,255	\$ 66,660,839
Receivables:			
Accounts	47,658	109,217	1,720,689
Taxes	-	46,707	4,576,280
Interest	84	2,423	160,321
Loans	-	1,371,012	12,116,779
Due from other funds	-	-	1,899,845
Due from other governments	742,087	217,711	1,026,063
Due from Successor Agency	-	-	262,894
Advances to other funds	-	-	4,941,000
Inventories and prepaid items	-	-	157,310
Land held for resale	-	-	6,239,182
Total assets	<u>\$ 6,112,493</u>	<u>\$ 5,248,325</u>	<u>\$ 99,761,202</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,078,795	\$ 298,417	\$ 4,298,662
Due to other governments	-	-	701,957
Accrued liabilities	7,712	99,988	1,614,828
Due to other funds	1,715,630	184,215	1,899,845
Advances from other funds	-	-	4,941,000
Deposits	357,199	-	368,618
Unearned revenue	-	-	4,875,360
Total liabilities	<u>3,159,336</u>	<u>582,620</u>	<u>18,700,270</u>
Deferred inflows of resources:			
Unavailable revenues	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable	-	-	11,600,386
Restricted	3,940,269	4,841,873	32,809,805
Committed	-	-	11,585,066
Assigned	-	-	14,325,683
Unassigned	(987,112)	(176,168)	10,739,992
Total fund balances	<u>2,953,157</u>	<u>4,665,705</u>	<u>81,060,932</u>
Total liabilities and fund balances	<u>\$ 6,112,493</u>	<u>\$ 5,248,325</u>	<u>\$ 99,761,202</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, 2017

Total Fund Balances - Total Governmental Funds	<u>\$ 81,060,932</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	151,758,623
Less: Internal Service Funds' Capital Assets	<u>(5,574,154)</u>
Total capital assets	<u>146,184,469</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 (net of \$14,023 in internal service funds).	
	<u>(88,000)</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	(2,003,743)
Compensated absences - due in more than one year	(2,023,755)
Claims payable - due within one year	(2,305,406)
Claims payable - due in more than one year	(7,188,594)
Long-term debt - due within one year	(1,504,276)
Long-term debt - due in more than one year	(8,996,374)
Net OPEB liability	<u>(5,116,397)</u>
	<u>(29,138,545)</u>
Less: Amount reported in Internal Service Funds	
Capital leases payable - due within one year	118,489
Capital leases payable - due in more than one year	1,056,816
Compensated absences - due within one year	108,782
Claims payable - due within one year	2,305,406
Claims payable - due in more than one year	<u>7,188,594</u>
	<u>10,778,087</u>
Net long-term liabilities	<u>(18,360,458)</u>
Deferred outflows of resources related to pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
	19,459,099
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	
	(90,287,055)
Deferred amounts on refunding are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
	46,200
Deferred inflows of resources related to pensions are not available for current period and, therefore, are deferred in the governmental funds or not recorded in the governmental funds.	
	(5,221,122)
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>10,139,158</u>
Net Position of Governmental Activities	<u><u>\$ 142,933,223</u></u>

City of National City
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds			
	General Fund	Housing Special Revenue Fund	Housing Choice Voucher Program Special Revenue Fund	Sewer Service Special Revenue Fund
REVENUES:				
Taxes	\$ 43,147,199	\$ -	\$ -	\$ -
Licenses and permits	1,021,807	-	-	15,471
Fines and forfeitures	557,298	-	23,778	-
Use of money and property	912,238	36,420	189	69,265
Intergovernmental	741,626	-	11,245,352	-
Charges for services	2,849,983	-	-	8,080,119
Other revenues	2,392,876	-	1,494	-
Total revenues	51,623,027	36,420	11,270,813	8,164,855
EXPENDITURES:				
Current:				
General Government	5,496,254	-	-	-
Public Safety	34,099,431	-	-	-
Transportation	3,123,771	-	-	-
Community Development	268,929	362,100	11,110,530	-
Health	-	-	-	7,337,175
Culture and Leisure	3,764,416	-	-	-
Capital outlay	4,264,238	-	-	1,839,545
Debt service:				
Principal	215,893	-	-	-
Interest and fiscal charges	27,354	-	-	-
Total expenditures	51,260,286	362,100	11,110,530	9,176,720
REVENUES OVER (UNDER) EXPENDITURES	362,741	(325,680)	160,283	(1,011,865)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	58,474	-	-	-
Gain on sale of land held for resale	65,966	-	-	-
Pass-through payment to other agencies	(705,115)	-	-	-
Transfers in	519,671	-	96,005	-
Transfers out	(1,972,835)	-	-	(117,959)
Total other financing sources (uses)	(2,033,839)	-	96,005	(117,959)
CHANGES IN FUND BALANCES	(1,671,098)	(325,680)	256,288	(1,129,824)
FUND BALANCES:				
Beginning of year, as restated	50,065,188	7,866,544	400,276	17,980,376
End of year	<u>\$ 48,394,090</u>	<u>\$ 7,540,864</u>	<u>\$ 656,564</u>	<u>\$ 16,850,552</u>

City of National City
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2017

	<u>Major Funds</u>		
	<u>Other Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 477,952	\$ 3,433,750	\$ 47,058,901
Licenses and permits	243,397	-	1,280,675
Fines and forfeitures	50	61,846	642,972
Use of money and property	-	17,000	1,035,112
Intergovernmental	4,561,940	3,502,877	20,051,795
Charges for services	791,803	-	11,721,905
Other revenues	1,250	156,936	2,552,556
Total revenues	<u>6,076,392</u>	<u>7,172,409</u>	<u>84,343,916</u>
EXPENDITURES:			
Current:			
General Government	177,202	-	5,673,456
Public Safety	649,576	5,001	34,754,008
Transportation	193,086	1,370,754	4,687,611
Community Development	588,864	579,421	12,909,844
Health	113,367	776,607	8,227,149
Culture and Leisure	186,225	3,401,333	7,351,974
Capital outlay	4,415,672	2,418,924	12,938,379
Debt service:			
Principal	-	1,095,000	1,310,893
Interest and fiscal charges	-	215,975	243,329
Total expenditures	<u>6,323,992</u>	<u>9,863,015</u>	<u>88,096,643</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(247,600)</u>	<u>(2,690,606)</u>	<u>(3,752,727)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of property	-	-	58,474
Gain on sale of land held for resale	-	-	65,966
Pass-through payment to other agencies	-	-	(705,115)
Transfers in	172,300	2,144,190	2,932,166
Transfers out	(1,023,572)	-	(3,114,366)
Total other financing sources (uses)	<u>(851,272)</u>	<u>2,144,190</u>	<u>(762,875)</u>
CHANGES IN FUND BALANCES	(1,098,872)	(546,416)	(4,515,602)
FUND BALANCES:			
Beginning of year	<u>4,052,029</u>	<u>5,212,121</u>	<u>85,576,534</u>
End of year	<u>\$ 2,953,157</u>	<u>\$ 4,665,705</u>	<u>\$ 81,060,932</u>

City of National City
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (4,515,602)
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 \$2,466,266 added in internal service funds).	9,085,560
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 \$630,344.	(5,650,082)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position.	(1,138,275)
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	1,310,893
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
Deferred amount 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	(242,310)
Changes in net OPEB liabilities	(194,327)
Change 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).	12,337,216
The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) decreased Net Position.	(9,991,401)
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.	2,092
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.	1,921,434
Change in Net Position of Governmental Activities	<u><u>\$ 2,922,603</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, 2017

	Major Funds			Governmental
	Kimball Towers	Morgan Towers	Total	Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 145,882	\$ 13,464	\$ 159,346	\$ 16,324,577
Accounts receivable	669	442	1,111	14,638
Inventories	-	-	-	-
Prepaid items and deposits	45,127	46,280	91,407	34,444
Total current assets	191,678	60,186	251,864	16,373,659
Noncurrent assets:				
Restricted cash and investments	1,422,433	763,085	2,185,518	10,334
Capital assets:				
Non-depreciable assets	315,814	212,568	528,382	-
Depreciable assets, net of accumulated depreciation	3,775,800	1,417,442	5,193,242	5,574,154
Total capital assets, net	4,091,614	1,630,010	5,721,624	5,574,154
Total noncurrent assets	5,514,047	2,393,095	7,907,142	5,584,488
Total assets	5,705,725	2,453,281	8,159,006	21,958,147
LIABILITIES AND NET POSITION				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	104,190	47,323	151,513	1,000,586
Salaries payable	9,238	8,889	18,127	26,293
Interest payable	-	3,932	3,932	14,023
Capital leases payable - due within one year	-	-	-	118,489
Compensated absences - due within one year	-	-	-	108,782
Note payable - due within one year	-	322,368	322,368	-
Claims payable - due within one year	-	-	-	2,305,406
Total current liabilities	113,428	382,512	495,940	3,573,579
Noncurrent liabilities:				
Tenant security deposit liability	46,659	44,649	91,308	-
Capital leases payable - due in more than one year	-	-	-	1,056,816
Note payable - due in more than one year	-	403,465	403,465	-
Claims payable - due in more than one year	-	-	-	7,188,594
Total noncurrent liabilities	46,659	448,114	494,773	8,245,410
Total liabilities	160,087	830,626	990,713	11,818,989
Net Position:				
Net investment in capital assets	4,091,614	904,177	4,995,791	4,398,849
Restricted:				
Debt service	-	763,085	763,085	10,334
Housing programs	1,422,433	-	1,422,433	-
Total restricted	1,422,433	763,085	2,185,518	10,334
Unrestricted (deficit)	31,591	(44,607)	(13,016)	5,729,975
Total net position	\$ 5,545,638	\$ 1,622,655	\$ 7,168,293	\$ 10,139,158



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City of National City
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Major Funds			Governmental Activities Internal Service Funds
	Kimball Towers	Morgan Towers	Total	
OPERATING REVENUES:				
Rental income	\$ 1,130,543	\$ 1,289,180	\$ 2,419,723	\$ -
Charges for services	-	-	-	10,875,596
Other	7,769	7,695	15,464	2,210,289
Total operating revenues	<u>1,138,312</u>	<u>1,296,875</u>	<u>2,435,187</u>	<u>13,085,885</u>
OPERATING EXPENSES:				
Operations and administration	533,720	512,869	1,046,589	5,549,202
Maintenance	447,900	454,592	902,492	5,090,147
Depreciation	184,901	113,537	298,438	630,344
Total operating expenses	<u>1,166,521</u>	<u>1,080,998</u>	<u>2,247,519</u>	<u>11,269,693</u>
OPERATING INCOME (LOSS)	<u>(28,209)</u>	<u>215,877</u>	<u>187,668</u>	<u>1,816,192</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	3,707	1,554	5,261	-
Interest expense	-	(60,609)	(60,609)	(76,958)
Total nonoperating revenues (expenses)	<u>3,707</u>	<u>(59,055)</u>	<u>(55,348)</u>	<u>(76,958)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(24,502)</u>	<u>156,822</u>	<u>132,320</u>	<u>1,739,234</u>
TRANSFERS:				
Transfers in	-	-	-	182,200
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,200</u>
CHANGES IN NET POSITION	<u>(24,502)</u>	<u>156,822</u>	<u>132,320</u>	<u>1,921,434</u>
NET POSITION:				
Beginning of year	5,570,140	1,465,833	7,035,973	8,217,724
End of year	<u>\$ 5,545,638</u>	<u>\$ 1,622,655</u>	<u>\$ 7,168,293</u>	<u>\$ 10,139,158</u>

City of National City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Major Funds			Governmental Activities Internal Service Funds
	Kimball Towers	Morgan Towers	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,130,270	\$ 1,288,738	\$ 2,419,008	\$ -
Cash received from other funds	-	-	-	10,885,426
Cash payments to supplier and employees for goods and services	(863,868)	(912,229)	(1,776,097)	(8,931,406)
Other operating revenues	7,768	7,695	15,463	2,210,289
Net cash provided by operating activities	274,170	384,204	658,374	4,164,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on debt	-	(302,134)	(302,134)	(125,637)
Acquisition of capital assets	(86,985)	-	(86,985)	(2,466,266)
Interest paid	-	-	-	(62,935)
Net cash used in capital and related financing activities	(86,985)	(302,134)	(389,119)	(2,654,838)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interest paid	-	(62,244)	(62,244)	-
Transfers in	-	-	-	182,200
Net cash provided by (used in) noncapital financing activities	-	(62,244)	(62,244)	182,200
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	3,706	1,554	5,260	-
Net cash provided by investing activities	3,706	1,554	5,260	-
Net change in cash and cash equivalents	190,891	21,380	212,271	1,691,671
CASH AND CASH EQUIVALENTS:				
Beginning of year	1,377,424	755,169	2,132,593	14,643,240
End of year	<u>\$ 1,568,315</u>	<u>\$ 776,549</u>	<u>\$ 2,344,864</u>	<u>\$ 16,334,911</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 145,882	\$ 13,464	\$ 159,346	\$ 16,324,577
Restricted cash and investments	1,422,433	763,085	2,185,518	10,334
Total cash and cash equivalents	<u>\$ 1,568,315</u>	<u>\$ 776,549</u>	<u>\$ 2,344,864</u>	<u>\$ 16,334,911</u>

City of National City
Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2017

	Major Funds		Total	Governmental Activities Internal Service Funds
	Kimball Towers	Morgan Towers		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (28,209)	\$ 215,877	\$ 187,668	\$ 1,816,192
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	184,901	113,537	298,438	630,344
Changes in operating assets and liabilities:				
Accounts receivable	(274)	(442)	(716)	9,830
Prepaid items and deposits	43,394	42,613	86,007	21,336
Accounts payable and accrued liabilities	71,450	11,804	83,254	315,302
Salaries payable	1,582	1,125	2,707	3,476
Tenant security deposit liability	1,326	(310)	1,016	-
Compensated absences	-	-	-	1,829
Claims payable	-	-	-	1,366,000
Total adjustments	<u>302,379</u>	<u>168,327</u>	<u>470,706</u>	<u>2,348,117</u>
Net cash provided by operating activities	<u><u>\$ 274,170</u></u>	<u><u>\$ 384,204</u></u>	<u><u>\$ 658,374</u></u>	<u><u>\$ 4,164,309</u></u>



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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).

City of National City
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds	Successor Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments	\$ 1,373,127	\$ 12,459,302
Receivables:		
Account	-	13,331
Interest	-	19,017
Loans	-	465,971
Restricted cash and investments with fiscal agent	-	4,823,381
Land held for resale	-	195,000
Capital asset, net accumulated depreciation	-	450,000
Total assets	\$ 1,373,127	\$ 18,426,002
LIABILITIES		
Accounts payable and accrued liabilities	\$ 27,029	1,103,800
Due to City	-	262,894
Interest payable	-	1,263,203
Long-term debt	-	49,395,000
Developer deposits	-	25,000
Deposits payable	1,346,098	-
Total liabilities	\$ 1,373,127	\$ 52,049,897
NET POSITION		
Held in trust		(33,623,895)
Total net position		\$ (33,623,895)



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City of National City
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Successor Agency Private-Purpose Trust Fund
ADDITIONS:	
Property taxes	\$ 7,740,998
Investment income	76,236
Miscellaneous	54,167
Sale of property	325,000
Total additions	8,196,401
DEDUCTIONS:	
Enforceable obligations	5,347,913
Community development	325,000
Administrative expenses	379,948
Total deductions	6,052,861
Changes in Net Position	2,143,540
NET POSITION:	
Beginning of year	(35,767,435)
End of year	\$ (33,623,895)

City of National City
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

NOTE	DESCRIPTION	PAGE
1	Reporting Entity and Summary of Significant Accounting Policies	47
2	Cash and Investments	60
3	Loans Receivable	66
4	Interfund Balances and Transactions	68
5	Capital Assets	70
6	Long-Term Debt	72
7	Compensated Absences	79
8	Other Required Fund Disclosures	80
9	Self-Insurance Accrued Liabilities	80
10	Pension Plans	81
11	Other Postemployment Benefits	90
12	Commitments and Contingencies	93
13	Classification of Fund Balances	94
14	Prior Period Adjustment	95
15	Subsequent Events	96



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City of National City
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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).

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units

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.

Although the following are legally separate from the City, they have been “blended” as though they are part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component units; and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

A. Reporting Entity (Continued)

Blended Component Units (Continued)

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.

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.

The following specific criteria were used in determining the status of these component units:

- Members of the City Council also act as the governing body of the NCJPFA, the Authority, and the CDC.
- The City, the NCJPFA, the Authority, and the CDC are financially interdependent.
- The NCJPFA, the Authority, and the CDC are managed, at least in part, by employees of the City, who provide various support functions including financial reporting and investment decisions.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

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.

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, 2017

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 non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in Net Position as presented in these statements to the Net Position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

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

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

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

The City reports the following major governmental funds:

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

Housing Fund – This fund is used to account for activities of housing assistance and assistance to low income families. 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, 2017

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 proprietary funds:

Kimball Towers Fund – This major 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 major 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, 2017

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, 2017

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 deposit 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

U.S. GAAP 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, 2017

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 acquisition 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
Radio rights	20 years

For all infrastructure systems, the City elected to use the Basic Approach 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, 2017

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, 2017

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 non-exchange 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, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

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, 2017

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, plus deferred outflows of resources attributable to their acquisition, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and deferred inflows of resources attributable to their acquisition.

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, 2017

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

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017

GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions 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 defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement did not have a material effect on the financial statements of the City.

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43. This Statement did not have a material effect on the financial statements of the City.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. This Statement had a material effect on the financial statements of the City. See Notes 11 and 14 for further detail.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

S. Accounting Changes (Continued)

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017 (Continued)

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. This Statement did not have a material effect on the financial statements of the City.

GASB Statement No. 78

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement did not have a material effect on the financial statements of the City.

GASB Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement did not have a material effect on the financial statements of the City.

GASB Statement No. 80

In December 2015, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement 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, 2017

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

S. Accounting Changes (Continued)

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017 (Continued)

GASB Statement No. 82

In March 2016, GASB issued Statement No 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain issues that were raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This implementation did not have an effect on the City’s financial statements.

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, 2017.

	<u>Government-Wide Statement of Net Position</u>			<u>Fiduciary Funds</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Statement of Net Position</u>	<u>Total</u>
Cash and investments	\$ 82,985,416	\$ 159,346	\$ 83,144,762	\$ 13,832,429	\$ 96,977,191
Restricted cash and investments:					
Held by fiscal agents	10,334	2,185,518	2,195,852	4,823,381	7,019,233
Total restricted cash and investments	10,334	2,185,518	2,195,852	4,823,381	7,019,233
Total cash and investments	<u>\$ 82,995,750</u>	<u>\$ 2,344,864</u>	<u>\$ 85,340,614</u>	<u>\$ 18,655,810</u>	<u>\$ 103,996,424</u>

Cash, cash equivalents and investments consisted of the following at June 30, 2017:

Petty cash	\$ 3,614
Deposits with financial institution	17,820,596
Investments	79,152,981
Investments held by bond trustee	7,019,233
Total cash and investments	<u>\$ 103,996,424</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

A. Deposits

The carrying amount of the City's cash deposits were \$17,820,604 at June 30, 2017. Bank balances before reconciling items were \$18,929,854 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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

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

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

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, 2017

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, 2017, the City’s investments had the following recurring fair value measurements:

Investment Type	Level 2	Uncategorized	Percent of Total
LAIF	\$ -	\$ 41,387,013	0.00%
Money Market Funds	-	7,023,964	0.00%
San Diego County Investment Pool	-	8,092,000	0.00%
Supranational	449,667	-	1.99%
US Corporate	1,694,436	-	7.48%
US Treasury Obligations	7,684,503	-	33.93%
US Agency Securities	12,821,398	-	56.61%
Total Investments	\$ 22,650,004	\$ 56,502,977	100.00%

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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	\$ 313,364	\$ 364,681	\$ 678,045
Residual receipts reserve	-	341,428	341,428
MIP and insurance impounds reserve	-	12,327	12,327
Other	1,109,069	44,649	1,153,718
Total restricted cash and investments	\$ 1,422,433	\$ 763,085	\$ 2,185,518

Kimball Towers

Reserve for replacements of \$313,364 represents a balance held in trust by the City of National City Community Development Commission.

Other restricted cash and investments totaling \$1,109,069 are included in the accompanying basic financial statements.

Morgan Towers

Reserve for replacements of \$364,681 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 \$341,428 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 \$12,327, represents amounts held for the future payment of property and mortgage insurance.

Other restricted cash and investments totaling \$44,649 are included in the accompanying basic financial statements.

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, 2017, 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, 2017

Note 2 – Cash and Investments (Continued)

E. Risks Disclosures (Continued)

Interest Rate Risk (Continued)

As of June 30, 2017, 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	\$ 41,387,013	\$ 41,387,013	\$ -	\$ -	\$ -	\$ -
Money Market Funds	7,023,964	7,023,964	-	-	-	-
San Diego County Investment Pool	8,092,000	8,092,000	-	-	-	-
Supranational	449,667	449,667	-	-	-	-
US Corporate	1,694,436	999,822	406,798	287,816	-	-
US Treasury Obligations	7,684,503	2,097,119	1,748,999	3,838,385	-	-
US Agency Securities	12,821,398	4,684,227	2,738,013	5,399,157	-	-
Total Investments	\$ 79,152,981	\$ 64,733,813	\$ 4,893,810	\$ 9,525,358	\$ -	\$ -

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	\$ 41,387,013	Not Rated	Not Rated
Money Market Funds	7,023,964	Aaa	AAA
San Diego County Investment Pool	8,092,000	Not Rated	Not Rated
Supranational	449,667	Aaa	AAA
US Corporate	1,694,436	Various	Various
US Treasury Obligations	7,684,503	Aaa	AA+
US Agency Securities	12,821,398	Aaa	AA+
	<u>\$ 79,152,981</u>		

Custodial Credit Risk

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

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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	\$ 41,387,013
US Agency Securities	Federal Agency Securities	12,821,398
San Diego County Investment Pool	San Diego County Pooled Investment Fund	8,092,000
US Treasury Obligations	US Treasury Obligations	7,684,503

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, 2017 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, 2017, the City had \$41,387,013 invested in LAIF, which had invested 2.89% 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, 2017, 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, 2017.

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, 2017

Note 3 – Loans Receivable

A. Government-Wide Financial Statements

At June 30, 2017, the City had the following loans receivable, including principal and accrued interest:

Copper Hills Apartments, LP	\$	6,659,280
Plaza City Apartments, LP		3,422,000
Home Improvement Loan Program		51,349
First Time Home Buyers Program		3,475,510
Owner Occupied Loan Program		601,039
Rental Rehabilitation Loan Program		3,332,500
Paradise Creek, LP		6,000,000
Subtotal		23,541,678
Less: Contractual Allowance		(11,424,899)
Total	\$	12,116,779

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, 2017, the outstanding balance was \$6,659,280.

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, 2017, 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, 2017, the outstanding balance of the loans made was \$51,349.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, the outstanding balance of the loans made was \$3,475,510.

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, 2017, the outstanding balance of the loans made was \$601,039.

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, 2017, 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, 2017, 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, 2017, the Agency had the following loans receivable, including principal and accrued interest:

National City Mile of Cars	\$	465,971
First Time Home Buyers Program		2,500,000
Subtotal		2,965,971
Less: Contractual Allowance		(2,500,000)
Total	\$	465,971

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017, the note receivable amount was \$465,971. The Participant agrees to execute a promissory note by which agree to repay the Commission the full amount of the rehabilitation loan plus interest.

First Time Home Buyers program

The Commission’s First-Time Homebuyer Assistance Program was funded through the HUD HOME Investment Partnerships Program and 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, 2017, the outstanding balance of the loans made was \$2,500,000 with an allowance for doubtful accounts applied for the full balance.

Note 4 – Interfund Balances and Transactions

A. Due to/Due from other funds

At June 30, 2017, interfund receivables and payables were as follows:

	Due To Other Funds		
	Other Special Revenue Fund	Nonmajor Governmental Funds	Total
Due From Other Funds			
General Fund	\$ 1,715,630	\$ 184,215	\$ 1,899,845
Total	\$ 1,715,630	\$ 184,215	\$ 1,899,845

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, 2017, 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 of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Interfund Balances and Transactions (Continued)

B. Long-Term Advances (Continued)

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.

C. Transfers In/Out

For the year ended June 30, 2017, interfund transfers were as follows:

Transfers Out	Transfers In					Total
	General Fund	Housing Choice Voucher Program Special Revenue Fund	Other Special Revenue Fund	Non-major Governmental Funds	Governmental Activities Internal Service Funds	
General Fund	\$ -	\$ 96,005	\$ -	\$ 1,876,830	\$ -	\$ 1,972,835
Sewer Service Special Revenue Fund	-	-	-	117,959	-	117,959
Other Special Revenue Fund	519,671	-	172,300	149,401	182,200	1,023,572
Total	<u>\$ 519,671</u>	<u>\$ 96,005</u>	<u>\$ 172,300</u>	<u>\$ 2,144,190</u>	<u>\$ 182,200</u>	<u>\$ 3,114,366</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 \$1,972,835.

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 two heavy-duty maintenance trucks and trash pump vehicles.

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 Tennant Sweeper. The transfer from the State Grant Fund to the General fund was a reimbursement for the Las Palmas Park & El Toyon Park Lighting projects and an administrative transfer from the Wings Grant Fund and Mile of Cars LMD Fund to the Library Fund and General Fund, respectively.

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, 2017

Note 5 – Capital Assets

A. Governmental Activities

A summary of changes in capital assets for governmental activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	CIP Transfers	Balance June 30, 2017
Capital assets, not being depreciated:					
Land	\$ 22,011,750	\$ -	\$ -	\$ -	\$ 22,011,750
Right of way	4,245,088	-	-	-	4,245,088
Construction in progress	33,043,820	8,898,339	-	(26,859,367)	15,082,792
Total capital assets, not being depreciated	59,300,658	8,898,339	-	(26,859,367)	41,339,630
Capital assets, being depreciated:					
Buildings and improvements	50,609,636	-	-	6,102,531	56,712,167
Machinery and equipment	16,862,730	2,653,487	(268,712)	-	19,247,505
Infrastructure	121,615,975	-	(3,786,948)	20,756,836	138,585,863
Radio rights	-	1,270,763	-	-	1,270,763
Subtotal	189,088,341	3,924,250	(4,055,660)	26,859,367	215,816,298
Less accumulated depreciation					
Buildings and improvements	(24,820,371)	(2,034,837)	-	-	(26,855,208)
Machinery and equipment	(11,847,495)	(925,607)	268,712	-	(12,504,390)
Infrastructure	(65,307,924)	(3,256,444)	2,590,199	-	(65,974,169)
Radio rights	-	(63,538)	-	-	(63,538)
Subtotal	(101,975,790)	(6,280,426)	2,858,911	-	(105,397,305)
Total capital assets, being depreciated	87,112,551	(2,356,176)	(1,196,749)	26,859,367	110,418,993
Total capital assets, net	\$ 146,413,209	\$ 6,542,163	\$ (1,196,749)	\$ -	\$ 151,758,623

Depreciation expense was charged to functions/programs as follows:

General government	\$ 691,871
Public safety	1,038,072
Transportation	3,300,718
Community development	18,570
Culture and leisure	600,851
Internal service funds	630,344
Total depreciation expense	\$ 6,280,426

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 528,382	\$ -	\$ -	\$ 528,382
Total capital assets, not being depreciated	<u>528,382</u>	<u>-</u>	<u>-</u>	<u>528,382</u>
Capital assets, being depreciated:				
Building and improvements	15,654,171	86,985	-	15,741,156
Furniture and equipment	796,638	-	-	796,638
Subtotal	<u>16,450,809</u>	<u>86,985</u>	<u>-</u>	<u>16,537,794</u>
Less accumulated depreciation				
Building and improvements	(10,500,704)	(278,257)	-	(10,778,961)
Furniture and equipment	(545,410)	(20,181)	-	(565,591)
Subtotal	<u>(11,046,114)</u>	<u>(298,438)</u>	<u>-</u>	<u>(11,344,552)</u>
Total capital assets, being depreciated	<u>5,404,695</u>	<u>(211,453)</u>	<u>-</u>	<u>5,193,242</u>
Total capital assets, net	<u>\$ 5,933,077</u>	<u>\$ (211,453)</u>	<u>\$ -</u>	<u>\$ 5,721,624</u>

Depreciation expense for business-type activities for the year ended June 30, 2017 was as follows:

Kimball Towers	\$ 184,901
Morgan Towers	113,537
Total depreciation expense	<u>\$ 298,438</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Capital Assets (Continued)

C. Fiduciary Funds Financial Statements

A summary of changes in capital assets for fiduciary funds for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 450,000	\$ -	\$ -	\$ 450,000
Total capital assets, not being depreciated	450,000	-	-	450,000
Capital assets, being depreciated:				
Buildings	800,000	-	-	800,000
Improvements other than buildings	-	-	-	-
Machinery and equipment	81,163	-	-	81,163
Subtotal	881,163	-	-	881,163
Less accumulated depreciation				
Buildings	(800,000)	-	-	(800,000)
Improvements other than buildings	-	-	-	-
Machinery and equipment	(81,163)	-	-	(81,163)
Subtotal	(881,163)	-	-	(881,163)
Total capital assets, being depreciated	-	-	-	-
Total capital assets, net	\$ 450,000	\$ -	\$ -	\$ 450,000

Depreciation expense for fiduciary fund financial statements for the year ended June 30, 2017 was \$0.

Note 6 – Long-Term Debt

A. Governmental Activities

A summary of changes in governmental activities long-term debt for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Debt Issued	Debt Retired	Balance June 30, 2017	Classification	
					Due within One Year	Due in More Than One Year
Long-term debt:						
2012 General Obligation Bonds	\$ 4,155,000	\$ -	\$ (255,000)	\$ 3,900,000	\$ 265,000	\$ 3,635,000
Bond Premium	19,258	-	(1,605)	17,653	-	17,653
Lease Revenue Refunding Bonds	965,000	-	(475,000)	490,000	490,000	-
Section 108 Bonds	3,805,000	-	(365,000)	3,440,000	390,000	3,050,000
Notes payable	-	1,270,763	(111,926)	1,158,837	115,048	1,043,789
Capital leases	1,723,764	-	(230,002)	1,494,160	244,228	1,249,932
Total long-term debt	\$ 10,668,022	\$ 1,270,763	\$ (1,438,533)	\$ 10,500,650	\$ 1,504,276	\$ 8,996,374

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 the outstanding balance is \$3,900,000.

The annual debt service requirements for the 2012 General Obligation Refunding Bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	300,000	85,375	385,375
2023-2027	1,710,000	278,151	1,988,151
2028-2029	780,000	27,475	807,475
Total	\$ 3,900,000	\$ 812,077	\$ 4,712,077

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, 2017 the outstanding balance is \$490,000.

The annual debt service requirements for the NCJPFA Lease Revenue Refunding Bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 490,000	\$ 7,350	\$ 497,350
Total	\$ 490,000	\$ 7,350	\$ 497,350

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 the outstanding balance is \$3,440,000.

The annual debt service requirements for the Section 108 Bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 390,000	\$ 68,559	\$ 458,559
2019	420,000	63,953	483,953
2020	455,000	56,883	511,883
2021	485,000	47,804	532,804
2022	520,000	36,893	556,893
2023-2024	1,170,000	32,331	1,202,331
Total	\$ 3,440,000	\$ 306,423	\$ 3,746,423

Notes Payable

San Diego County Regional Communication System

In 2017, the County of San Diego and certain local governments, including the City, entered into an agreement for the implementation, governance, and cost for the Next Generation Regional Communication System (“RCS”). The NGRCS replaces, modernizes, and updates the old regional communication system, and provides 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 RCS includes the following subsystems: a trunked voice system, microwave backhaul network, and a conventional voice system. The City entered into an agreement with the County of San Diego for the purchase of RCS and to share backbone infrastructure cost. The amount financed for this project was \$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 years, City of National City will make an annual payment of \$147,380.

The annual debt service requirements for the San Diego County RCS Notes Payable outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 115,048	\$ 32,332	\$ 147,380
2019	118,258	29,122	147,380
2020	121,558	25,822	147,380
2021	124,949	22,431	147,380
2022	128,435	18,945	147,380
2023-2026	550,589	38,931	589,520
Total	\$ 1,158,837	\$ 167,583	\$ 1,326,420

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Capital Leases

	Balance July 1, 2016	Debt Issued	Debt Retired	Balance June 30, 2017	Classification	
					Due within One Year	Due in More Than One Year
Honeywell Lease	\$ 1,245,987	\$ -	\$ (112,800)	\$ 1,133,187	\$ 118,489	\$ 1,014,698
Fleet Vehicle Lease	477,777	-	(116,804)	360,973	125,739	235,234
Total	\$ 1,723,764	\$ -	\$ (229,604)	\$ 1,494,160	\$ 244,228	\$ 1,249,932

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, 2017 on this contract was \$1,133,187.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	144,258	28,147	172,405
2023-2025	477,905	39,308	517,213
Total	\$ 1,133,187	\$ 246,049	\$ 1,379,236

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, 2017 was \$360,973.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 125,739	\$ 22,456	\$ 148,195
2019	135,361	12,834	148,195
2020	99,873	3,021	102,894
Total	\$ 360,973	\$ 38,311	\$ 399,284

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Debt (Continued)

B. Business-Type Activities

A summary of changes in business-type activities long-term debt for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Debt Issued	Debt Retired	Balance June 30, 2017	Classification	
					Due within One Year	Due in More Than One Year
Morgan Towers Notes Payable	\$ 1,027,967	\$ -	\$ (302,134)	\$ 725,833	\$ 322,368	\$ 403,465
Total	<u>\$ 1,027,967</u>	<u>\$ -</u>	<u>\$ (302,134)</u>	<u>\$ 725,833</u>	<u>\$ 322,368</u>	<u>\$ 403,465</u>

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, 2017, the outstanding balance is \$725,833. The annual debt service payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 322,368	\$ 37,692	\$ 682,429
2019	343,958	16,097	704,013
2020	59,507	484	119,497
Total	<u>\$ 725,833</u>	<u>\$ 54,273</u>	<u>\$ 1,505,939</u>

C. Fiduciary Funds

A summary of changes in fiduciary funds long-term debt for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Debt Issued	Debt Retired	Balance June 30, 2017	Classification	
					Due within One Year	Due in More Than One Year
1999 Tax Allocation Bonds	\$ 3,250,000	\$ -	\$ (165,000)	\$ 3,085,000	\$ 175,000	\$ 2,910,000
2005B Tax Allocation Bonds	9,840,000	-	(760,000)	9,080,000	790,000	8,290,000
2011 Tax Allocation Bonds	38,375,000	-	(1,145,000)	37,230,000	1,255,000	35,975,000
Total	<u>\$ 51,465,000</u>	<u>\$ -</u>	<u>\$ (2,070,000)</u>	<u>\$ 49,395,000</u>	<u>\$ 2,220,000</u>	<u>\$ 47,175,000</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

1999 Tax Allocation Bonds

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

The annual debt service requirements for the 1999 Tax Allocations Bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 175,000	\$ 153,050	\$ 328,050
2019	180,000	144,175	324,175
2020	190,000	134,925	324,925
2021	200,000	125,050	325,050
2022	210,000	114,544	324,544
2023-2027	1,230,000	394,626	1,624,626
2028-2030	900,000	70,725	970,725
Total	\$ 3,085,000	\$ 1,137,095	\$ 4,222,095

2005 Series B Tax Allocation Bonds

In January 2005, the Commission issued 2005 Tax Allocation Bonds Series A & B, in the aggregate principal amount of \$27,940,000 and \$9,840,000, respectively. The bonds were issued for the purpose of refunding the 2001 Tax Allocation Refunding Bonds Series A & B. Interest on the bonds is payable semiannually on August 1 and February 1, commencing August 1, 2005, at rates ranging from 2.9% to 5.25% per annum. The Series A Bonds were paid in full during fiscal year 2016.

The annual debt service requirements for the 2005 Series B Tax Allocation Bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	570,000	265,640	835,640
2023-2027	3,600,000	853,179	4,453,179
2028-2033	1,550,000	215,769	1,765,769
Total	\$ 9,080,000	\$ 2,736,176	\$ 11,816,176

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

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, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,825,000	2,114,219	3,939,219
2023-2027	10,255,000	8,682,950	18,937,950
2028-2033	19,615,000	4,456,025	24,071,025
Total	\$ 37,230,000	\$ 24,545,501	\$ 61,775,501

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 one fiscal year period and includes the applicable debt service payments on the Bonds.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

Pledged Revenues (Continued)

In fiscal year 2017, the amount of property tax revenue deposited to the RPTTF for the Successor Agency totaled \$17,478,151. After deductions for County administrative fees and pass-through payments, the RPTTF revenue available for distribution to the Successor Agency was \$13,508,118. The actual amount of RPTTF revenue authorized by the State Department of Finance to be distributed to the Successor Agency was \$7,740,998. Total scheduled debt service for all Tax Allocation Bonds (TABs) was \$5,148,878, 38% of the RPTTF revenue available for distribution to the Successor Agency. For fiscal year 2018, the scheduled annual principal and interest payments on the remaining TABs (1999, 2005B, and 2011) total approximately \$5.2 million, which equals about 34% of the RPTTF revenue projected to be available for distribution to the Successor Agency. In September, 2017, however, these TABs were refunded to reduce future interest costs (See Note 15), which will result in actual debt service payments of approximately \$4.2 million in fiscal year 2018 (29% of projected available RPTTF). Beyond fiscal year 2018 and through final maturity in fiscal year 2033, these annual payments will gradually decline from \$4.2 million in fiscal year 2019 to \$3.3 million in fiscal year 2033. The percentage of available RPTTF required for debt service will also gradually drop 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, 2017 is as follows:

	Balance			Balance June 30, 2017	Classification	
	July 1, 2016	Additions	Deletions		Due within One Year	Due in More Than One Year
Compensated Absences	\$ 3,783,359	\$ 2,247,882	\$ (2,003,743)	\$ 4,027,498	\$ 2,003,743	\$ 2,023,755
Total	<u>\$ 3,783,359</u>	<u>\$ 2,247,882</u>	<u>\$ (2,003,743)</u>	<u>\$ 4,027,498</u>	<u>\$ 2,003,743</u>	<u>\$ 2,023,755</u>

The City's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$4,027,498 at June 30, 2017. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Compensated absences at June 30, 2017 are obligations of the following funds:

Governmental Funds	\$ 3,918,716
Facilities Maintenance	32,808
Liability Insurance	3,324
Information Systems Maintenance	26,315
Motor Vehicle Services	46,335
Total	<u>\$ 4,027,498</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Other Required Fund Disclosures

At June 30, 2017, the following funds had deficit fund equity:

Fund Type	Funds	Deficit
Capital Projects Fund	Proposition A	\$ (176,168)
Fiduciary Fund	Successor Agency To the Community Development Commission of National City Private-Purpose Trust Fund	\$ (33,623,895)

Proposition A Capital Projects Fund – The Proposition A Capital Projects Fund had a deficit of \$(176,168) resulting from increased capital outlay during 2017. The deficit will be eliminated via interfund transfer in fiscal year 2018.

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 \$(33,623,895). The City expects to repay the amount through tax increment.

Governmental Activities - At June 30, 2017, the City had an unrestricted net position deficit of \$(29,693,603) on the Statement of Activities. This deficit was created from the implementation of GASB Statement 68 (Net Pension Liability) in fiscal year 2015 and the implementation of GASB Statement 75 (Total OPEB Liability) in 2017.

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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Self-Insurance Accrued Liabilities (Continued)

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, 2017, the City accrued \$9,494,000 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, 2017 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>2017</u>	<u>2016</u>	<u>2015</u>
Claims liabilities - beginning balance	\$ 8,128,000	\$ 7,886,000	\$ 7,443,000
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	4,443,482	2,257,682	2,748,406
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(3,077,482)</u>	<u>(2,015,682)</u>	<u>(2,305,406)</u>
Claims liabilities - ending balance	<u>\$ 9,494,000</u>	<u>\$ 8,128,000</u>	<u>\$ 7,886,000</u>

Note 10 – Pension Plans

A. Summary

Net Pension Liability

Aggregate Net Pension Liability is reported in the accompanying Statement of Net Position as follows:

	<u>Net Pension Liability</u>
Miscellaneous Plan	\$ 31,873,071
Safety Plan	<u>58,413,984</u>
Total	<u>\$ 90,287,055</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Pension Plans (Continued)

A. Summary (Continued)

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	Net difference between projected and actual earnings on pension plan investments	Total pension-related deferred outflows
Miscellaneous Plan	\$ 2,854,746	\$ 4,562,814	\$ 7,417,560
Safety Plan	5,748,626	6,292,913	12,041,539
Total	\$ 8,603,372	\$ 10,855,727	\$ 19,459,099

Deferred Inflows of Resources

Deferred Inflows of Resources are reported in the accompanying Statement of Net Position as follows:

	Changes of assumptions	Differences between expected and actual experience	Total pension-related deferred inflows
Miscellaneous Plan	\$ 324,161	\$ 850,886	\$ 1,175,047
Safety Plan	1,355,150	2,690,925	4,046,075
Total	\$ 1,679,311	\$ 3,541,811	\$ 5,221,122

Pension Expense

Pension expenses are included in the accompanying Statement of Revenues, Expenses, and Changes in Net Position as follows:

	Pension Expense
Miscellaneous Plan	\$ 1,674,314
Safety Plan	4,524,769
Total	\$ 6,199,083

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Pension Plans (Continued)

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.

Participants are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Benefits Provided (Continued)

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, 2015, 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, 2016, the average active miscellaneous and safety employee contribution rates were 8% and 9% of annual pay, respectively, and the employer's contribution rates were 25.800% and 45.055% of miscellaneous and safety employee annual payroll, respectively.

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

	Miscellaneous	Safety	Aggregate Total
Contributions - employer	\$ 2,367,548	\$ 4,978,090	\$ 7,345,638

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 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, 2015 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
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, 2015 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, 2017

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, 2017

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, 2015 (Valuation Date)	\$ 110,779,998	\$ 84,474,575	\$ 26,305,423
Changes in the year:			
Service cost	1,825,480	-	1,825,480
Interest on the total pension liabilities	8,268,915	-	8,268,915
Changes of Assumptions	-	-	-
Differences between expected and actual experience	(975,368)	-	(975,368)
Benefit payments, including refunds of members contributions	(5,253,955)	(5,253,955)	-
Plan to plan resource movement	-	(135)	135
Contributions - employer	-	2,367,548	(2,367,548)
Contributions - employee	-	820,175	(820,175)
Net investment income	-	415,274	(415,274)
Administrative expenses	-	(51,483)	51,483
Net changes	<u>3,865,072</u>	<u>(1,702,576)</u>	<u>5,567,648</u>
Balance at June 30, 2016 (Measurement Date)	<u>\$ 114,645,070</u>	<u>\$ 82,771,999</u>	<u>\$ 31,873,071</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2015 (Valuation Date)	\$ 168,165,277	\$ 116,520,861	\$ 51,644,416
Changes in the year:			
Service cost	3,143,806	-	3,143,806
Interest on the total pension liabilities	12,491,615	-	12,491,615
Changes of Assumptions	-	-	-
Differences between expected and actual experience	(2,263,779)	-	(2,263,779)
Benefit payments, including refunds of members contributions	(8,368,654)	(8,368,654)	-
Plan to plan resource movement	-	135	(135)
Contributions - employer	-	4,978,090	(4,978,090)
Contributions - employee	-	1,109,955	(1,109,955)
Net investment income	-	584,907	(584,907)
Administrative expenses	-	(71,013)	71,013
Net changes	5,002,988	(1,766,580)	6,769,568
Balance at June 30, 2016 (Measurement Date)	\$ 173,168,265	\$ 114,754,281	\$ 58,413,984

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	\$ 46,966,367	\$ 31,873,071	\$ 19,404,405
Safety Plan	\$ 81,998,904	\$ 58,413,984	\$ 39,080,824
Aggregate Total	\$ 128,965,271	\$ 90,287,055	\$ 58,485,229

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 Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense in the amounts of \$1,674,314 and \$4,524,769, for the Miscellaneous and Safety 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, 2017

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 EARSLs for the Miscellaneous and Safety plans, respectively, for the 2015-16 measurement period are 2.4 and 3.5 years, respectively, which was obtained by dividing the total service years of 1,605 and 1,395, respectively, (the sum of remaining service lifetimes of the active employees) by 673 and 402, respectively, (the total number of participants: active, inactive, and retired).

At June 30, 2017 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	\$ -	\$ (324,161)
Difference between expected and actual experience	-	(850,886)
Difference between projected and actual earning on pension plan investments	4,562,814	-
Total	\$ 4,562,814	\$ (1,175,047)
Safety Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ -	\$ (1,355,150)
Difference between expected and actual experience	-	(2,690,925)
Difference between projected and actual earning on pension plan investments	6,292,913	-
Total	\$ 6,292,913	\$ (4,046,075)
Aggregate Totals		
	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ -	\$ (1,679,311)
Difference between expected and actual experience	-	(3,541,811)
Difference between projected and actual earning on pension plan investments	10,855,727	-
Total	\$ 10,855,727	\$ (5,221,122)

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

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

For the Safety Plan and Miscellaneous Plan, \$2,854,746 and \$5,748,626, respectively, were 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/ (Inflows) of Resources		
	Miscellaneous	Safety	Total
2017	\$ (375,341)	\$ (1,279,400)	\$ (1,654,741)
2018	474,584	(672,130)	(197,546)
2019	2,098,166	2,556,916	4,655,082
2020	1,190,358	1,641,452	2,831,810
Thereafter	-	-	-
	\$ 3,387,767	\$ 2,246,838	\$ 5,634,605

Note 11 – Other Postemployment Benefits

Plan Description

The City provides postemployment 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, 2017, the date of the latest actuarial valuation:

Active plan members	318
Retirees	56
Total	374

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits (Continued)

Total OPEB Liability

The City’s total OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability at June 30, 2017 was:

Total OPEB liability	\$ 5,116,397
Total OPEB liability	\$ 5,116,397

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.40%
Inflation	2.80%
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 1997-2011
Mortality Improvement Scale	Modified MP-2014, which converge to ultimate mortality improvement rates in 2022.
Pre-retirement turnover	Ranging from 0.01% to 17.42% based on termination rates under the CalPERS pension plan.
Healthcare Trend Rate	An annual healthcare cost trend rate of 6.5% initially reduced by decrements to an ultimate of 5.0% therefore.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.4% percent. This discount rate is the mid-point, rounded to five basis points, of the range of 3-20 year municipal bond rate indices; S&P Municipal bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO AA 20 Year Bond Index.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016 (as restated)	\$ 4,922,070
Changes Recognized for the Measurement Period:	
Service Cost	189,577
Interest on the total OPEB liability	170,970
Benefit payments	(166,220)
Net Changes during July 1, 2016 to June 30, 2017	194,327
Balance at June 30, 2017 (Measurement Date)	\$ 5,116,397

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 11 – Other Postemployment Benefits (Continued)

Change in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.4 percent) or 1-percentage- point higher (4.4 percent) than the current discount rate:

Plan's Total OPEB Liability		
Discount Rate - 1% (2.4%)	Current Discount Rate (3.4%)	Discount Rate + 1% (4.4%)
\$ 5,686,867	\$ 5,116,397	\$ 4,623,393

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

Plan's Total OPEB Liability		
Discount Rate - 1% (5.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	Discount Rate + 1% (7.5% decreasing to 6.0%)
\$ 5,106,593	\$ 5,116,397	\$ 5,124,807

Contributions

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 2017, the City contributed \$166,220 to the plan for current premiums.

OPEB Expense

For the fiscal year ended June 30, 2017, the City recognized OPEB expense of \$360,547. There were no deferred outflows or deferred inflows of resources associated with OPEB at June 30, 2017.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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.

Construction Commitments

The City has contractual and regulatory commitments that will result in expenses in future fiscal years. These include operating and capital contractual commitments. As of June 30, 2017, the City had a total of thirty-one contractual commitments with a remaining balance of \$17,434,819. The following table represents the City's contractual commitments by contract type.

Capital lease	\$ 1,030,743
Construction	7,372,497
Consulting services	7,310,844
Legal services	18,728
Professional services	<u>1,702,007</u>
Total contractual commitments	<u>\$ 17,434,819</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – Classification of Fund Balances

The City classifies fund balances, as shown on the *Balance Sheet – Governmental Funds* as of June 30, 2017 as follows:

	Major Funds					Other Governmental Funds	Total
	General	Housing	Housing Choice Voucher Program	Sewer Service	Other Special Revenue		
Nonspendable							
Advances to other funds	\$ 4,941,000	\$ -	\$ -	\$ 262,894	\$ -	\$ -	\$ 5,203,894
Land held for resale	4,994,182	1,245,000	-	-	-	-	6,239,182
Inventories and prepaid items	28,634	-	128,645	31	-	-	157,310
Total nonspendable	<u>9,963,816</u>	<u>1,245,000</u>	<u>128,645</u>	<u>262,925</u>	<u>-</u>	<u>-</u>	<u>11,600,386</u>
Restricted							
Housing	-	6,295,864	521,683	-	-	-	6,817,547
Debt service	596,254	-	6,236	25,786	-	1,124,800	1,753,076
Community development	19,999	-	-	-	1,340,929	1,685,750	3,046,678
Public safety	-	-	-	-	968,981	597,517	1,566,498
Transportation	-	-	-	-	643,398	287,632	931,030
General Services	-	-	-	16,561,841	986,961	1,146,174	18,694,976
Total restricted	<u>616,253</u>	<u>6,295,864</u>	<u>527,919</u>	<u>16,587,627</u>	<u>3,940,269</u>	<u>4,841,873</u>	<u>32,809,805</u>
Committed							
Facilities maintenance	2,500,000	-	-	-	-	-	2,500,000
Economic contingency	9,085,066	-	-	-	-	-	9,085,066
Total committed	<u>11,585,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,585,066</u>
Assigned							
Accrued employee benefits	3,918,716	-	-	-	-	-	3,918,716
Post-employment benefits	7,065,669	-	-	-	-	-	7,065,669
Community development	1,195,990	-	-	-	-	-	1,195,990
Public safety	301,977	-	-	-	-	-	301,977
Transportation	1,626,314	-	-	-	-	-	1,626,314
General Services	174,369	-	-	-	-	-	174,369
Housing	42,648	-	-	-	-	-	42,648
Total assigned	<u>14,325,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,325,683</u>
Unassigned (deficit)	<u>11,903,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(987,112)</u>	<u>(176,168)</u>	<u>10,739,992</u>
Total fund balances	<u>\$ 48,394,090</u>	<u>\$ 7,540,864</u>	<u>\$ 656,564</u>	<u>\$ 16,850,552</u>	<u>\$ 2,953,157</u>	<u>\$ 4,665,705</u>	<u>\$ 81,060,932</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 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, 2017 was \$2,500,000.

Note 14 – Prior Period Adjustment

The City recorded the following prior period adjustment during fiscal year 2017 in order to implement GASB Statement 75:

	Governmental Activities	Primary Government
Beginning Net Position, as previously reported	\$ 144,034,902	\$ 151,070,875
Prior period adjustments:		
To adjust Total OPEB liability due to implementation of GASB 75	(4,024,282)	(4,024,282)
Beginning Net Position, as restated	\$ 140,010,620	\$ 147,046,593

Note 15 – Subsequent Events

NCJPFA 2017 Lease Revenue Bonds

In July 2017, the National City Joint Powers Financing Authority ("NCJPFA"), pursuant to a facilities lease and facilities sublease with the City of National City, issued \$1,800,000 of taxable clean renewable energy bonds under Section 54C(a) of the Internal Revenue Code and \$3,723,602 of tax-exempt bonds (together the 2017 Lease Revenue Bonds) to finance the cost of an energy efficiency and renewable energy program under an Energy Services Agreement with Ameresco, Inc. The bonds were purchased by Banc of America Leasing & Capital, LLC. Principal and interest payments on the bonds are the responsibility of the City and are payable semi-annually on each December 1 and June 1, commencing December 1, 2017.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 15 – Subsequent Events (Continued)

2017 Tax Allocation Refunding Bonds – Series A & B

In September 2017, the Successor Agency to the Community Development Commission as the National City Redevelopment Agency issued \$45,874,000 in Tax Allocation Refunding Bonds, Series 2017A, and \$2,669,000 in Tax Allocation Refunding Bonds, Series 2017B, to redeem the 2005B and 2011 Tax Allocation Bonds and the 1999 Tax Allocation Housing Bonds, respectively. The 2017 Series A bonds mature on August 1, 2032, and bear an interest rate of 2.49% per annum. The 2017 Series B bonds mature on August 1, 2029, and bear an interest rate of 2.36% per annum. Principal is payable annually on August 1 for both series of bonds. Interest is payable semi-annually for both series of bonds on February 1 and August 1. See Note 6 C for a discussion of the impact of the issuance of the 2017 refunding bonds on pledged revenues of the Successor Agency.

**REQUIRED SUPPLEMENTARY
INFORMATION**





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City of National City
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2017

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 “non-appropriated 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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 41,167,293	\$ 41,167,293	\$ 43,147,199	\$ 1,979,906
Licenses and permits	627,700	627,700	1,021,807	394,107
Fines and forfeitures	514,545	514,545	557,298	42,753
Use of money and property	804,792	804,792	912,238	107,446
Intergovernmental	282,924	5,082,924	741,626	(4,341,298)
Charges for services	2,383,370	2,431,662	2,849,983	418,321
Other revenues	1,986,082	2,046,082	2,392,876	346,794
Total revenues	47,766,706	52,674,998	51,623,027	(1,051,971)
EXPENDITURES:				
Current:				
General government	7,376,662	7,391,672	5,496,254	1,895,418
Public safety	33,844,966	34,629,586	34,099,431	530,155
Transportation	3,187,344	3,346,646	3,123,771	222,875
Community development	680,792	740,792	268,929	471,863
Culture and leisure	3,843,799	3,939,185	3,764,416	174,769
Capital outlay	2,131,619	12,002,020	4,264,238	7,737,782
Debt service:				
Principal	123,072	107,361	215,893	(108,532)
Interest and fiscal charges	64,187	27,354	27,354	-
Total expenditures	51,252,441	62,184,616	51,260,286	10,924,330
REVENUES OVER (UNDER) EXPENDITURES	(3,485,735)	(9,509,618)	362,741	9,872,359
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	-	-	58,474	58,474
Gain on sale of land held for resale	-	-	65,966	65,966
Pass-through payment to other agencies	-	-	(705,115)	(705,115)
Transfers in	-	-	519,671	519,671
Transfers out	-	-	(1,972,835)	(1,972,835)
Total other financing sources (uses)	-	-	(2,033,839)	(2,033,839)
Net change in fund balance	\$ (3,485,735)	\$ (9,509,618)	(1,671,098)	\$ 7,838,520
Fund Balance:				
Beginning of year			50,065,188	
End of year			<u>\$ 48,394,090</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Housing Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 36,420	\$ 36,420
Total revenues	<u>-</u>	<u>-</u>	<u>36,420</u>	<u>36,420</u>
EXPENDITURES:				
Current:				
Community development	400,227	400,227	362,100	38,127
Total expenditures	<u>400,227</u>	<u>400,227</u>	<u>362,100</u>	<u>38,127</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(400,227)</u>	<u>(400,227)</u>	<u>(325,680)</u>	<u>74,547</u>
Net change in fund balance	<u><u>\$ (400,227)</u></u>	<u><u>\$ (400,227)</u></u>	<u>(325,680)</u>	<u><u>\$ 74,547</u></u>
Fund Balance:				
Beginning of year			<u>7,866,544</u>	
End of year			<u><u>\$ 7,540,864</u></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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 24,000	\$ 24,000	\$ 23,778	\$ (222)
Use of money and property	-	-	189	189
Intergovernmental	10,322,149	10,322,149	11,245,352	923,203
Other revenues	-	-	1,494	1,494
Total revenues	<u>10,346,149</u>	<u>10,346,149</u>	<u>11,270,813</u>	<u>924,664</u>
EXPENDITURES:				
Current:				
Community development	10,463,092	10,463,092	11,110,530	647,438
Culture and Leisure	500	500	-	(500)
Total expenditures	<u>10,463,592</u>	<u>10,463,592</u>	<u>11,110,530</u>	<u>646,938</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(117,443)</u>	<u>(117,443)</u>	<u>160,283</u>	<u>277,726</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	96,005	96,005
Total other financing sources (uses)	-	-	96,005	96,005
Net change in fund balance	<u>\$ (117,443)</u>	<u>\$ (117,443)</u>	<u>256,288</u>	<u>\$ 373,731</u>
Fund Balance:				
Beginning of year			<u>400,276</u>	
End of year			<u>\$ 656,564</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Sewer Service Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES :				
Licenses and permits	\$ 8,500	\$ 8,500	\$ 15,471	\$ 6,971
Use of money and property	36,200	36,200	69,265	33,065
Charges for services	6,938,000	6,938,000	8,080,119	1,142,119
Total revenues	<u>6,982,700</u>	<u>6,982,700</u>	<u>8,164,855</u>	<u>1,182,155</u>
EXPENDITURES :				
Current:				
Community Development	6,380	6,380	-	(6,380)
Health	6,815,714	7,552,317	7,337,175	215,142
Capital outlay	-	3,570,482	1,839,545	1,730,937
Total expenditures	<u>6,822,094</u>	<u>11,129,179</u>	<u>9,176,720</u>	<u>1,939,699</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>160,606</u>	<u>(4,146,479)</u>	<u>(1,011,865)</u>	<u>3,121,854</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(117,959)	(117,959)
Total other financing sources (uses)	-	-	(117,959)	(117,959)
Net change in fund balance	<u>\$ 160,606</u>	<u>\$ (4,146,479)</u>	<u>(1,129,824)</u>	<u>\$ 3,016,655</u>
Fund Balance:				
Beginning of year			<u>17,980,376</u>	
End of year			<u>\$ 16,850,552</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Other Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 461,055	\$ 461,055	\$ 477,952	\$ 16,897
Licenses and permits	257,200	257,200	243,397	(13,803)
Fines and forfeitures	-	-	50	50
Use of money and property	1,300	1,300	-	(1,300)
Intergovernmental	2,372,104	2,372,104	4,561,940	2,189,836
Charges for services	398,600	398,600	791,803	393,203
Other revenues	700	700	1,250	550
Total revenues	<u>3,490,959</u>	<u>3,490,959</u>	<u>6,076,392</u>	<u>2,585,433</u>
EXPENDITURES:				
Current:				
General Government	160,000	198,308	177,202	21,106
Public Safety	368,947	917,732	649,576	268,156
Transportation	-	-	193,086	(193,086)
Community Development	429,500	595,730	588,864	6,866
Health	130,227	178,622	113,367	65,255
Culture and Leisure	151,307	192,794	186,225	6,569
Capital outlay	-	8,993,379	4,415,672	4,577,707
Total expenditures	<u>1,239,981</u>	<u>11,076,565</u>	<u>6,323,992</u>	<u>4,752,573</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,250,978</u>	<u>(7,585,606)</u>	<u>(247,600)</u>	<u>7,338,006</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	172,300	172,300
Transfers out	-	-	(1,023,572)	(1,023,572)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(851,272)</u>	<u>(851,272)</u>
Net change in fund balance	<u>\$ 2,250,978</u>	<u>\$ (7,585,606)</u>	<u>(1,098,872)</u>	<u>\$ 6,486,734</u>
Fund Balance:				
Beginning of year			<u>4,052,029</u>	
End of year			<u>\$ 2,953,157</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, 2017

	City Miscellaneous Plan		
	2015-16	2014-15	2013-14
Total pension liability			
Service cost	\$ 1,825,480	\$ 1,811,929	\$ 1,937,067
Interest on total pension liability	8,268,915	7,985,539	7,748,026
Changes in assumptions	-	(1,944,963)	-
Differences between expected and actual experience	(975,368)	(1,691,529)	-
Changes in benefit terms	-	-	-
Benefit payments, including refunds of employee contributions	(5,253,955)	(4,995,309)	(4,818,483)
Net change in total pension liability	3,865,072	1,165,667	4,866,610
Total pension liability - beginning	110,779,998	109,614,331	104,747,721
Total pension liability - ending (a)	<u>\$ 114,645,070</u>	<u>\$ 110,779,998</u>	<u>\$ 109,614,331</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,367,548	\$ 2,056,706	\$ 1,956,344
Contributions - employee	820,175	895,912	767,784
Investment income (net of administrative expenses)	415,274	1,859,184	12,778,105
Benefit payments	(5,253,955)	(4,995,309)	(4,818,483)
Plan to plan resource movement	(135)	-	-
Administrative expenses	(51,483)	(94,900)	-
Net change in plan fiduciary net position	(1,702,576)	(278,407)	10,683,750
Plan fiduciary net position - beginning	84,474,575	84,752,982	74,069,232
Plan fiduciary net position - ending (b)	<u>\$ 82,771,999</u>	<u>\$ 84,474,575</u>	<u>\$ 84,752,982</u>
Net pension liability - ending (a)-(b)	<u>\$ 31,873,071</u>	<u>\$ 26,305,423</u>	<u>\$ 24,861,349</u>
Plan fiduciary net position as a percentage of the total pension liability	72.20%	76.25%	77.32%
Covered-employee payroll	\$ 10,126,926	\$ 9,742,081	\$ 9,853,337
Net pension liability as a percentage of covered-employee payroll	314.74%	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.

* - Ten year historical information is not yet available.

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, 2017

	City Safety Plan		
	2015-16	2014-15	2013-14
Total pension liability			
Service cost	\$ 3,143,806	\$ 3,185,323	\$ 3,249,200
Interest on total pension liability	12,491,615	12,122,308	11,761,448
Changes in assumptions	-	(3,049,086)	-
Differences between expected and actual experience	(2,263,779)	(2,416,366)	-
Changes in benefit terms	-	-	-
Benefit payments, including refunds of employee contributions	(8,368,654)	(8,022,441)	(7,719,645)
Net change in total pension liability	5,002,988	1,819,738	7,291,003
Total pension liability - beginning	168,165,277	166,345,539	159,054,536
Total pension liability - ending (a)	<u>\$ 173,168,265</u>	<u>\$ 168,165,277</u>	<u>\$ 166,345,539</u>
Plan fiduciary net position			
Contributions - employer	\$ 4,978,090	\$ 4,463,726	\$ 4,190,264
Contributions - employee	1,109,955	1,047,676	983,295
Investment income (net of administrative expenses)	584,907	2,587,755	17,466,806
Benefit payments	(8,368,654)	(8,022,441)	(7,719,645)
Plan to plan resource movement	135	-	-
Administrative expenses	(71,013)	(131,164)	-
Net change in plan fiduciary net position	(1,766,580)	(54,448)	14,920,720
Plan fiduciary net position - beginning	116,520,861	116,575,309	101,654,589
Plan fiduciary net position - ending (b)	<u>\$ 114,754,281</u>	<u>\$ 116,520,861</u>	<u>\$ 116,575,309</u>
Net pension liability - ending (a)-(b)	<u>\$ 58,413,984</u>	<u>\$ 51,644,416</u>	<u>\$ 49,770,230</u>
Plan fiduciary net position as a percentage of the total pension liability	66.27%	69.29%	70.08%
Covered-employee payroll	\$ 11,157,745	\$ 11,228,972	\$ 10,916,911
Net pension liability as a percentage of covered-employee payroll	523.53%	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.

* - Ten year historical information is not yet available.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedules of Contributions
Last Ten Fiscal Years *
For the Year Ended June 30, 2017

City Miscellaneous Plan - 172

	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 2,854,746	\$ 2,367,548	\$ 2,056,706	\$ 1,956,344
Contributions in relation to the actuarially determined contributions ²	(2,854,746)	(2,367,548)	(2,056,706)	(1,956,344)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll ^{3,4}	\$ 10,430,734	\$ 10,126,926	\$ 9,742,081	\$ 9,853,337
Contributions as a percentage of covered-employee payroll ³	27.37%	23.38%	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 (\$10,126,926) was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2015

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.

* - Ten year historical information is not yet available.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedules of Contributions (Continued)
Last Ten Fiscal Years *
For the Year Ended June 30, 2017

City Safety Plan - 4923

	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 5,748,626	\$ 4,978,090	\$ 4,463,726	\$ 4,190,264
Contributions in relation to the actuarially determined contributions ²	(5,748,626)	(4,978,090)	(4,463,726)	(4,190,264)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll ^{3,4}	\$ 11,492,477	\$ 11,157,745	\$ 11,228,972	\$ 10,916,911
Contributions as a percentage of covered-employee payroll ³	50.02%	44.62%	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 (\$11,157,745) was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date: 6/30/2015

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
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.

* - Ten year historical information is not yet available.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years ¹
For the Year Ended June 30, 2017

	6/30/2017 ¹
Measurement period, year ending:	
Total OPEB liability	
Service cost	\$ 189,577
Interest	170,970
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(166,220)
Net change in total OPEB liability	194,327
Total OPEB liability - beginning	4,922,070
Total OPEB liability - ending (a)	\$ 5,116,397
OPEB fiduciary net position	
Contributions - employer	\$ 166,220
Net investment income	-
Benefit payments, including refunds of member contributions	(166,220)
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	-
Plan net OPEB liability - ending (a) - (b)	\$ 5,116,397
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered payroll	\$ 23,316,000
Plan net OPEB liability as a percentage of covered payroll	21.94%

¹ Ten year historical information is not yet available.



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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, 2017

	Special Revenue				
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax
ASSETS					
Cash and investments	\$ 142,679	\$ 200,937	\$ 168,962	\$ 465,817	\$ 36,980
Receivables:					
Accounts	-	-	-	351	-
Taxes	-	3,914	4,561	34,890	-
Interest	-	-	-	-	516
Loans	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 142,679	\$ 204,851	\$ 173,523	\$ 501,058	\$ 37,496
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,000	\$ 4,014	\$ 24,051	\$ 1,349	\$ 2,215
Accrued liabilities	-	17,233	17,985	-	9,925
Due to other funds	-	-	-	-	-
Total liabilities	7,000	21,247	42,036	1,349	12,140
Fund Balances:					
Restricted	135,679	183,604	131,487	499,709	25,356
Unassigned (deficit)	-	-	-	-	-
Total fund balances	135,679	183,604	131,487	499,709	25,356
Total liabilities and fund balances	\$ 142,679	\$ 204,851	\$ 173,523	\$ 501,058	\$ 37,496

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Special Revenue				
	Parks and Recreation Capital Outlay	CDBG	HOME Program	Asset Forfeiture	Nutrition
ASSETS					
Cash and investments	\$ 88,618	\$ -	\$ 256,151	\$ 597,041	\$ 245,271
Receivables:					
Accounts	402	-	-	(705)	109,156
Taxes	-	-	-	-	-
Interest	-	-	375	1,181	-
Loans	-	51,349	1,319,663	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	115,420	102,291	-	-
Total assets	\$ 89,020	\$ 166,769	\$ 1,678,480	\$ 597,517	\$ 354,427
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 89,020	\$ 22,614	\$ 45,594	\$ -	\$ 24,327
Accrued liabilities	-	5,011	-	-	49,834
Due to other funds	-	86,280	-	-	-
Total liabilities	89,020	113,905	45,594	-	74,161
Fund Balances:					
Restricted	-	52,864	1,632,886	597,517	280,266
Unassigned (deficit)	-	-	-	-	-
Total fund balances	-	52,864	1,632,886	597,517	280,266
Total liabilities and fund balances	\$ 89,020	\$ 166,769	\$ 1,678,480	\$ 597,517	\$ 354,427

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	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	\$ 1,121,240	\$ -	\$ -
Receivables:					
Accounts	-	-	-	13	-
Taxes	-	-	3,342	-	-
Interest	-	-	-	-	-
Loans	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ -	\$ 218	\$ 1,124,582	\$ 13	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 78,233
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	97,935
Total liabilities	-	-	-	-	176,168
Fund Balances:					
Restricted	-	218	1,124,582	13	-
Unassigned (deficit)	-	-	-	-	(176,168)
Total fund balances	-	218	1,124,582	13	(176,168)
Total liabilities and fund balances	\$ -	\$ 218	\$ 1,124,582	\$ 13	\$ -

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	<u>Capital Projects</u>	<u>Permanent</u>	Total Other Governmental Funds
	State-Local Partnership	Library Endowment	
ASSETS			
Cash and investments	\$ 126,347	\$ 50,994	\$ 3,501,255
Receivables:			
Accounts	-	-	109,217
Taxes	-	-	46,707
Interest	250	101	2,423
Loans	-	-	1,371,012
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	217,711
Total assets	<u>\$ 126,597</u>	<u>\$ 51,095</u>	<u>\$ 5,248,325</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 298,417
Accrued liabilities	-	-	99,988
Due to other funds	-	-	184,215
Total liabilities	<u>-</u>	<u>-</u>	<u>582,620</u>
Fund Balances:			
Restricted	126,597	51,095	4,841,873
Unassigned (deficit)	-	-	(176,168)
Total fund balances	<u>126,597</u>	<u>51,095</u>	<u>4,665,705</u>
Total liabilities and fund balances	<u>\$ 126,597</u>	<u>\$ 51,095</u>	<u>\$ 5,248,325</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, 2017

	Special Revenue				
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax
REVENUES:					
Taxes	\$ -	\$ 774,963	\$ 903,029	\$ 190,709	\$ 1,172,024
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	686
Intergovernmental	-	5,440	6,339	-	-
Other revenues	-	-	-	39,443	-
Total revenues	-	780,403	909,368	230,152	1,172,710
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	1,370,754
Community development	-	-	-	-	-
Health	-	-	-	-	-
Culture and leisure	-	1,865,830	1,445,723	77,732	-
Capital outlay	844,293	-	51,579	13,888	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	844,293	1,865,830	1,497,302	91,620	1,370,754
REVENUES OVER (UNDER) EXPENDITURES	(844,293)	(1,085,427)	(587,934)	138,532	(198,044)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	1,126,582	629,182	-	-
Total other financing sources (uses)	-	1,126,582	629,182	-	-
CHANGES IN FUND BALANCES	(844,293)	41,155	41,248	138,532	(198,044)
FUND BALANCES:					
Beginning of year	979,972	142,449	90,239	361,177	223,400
End of year	\$ 135,679	\$ 183,604	\$ 131,487	\$ 499,709	\$ 25,356

(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, 2017

	Special Revenue				
	Parks and Recreation Capital Outlay	CDBG	HOME Program	Asset Forfeiture	Nutrition
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	61,846	-
Use of money and property	-	237	12,850	2,492	-
Intergovernmental	-	771,566	474,820	-	304,756
Other revenues	-	-	-	7,465	110,028
Total revenues	<u>-</u>	<u>771,803</u>	<u>487,670</u>	<u>71,803</u>	<u>414,784</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	5,001	-
Transportation	-	-	-	-	-
Community development	-	371,149	208,272	-	-
Health	-	-	-	-	776,607
Culture and leisure	-	3,481	4,935	-	2,467
Capital outlay	125,020	-	811	-	15,135
Debt service:					
Principal	-	365,000	-	-	-
Interest and fiscal charges	-	71,887	-	-	-
Total expenditures	<u>125,020</u>	<u>811,517</u>	<u>214,018</u>	<u>5,001</u>	<u>794,209</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(125,020)</u>	<u>(39,714)</u>	<u>273,652</u>	<u>66,802</u>	<u>(379,425)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	388,426
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,426</u>
CHANGES IN FUND BALANCES	<u>(125,020)</u>	<u>(39,714)</u>	<u>273,652</u>	<u>66,802</u>	<u>9,001</u>
FUND BALANCES:					
Beginning of year	125,020	92,578	1,359,234	530,715	271,265
End of year	<u>\$ -</u>	<u>\$ 52,864</u>	<u>\$ 1,632,886</u>	<u>\$ 597,517</u>	<u>\$ 280,266</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, 2017

	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	\$ -	\$ -	\$ 393,025	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	3,131	496,825	-	-	1,440,000
Other revenues	-	-	-	-	-
Total revenues	<u>3,131</u>	<u>496,825</u>	<u>393,025</u>	<u>-</u>	<u>1,440,000</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	-	-	-	-	-
Health	-	-	-	-	-
Culture and leisure	-	-	1,165	-	-
Capital outlay	-	-	-	-	1,368,198
Debt service:					
Principal	-	475,000	255,000	-	-
Interest and fiscal charges	-	21,825	122,263	-	-
Total expenditures	<u>-</u>	<u>496,825</u>	<u>378,428</u>	<u>-</u>	<u>1,368,198</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,131</u>	<u>-</u>	<u>14,597</u>	<u>-</u>	<u>71,802</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	3,131	-	14,597	-	71,802
FUND BALANCES:					
Beginning of year	(3,131)	218	1,109,985	13	(247,970)
End of year	<u>\$ -</u>	<u>\$ 218</u>	<u>\$ 1,124,582</u>	<u>\$ 13</u>	<u>\$ (176,168)</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, 2017

	<u>Capital Projects</u>	<u>Permanent</u>	Total Other Governmental Funds
	State-Local Partnership	Library Endowment	
REVENUES:			
Taxes	\$ -	\$ -	\$ 3,433,750
Fines and forfeitures	-	-	61,846
Use of money and property	524	211	17,000
Intergovernmental	-	-	3,502,877
Other revenues	-	-	156,936
Total revenues	<u>524</u>	<u>211</u>	<u>7,172,409</u>
EXPENDITURES:			
Current:			
Public safety	-	-	5,001
Transportation	-	-	1,370,754
Community development	-	-	579,421
Health	-	-	776,607
Culture and leisure	-	-	3,401,333
Capital outlay	-	-	2,418,924
Debt service:			
Principal	-	-	1,095,000
Interest and fiscal charges	-	-	215,975
Total expenditures	<u>-</u>	<u>-</u>	<u>9,863,015</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>524</u>	<u>211</u>	<u>(2,690,606)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	2,144,190
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,144,190</u>
CHANGES IN FUND BALANCES	524	211	(546,416)
FUND BALANCES:			
Beginning of year	126,073	50,884	5,212,121
End of year	<u>\$ 126,597</u>	<u>\$ 51,095</u>	<u>\$ 4,665,705</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
EXPENDITURES:				
Capital outlay	\$ -	\$ 972,290	\$ 844,293	\$ 127,997
Total expenditures	<u>-</u>	<u>972,290</u>	<u>844,293</u>	<u>127,997</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(972,290)</u>	<u>(844,293)</u>	<u>127,997</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (972,290)</u>	<u>(844,293)</u>	<u>\$ 127,997</u>
FUND BALANCE:				
Beginning of year			<u>979,972</u>	
End of year			<u>\$ 135,679</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 819,674	\$ 819,674	\$ 774,963	\$ (44,711)
Intergovernmental	6,000	6,000	5,440	(560)
Total revenues	<u>825,674</u>	<u>825,674</u>	<u>780,403</u>	<u>(45,271)</u>
EXPENDITURES:				
Current:				
Community Development	6,295	6,295	-	(6,295)
Culture and leisure	1,945,962	1,945,962	1,865,830	80,132
Total expenditures	<u>1,952,257</u>	<u>1,952,257</u>	<u>1,865,830</u>	<u>86,427</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,126,583)</u>	<u>(1,126,583)</u>	<u>(1,085,427)</u>	<u>41,156</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,126,582	1,126,582
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,126,582</u>	<u>1,126,582</u>
CHANGE IN FUND BALANCE	<u>\$ (1,126,583)</u>	<u>\$ (1,126,583)</u>	<u>41,155</u>	<u>\$ 1,167,738</u>
FUND BALANCE:				
Beginning of year			<u>142,449</u>	
End of year			<u>\$ 183,604</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 955,129	\$ 955,129	\$ 903,029	\$ (52,100)
Intergovernmental	-	-	6,339	6,339
Total revenues	<u>955,129</u>	<u>955,129</u>	<u>909,368</u>	<u>(45,761)</u>
EXPENDITURES:				
Current:				
Community Development	4,336	4,336	-	(4,336)
Health	900	3,780	-	(3,780)
Culture and leisure	52,393	1,526,683	1,445,723	(80,960)
Capital outlay	52,393	52,393	51,579	(814)
Total expenditures	<u>110,022</u>	<u>1,587,192</u>	<u>1,497,302</u>	<u>89,890</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>845,107</u>	<u>(632,063)</u>	<u>(587,934)</u>	<u>44,129</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	629,182	629,182
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>629,182</u>	<u>629,182</u>
CHANGE IN FUND BALANCE	<u>\$ 845,107</u>	<u>\$ (632,063)</u>	<u>41,248</u>	<u>\$ 673,311</u>
FUND BALANCE:				
Beginning of year			<u>90,239</u>	
End of year			<u>\$ 131,487</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 76,000	\$ 76,000	\$ 190,709	\$ 114,709
Other revenues	35,000	35,000	39,443	4,443
Total revenues	<u>111,000</u>	<u>111,000</u>	<u>230,152</u>	<u>119,152</u>
EXPENDITURES:				
Current:				
Culture and leisure	81,874	81,874	77,732	(4,142)
Capital outlay	800	143,711	13,888	129,823
Total expenditures	<u>82,674</u>	<u>225,585</u>	<u>91,620</u>	<u>133,965</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>28,326</u>	<u>(114,585)</u>	<u>138,532</u>	<u>253,117</u>
CHANGE IN FUND BALANCE	<u>\$ 28,326</u>	<u>\$ (114,585)</u>	<u>138,532</u>	<u>\$ 253,117</u>
FUND BALANCE:				
Beginning of year			<u>361,177</u>	
End of year			<u>\$ 499,709</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,228,340	\$ 1,228,340	\$ 1,172,024	\$ (56,316)
Use of money and property	-	-	686	686
Total revenues	<u>1,228,340</u>	<u>1,228,340</u>	<u>1,172,710</u>	<u>(55,630)</u>
EXPENDITURES:				
Current:				
Transportation	1,368,015	1,368,015	1,370,754	(2,739)
Community Development	2,220	2,220	-	2,220
Total expenditures	<u>1,370,235</u>	<u>1,370,235</u>	<u>1,370,754</u>	<u>(519)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(141,895)</u>	<u>(141,895)</u>	<u>(198,044)</u>	<u>(56,149)</u>
CHANGE IN FUND BALANCE	<u>\$ (141,895)</u>	<u>\$ (141,895)</u>	<u>(198,044)</u>	<u>\$ (56,149)</u>
FUND BALANCE:				
Beginning of year			<u>223,400</u>	
End of year			<u>\$ 25,356</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
Capital outlay	\$ -	\$ 125,020	\$ 125,020	\$ -
Total expenditures	<u>-</u>	<u>125,020</u>	<u>125,020</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(125,020)</u>	<u>(125,020)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (125,020)</u>	<u>(125,020)</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			<u>125,020</u>	
End of year			<u>\$ -</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 237	\$ 237
Use of money and property	33,196	33,196	-	(33,196)
Intergovernmental	841,436	841,436	771,566	(69,870)
Total revenues	<u>874,632</u>	<u>874,632</u>	<u>771,803</u>	<u>(102,829)</u>
EXPENDITURES:				
Current:				
Community development	437,160	433,874	371,149	(62,725)
Culture and leisure	538	3,824	3,481	343
Debt Service:				
Principal	365,000	365,000	365,000	-
Interest and fiscal charges	71,887	71,887	71,887	-
Total expenditures	<u>874,585</u>	<u>874,585</u>	<u>811,517</u>	<u>63,068</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>47</u>	<u>47</u>	<u>(39,714)</u>	<u>(39,761)</u>
CHANGE IN FUND BALANCE	<u>\$ 47</u>	<u>\$ 47</u>	<u>(39,714)</u>	<u>\$ (39,761)</u>
FUND BALANCE:				
Beginning of year			<u>92,578</u>	
End of year			<u>\$ 52,864</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 12,850	\$ 12,850
Intergovernmental	676,592	676,592	474,820	(201,772)
Total revenues	<u>676,592</u>	<u>676,592</u>	<u>487,670</u>	<u>(188,922)</u>
EXPENDITURES:				
Current:				
Community development	48,198	257,805	208,272	(49,533)
Culture and Leisure	630,700	830,700	4,935	(825,765)
Capital outlay	-	811	811	-
Total expenditures	<u>678,898</u>	<u>1,089,316</u>	<u>214,018</u>	<u>875,298</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,306)</u>	<u>(412,724)</u>	<u>273,652</u>	<u>686,376</u>
CHANGE IN FUND BALANCE	<u>\$ (2,306)</u>	<u>\$ (412,724)</u>	<u>273,652</u>	<u>\$ 686,376</u>
FUND BALANCE:				
Beginning of year			<u>1,359,234</u>	
End of year			<u>\$ 1,632,886</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 70,000	\$ 70,000	\$ 61,846	\$ (8,154)
Use of money and property	1,000	1,000	2,492	1,492
Other revenues	-	-	7,465	7,465
Total revenues	<u>71,000</u>	<u>71,000</u>	<u>71,803</u>	<u>803</u>
EXPENDITURES:				
Current:				
Public safety	-	8,036	5,001	(3,035)
Total expenditures	<u>-</u>	<u>8,036</u>	<u>5,001</u>	<u>3,035</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>71,000</u>	<u>62,964</u>	<u>66,802</u>	<u>3,838</u>
CHANGE IN FUND BALANCE	<u>\$ 71,000</u>	<u>\$ 62,964</u>	66,802	<u>\$ 3,838</u>
FUND BALANCE:				
Beginning of year			<u>530,715</u>	
End of year			<u>\$ 597,517</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 321,228	\$ 321,228	\$ 304,756	\$ (16,472)
Other revenues	120,500	120,500	110,028	(10,472)
Total revenues	<u>441,728</u>	<u>441,728</u>	<u>414,784</u>	<u>(26,944)</u>
EXPENDITURES:				
Current:				
Community Development	4,209	4,209	-	(4,209)
Health	822,699	807,551	776,607	(30,944)
Culture and Leisure	3,245	3,245	2,467	(778)
Capital outlay	-	15,148	15,135	(13)
Total expenditures	<u>830,153</u>	<u>830,153</u>	<u>794,209</u>	<u>35,944</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(388,425)</u>	<u>(388,425)</u>	<u>(379,425)</u>	<u>9,000</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	388,426	388,426
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>388,426</u>	<u>388,426</u>
CHANGE IN FUND BALANCE	<u>\$ (388,425)</u>	<u>\$ (388,425)</u>	<u>9,001</u>	<u>\$ 397,426</u>
FUND BALANCE:				
Beginning of year			<u>271,265</u>	
End of year			<u>\$ 280,266</u>	

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 3,131	\$ 3,131
Total revenues	<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>	<u>3,131</u>	<u>\$ 3,131</u>
FUND BALANCE:				
Beginning of year			<u>(3,131)</u>	
End of year			<u>\$ -</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 496,825	\$ 496,825	\$ 496,825	\$ -
Total revenues	<u>496,825</u>	<u>496,825</u>	<u>496,825</u>	<u>-</u>
EXPENDITURES:				
Current:				
Debt Service:				
Principal	475,000	475,000	475,000	-
Interest and fiscal charges	21,825	21,825	21,825	-
Total expenditures	<u>496,825</u>	<u>496,825</u>	<u>496,825</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 380,000	\$ 380,000	\$ 393,025	\$ 13,025
Total revenues	<u>380,000</u>	<u>380,000</u>	<u>393,025</u>	<u>13,025</u>
EXPENDITURES:				
Current:				
Culture and Leisure	1,500	1,500	1,165	(335)
Debt Service:				
Principal	255,000	255,000	255,000	-
Interest and fiscal charges	122,263	122,263	122,263	-
Total expenditures	<u>378,763</u>	<u>378,763</u>	<u>378,428</u>	<u>335</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,237</u>	<u>1,237</u>	<u>14,597</u>	<u>13,360</u>
CHANGE IN FUND BALANCE	<u>\$ 1,237</u>	<u>\$ 1,237</u>	<u>14,597</u>	<u>\$ 13,360</u>
FUND BALANCE:				
Beginning of year			<u>1,109,985</u>	
End of year			<u>\$ 1,124,582</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.

City of National City
Combining Statement of Net Position
All Internal Service Funds
June 30, 2017

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
ASSETS				
Current assets:				
Cash and investments	\$ 372,498	\$ 12,569,565	\$ 803,349	\$ 635,768
Accounts receivable	-	14,638	-	-
Prepaid items and deposits	-	-	34,444	-
Total current assets	<u>372,498</u>	<u>12,584,203</u>	<u>837,793</u>	<u>635,768</u>
Noncurrent assets:				
Restricted cash and investments with fiscal agents	10,334	-	-	-
Capital assets, net	1,348,482	-	568,421	-
Total noncurrent assets	<u>1,358,816</u>	<u>-</u>	<u>568,421</u>	<u>-</u>
Total assets	<u>1,731,314</u>	<u>12,584,203</u>	<u>1,406,214</u>	<u>635,768</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	410,086	101,486	367,470	-
Salaries payable	12,200	1,038	6,841	-
Interest payable	14,023	-	-	-
Capital leases payable - due within one year	118,489	-	-	-
Compensated absences - due within one year	32,808	3,324	26,315	-
Claims payable - due within one year	-	2,305,406	-	-
Total current liabilities	<u>587,606</u>	<u>2,411,254</u>	<u>400,626</u>	<u>-</u>
Noncurrent liabilities:				
Capital leases payable - due in more than one year	1,056,816	-	-	-
Claims payable - due within one year	-	7,188,594	-	-
Total noncurrent liabilities	<u>1,056,816</u>	<u>7,188,594</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,644,422</u>	<u>9,599,848</u>	<u>400,626</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	173,177	-	568,421	-
Restricted for debt service	10,334	-	-	-
Unrestricted (deficit)	(96,619)	2,984,355	437,167	635,768
Total net position	<u>\$ 86,892</u>	<u>\$ 2,984,355</u>	<u>\$ 1,005,588</u>	<u>\$ 635,768</u>

City of National City
Combining Statement of Net Position (Continued)
All Internal Service Funds
June 30, 2017

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
ASSETS				
Current assets:				
Cash and investments	\$ 19,960	\$ 300,479	\$ 1,622,958	\$ 16,324,577
Accounts receivable	-	-	-	14,638
Prepaid items and deposits	-	-	-	34,444
Total current assets	19,960	300,479	1,622,958	16,373,659
Noncurrent assets:				
Restricted cash and investments with fiscal agents	-	-	-	10,334
Capital assets, net	-	-	3,657,251	5,574,154
Total noncurrent assets	-	-	3,657,251	5,584,488
Total assets	19,960	300,479	5,280,209	21,958,147
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	5,337	58,421	57,786	1,000,586
Salaries payable	-	6,214	-	26,293
Interest payable	-	-	-	14,023
Capital leases payable - due within one year	-	-	-	118,489
Compensated absences - due within one year	-	46,335	-	108,782
Claims payable - due within one year	-	-	-	2,305,406
Total current liabilities	5,337	110,970	57,786	3,573,579
Noncurrent liabilities:				
Capital leases payable - due in more than one year	-	-	-	1,056,816
Claims payable - due within one year	-	-	-	7,188,594
Total noncurrent liabilities	-	-	-	8,245,410
Total liabilities	5,337	110,970	57,786	11,818,989
NET POSITION				
Net investment in capital assets	-	-	3,657,251	4,398,849
Restricted for debt service	-	-	-	10,334
Unrestricted (deficit)	14,623	189,509	1,565,172	5,729,975
Total net position	\$ 14,623	\$ 189,509	\$ 5,222,423	\$ 10,139,158

City of National City
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2017

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
OPERATING REVENUES:				
Charges for services	\$ 3,056,362	\$ 3,125,845	\$ 2,664,313	\$ -
Other	1,754	2,125,758	2,462	-
Total operating revenues	<u>3,058,116</u>	<u>5,251,603</u>	<u>2,666,775</u>	<u>-</u>
OPERATING EXPENSES:				
Operations and administration	838,262	3,603,908	568,067	-
Maintenance	2,121,994	274,081	1,755,013	-
Depreciation	150,750	-	139,856	-
Total operating expenses	<u>3,111,006</u>	<u>3,877,989</u>	<u>2,462,936</u>	<u>-</u>
Operating income (loss)	<u>(52,890)</u>	<u>1,373,614</u>	<u>203,839</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Interest expense	(76,958)	-	-	-
Total nonoperating revenues (expenses)	<u>(76,958)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	<u>(129,848)</u>	<u>1,373,614</u>	<u>203,839</u>	<u>-</u>
TRANSFERS:				
Transfers in	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>(129,848)</u>	<u>1,373,614</u>	<u>203,839</u>	<u>-</u>
NET POSITION:				
Beginning of year	216,740	1,610,741	801,749	635,768
End of year	<u>\$ 86,892</u>	<u>\$ 2,984,355</u>	<u>\$ 1,005,588</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, 2017

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,530,243	\$ 498,833	\$ 10,875,596
Other	-	201	80,114	2,210,289
Total operating revenues	-	1,530,444	578,947	13,085,885
OPERATING EXPENSES:				
Operations and administration	59,774	476,278	2,913	5,549,202
Maintenance	-	939,059	-	5,090,147
Depreciation	-	50,171	289,567	630,344
Total operating expenses	59,774	1,465,508	292,480	11,269,693
Operating income (loss)	(59,774)	64,936	286,467	1,816,192
NONOPERATING REVENUES (EXPENSES):				
Interest expense	-	-	-	(76,958)
Total nonoperating revenues (expenses)	-	-	-	(76,958)
Income (loss) before transfers	(59,774)	64,936	286,467	1,739,234
TRANSFERS:				
Transfers in	-	-	182,200	182,200
Total transfers	-	-	182,200	182,200
Changes in net position	(59,774)	64,936	468,667	1,921,434
NET POSITION:				
Beginning of year	74,397	124,573	4,753,756	\$ 8,217,724
End of year	<u>\$ 14,623</u>	<u>\$ 189,509</u>	<u>\$ 5,222,423</u>	<u>\$ 10,139,158</u>

City of National City
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2017

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ 3,056,362	\$ 3,135,675	\$ 2,664,313	\$ -
Cash payments to suppliers and employees for goods and services	(2,677,995)	(2,564,843)	(2,158,401)	-
Other operating revenues	1,754	2,125,758	2,462	-
Net cash provided by (used in) operating activities	380,121	2,696,590	508,374	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	(125,637)	-	-	-
Acquisition of capital assets	(1)	-	(341,231)	-
Interest paid	(62,935)	-	-	-
Proceeds received from disposal of capital assets	-	-	-	-
Net cash provided by (used in) capital and related financing activities	(188,573)	-	(341,231)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	-
Net cash (used in) noncapital financing activities	-	-	-	-
Net change in cash and cash equivalents	191,548	2,696,590	167,143	-
CASH AND CASH EQUIVALENT:				
Beginning of year	191,284	9,872,975	636,206	635,768
End of year	<u>\$ 382,832</u>	<u>\$ 12,569,565</u>	<u>\$ 803,349</u>	<u>\$ 635,768</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 372,498	\$ 12,569,565	\$ 803,349	\$ 635,768
Restricted cash and investments with fiscal agents	10,334	-	-	-
Total cash and cash equivalents	<u>\$ 382,832</u>	<u>\$ 12,569,565</u>	<u>\$ 803,349</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, 2017

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ -	\$ 1,530,243	\$ 498,833	\$ 10,885,426
Cash payments to suppliers and employees for goods and services	(78,383)	(1,396,701)	(55,083)	(8,931,406)
Other operating revenues	-	201	80,114	2,210,289
Net cash provided by (used in) operating activities	(78,383)	133,743	523,864	4,164,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	-	-	-	(125,637)
Acquisition of capital assets	-	-	(2,125,034)	(2,466,266)
Interest paid	-	-	-	(62,935)
Proceeds received from disposal of capital assets	-	79,606	(79,606)	-
Net cash provided by (used in) capital and related financing activities	-	79,606	(2,204,640)	(2,654,838)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	182,200	182,200
Net cash provided by noncapital financing activities	-	-	182,200	182,200
Net change in cash and cash equivalents	(78,383)	213,349	(1,498,576)	1,691,671
CASH AND CASH EQUIVALENT:				
Beginning of year	98,343	87,130	3,121,534	14,643,240
End of year	<u>\$ 19,960</u>	<u>\$ 300,479</u>	<u>\$ 1,622,958</u>	<u>\$ 16,334,911</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 19,960	\$ 300,479	\$ 1,622,958	\$ 16,324,577
Restricted cash and investments with fiscal agents	-	-	-	10,334
Total cash and cash equivalents	<u>\$ 19,960</u>	<u>\$ 300,479</u>	<u>\$ 1,622,958</u>	<u>\$ 16,334,911</u>

City of National City
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2017

	<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)	\$ (52,890)	\$ 1,373,614	\$ 203,839	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	150,750	-	139,856	-
Changes in operating assets and liabilities:				
Accounts receivable	-	9,830	-	-
Prepays and deposits	43,101	7,012	(28,777)	-
Accounts payable	241,353	(59,563)	191,596	-
Salaries payable	272	(244)	2,455	-
Compensated absences	(2,465)	(59)	(595)	-
Claims payable	-	1,366,000	-	-
Total adjustments	<u>433,011</u>	<u>1,322,976</u>	<u>304,535</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u><u>\$ 380,121</u></u>	<u><u>\$ 2,696,590</u></u>	<u><u>\$ 508,374</u></u>	<u><u>\$ -</u></u>

City of National City
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2017

	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)	\$ (59,774)	\$ 64,936	\$ 286,467	\$ 1,816,192
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	50,171	289,567	630,344
Changes in operating assets and liabilities:				
Accounts receivable	-	-	-	9,830
Prepays and deposits	-	-	-	21,336
Accounts payable	(18,609)	12,695	(52,170)	315,302
Salaries payable	-	993	-	3,476
Compensated absences	-	4,948	-	1,829
Claims payable	-	-	-	1,366,000
Total adjustments	(18,609)	68,807	237,397	2,348,117
Net cash provided by (used in) operating activities	\$ (78,383)	\$ 133,743	\$ 523,864	\$ 4,164,309



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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, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Cobra Insurance Fund</u>				
Assets:				
Cash and investments	\$ 13,439	\$ 362,436	\$ (375,875)	\$ -
Total assets	\$ 13,439	\$ 362,436	\$ (375,875)	\$ -
Liabilities:				
Vouchers payable	\$ 13,439	\$ 737,586	\$ (751,025)	\$ -
Total liabilities	\$ 13,439	\$ 737,586	\$ (751,025)	\$ -
<u>Miscellaneous Deposits</u>				
Assets:				
Cash and investments	\$ 1,008,133	\$ 478,165	\$ (113,171)	\$ 1,373,127
Total assets	\$ 1,008,133	\$ 478,165	\$ (113,171)	\$ 1,373,127
Liabilities:				
Vouchers payable	\$ 16,283	\$ 116,195	\$ (105,449)	\$ 27,029
Deposits payable	991,850	486,932	(132,684)	1,346,098
Total liabilities	\$ 1,008,133	\$ 603,127	\$ (238,133)	\$ 1,373,127
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 1,021,572	\$ 840,601	\$ (489,046)	\$ 1,373,127
Total assets	\$ 1,021,572	\$ 840,601	\$ (489,046)	\$ 1,373,127
Liabilities:				
Vouchers payable	\$ 29,722	\$ 853,781	\$ (856,474)	\$ 27,029
Deposits payable	991,850	486,932	(132,684)	1,346,098
Total liabilities	\$ 1,021,572	\$ 1,340,713	\$ (989,158)	\$ 1,373,127



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STATISTICAL SECTION





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CITY OF NATIONAL CITY, CALIFORNIA
STATISTICAL SECTION
JUNE 30, 2017

Statistical Section

Financial Presentations included in the Statistical Section provide data and information on the financial, physical, and economic characteristics of the City of National City. The following schedules cover multiple fiscal years and provide readers with a broader and more complete understanding of the City and its financial affairs and economic condition. They also present detailed information as a context for understanding this year's financial statements, note disclosure, and required supplementary information.

Financial Trends	Page
These schedules contain trend information to help readers understand and assess how the City's financial position has changed over time.	
Net Position by Component	154
Changes in Net Position	156
Fund Balances of Governmental Funds	160
Changes in Fund Balances of Government Funds	162
Revenue Capacity	
These schedules contain information to help readers understand and assess the City's local revenue sources.	
Assessed Value and Actual Value of Taxable Property	164
2016/17 Use Category Summary	166
Property Tax Dollars Breakdown	167
2016/17 Roll Summary	168
Net Taxable Assessed Value History	169
Taxable Sales by Category	170
Property Tax Levies and Collections	172
Direct and Overlapping Property Tax Rates	174
Principal Property Tax Payers	176
Sales Value History	177
Top 25 Sales Tax Producers	179
Debt Capacity	
These schedules present information to help readers understand and assess the City's debt burden and its ability to service current debt and to issue additional debt in the future.	
Ratios of Outstanding Debt by Type	180
Direct and Overlapping Debt	183
Legal Debt Margin Information	184
Pledged Revenue Coverage	186
Demographic and Economic Information	
These schedules present economic and demographic indicators to help readers understand the environment within which the City's financial activities take place.	
Demographic and Economic Statistics	189
Operating Information	
These schedules present information to help readers understand the City's operations and resources.	
Full-time Equivalent City Government Employees by Function/Program	190
Operating Indicators by Function/Program	192
Capital Assets Statistics by Function/Program	194

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental Activities:					
Net Investment in					
Capital Assets	\$ 90,395,315	\$ 98,809,386	\$ 99,340,829	\$ 93,567,130	\$ 100,450,699
Restricted for:					
General Services ¹	-	-	-	-	-
Community Development	41,864,051	36,760,186	43,423,854	33,109,741	4,427,765
Public Safety	1,603,522	3,422,897	4,018,272	3,035,845	927,816
Transportation	6,801,568	2,730,410	1,694,415	1,604,977	3,894,025
Culture and Leisure/General Services	2,812,810	5,178,912	5,394,040	4,101,046	25,086,031
Housing	-	-	1,079,035	1,472,075	8,253,320
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	-
Unrestricted	7,376,407	8,481,142	7,832,285	13,523,659	24,828,920
Total governmental activities net position	\$ 150,853,673	\$ 107,290,528	\$ 162,782,730	\$ 150,414,473	\$ 167,868,576
Business-type Activities:					
Net Investment in					
Capital Assets	\$ 5,584,797	\$ 5,354,253	\$ 5,148,247	\$ 4,939,455	\$ 4,744,375
Restricted					
Community Development	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Culture and Leisure	-	-	-	-	-
Housing	1,996,801	2,101,803	1,524,392	1,631,621	-
Debt Service	-	-	-	-	-
Unrestricted	-	-	-	-	1,982,828
Total business-type activities net position	\$ 7,581,598	\$ 7,456,056	\$ 6,672,639	\$ 6,571,076	\$ 6,727,203
Primary Government:					
Net Investment in					
Capital Assets	95,980,112	104,163,639	104,489,076	98,506,585	105,195,074
Restricted	55,078,752	50,194,208	57,134,008	44,955,305	42,588,957
Unrestricted	7,376,407	8,481,142	7,832,285	13,523,659	26,811,748
Total primary government net position	\$ 158,435,271	\$ 162,838,989	\$ 169,455,369	\$ 156,985,549	\$ 174,595,779

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				
	2013	2014	2015	2016	2017
Governmental Activities:					
Net Investment in					
Capital Assets	\$ 99,343,176	\$ 108,881,192	\$ 120,377,947	\$ 134,444,245	\$ 140,128,868
Restricted for:					
General Services ¹	-	25,690,372	24,671,923	29,511,338	17,830,592
Community Development	535,026	4,522,562	5,348,413	3,448,959	1,413,792
Public Safety	-	-	-	-	1,566,498
Transportation	-	-	-	-	2,279,981
Culture and Leisure/General Services	-	-	-	-	-
Housing	-	-	-	-	8,450,433
Debt Service	472,988	1,691,931	1,676,222	1,845,117	1,753,076
Capital projects	2,332,408	2,769,086	2,193,169	942,285	840,156
Unrestricted	71,462,265	40,409,653	(34,896,708)	(26,157,042)	(31,330,173)
Total governmental activities net position	\$ 174,145,863	\$ 183,964,796	\$ 119,370,966	\$ 144,034,902	\$ 142,933,223
Business-type Activities:					
Net Investment in					
Capital Assets	\$ 4,760,761	\$ 4,725,523	\$ 4,926,410	\$ 4,905,110	\$ 4,995,791
Restricted					
Community Development	-	-	-	-	-
Public Safety	-	-	-	-	1,422,433
Transportation	-	-	-	-	-
Culture and Leisure	-	-	-	-	-
Housing	-	-	-	-	-
Debt Service	1,953,838	2,121,988	1,876,125	2,031,385	763,085
Unrestricted	265,456	4,502	98,698	99,478	(13,016)
Total business-type activities net position	\$ 6,980,055	\$ 6,852,013	\$ 6,901,233	\$ 7,035,973	\$ 7,168,293
Primary Government:					
Net Investment in					
Capital Assets	104,103,937	113,606,715	125,304,357	139,349,355	145,124,659
Restricted	5,294,260	36,795,939	35,765,852	37,779,084	36,320,046
Unrestricted	71,727,721	40,414,155	(34,798,010)	(26,057,564)	(31,343,189)
Total primary government net position	\$ 181,125,918	\$ 190,816,809	\$ 126,272,199	\$ 151,070,875	\$ 150,101,516

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				
	2008	2009	2010	2011	2012
Expenses:					
Governmental Activities:					
General government	\$ 5,881,015	\$ 5,224,693	\$ 6,774,769	\$ 6,813,807	\$ 5,858,519
Public safety	27,218,309	29,670,520	32,426,770	32,287,471	29,477,075
Transportation	7,144,911	7,735,716	2,966,635	3,642,820	4,399,470
Community development	24,841,387	17,049,437	17,679,675	19,204,057	13,959,966
Health	7,426,569	5,963,766	7,775,510	6,846,972	6,595,669
Culture and leisure	6,304,412	6,928,456	6,238,223	5,734,894	5,943,563
Interest and fiscal charges	2,853,399	2,525,568	2,524,121	4,091,247	5,082,341
Depreciation expense (unallocated)	-	-	-	-	-
Total governmental activities expenses	<u>\$ 81,670,002</u>	<u>\$ 75,098,156</u>	<u>\$ 76,385,703</u>	<u>\$ 78,621,268</u>	<u>\$ 71,316,603</u>
Business-type Activities:					
Transportation Development Act ¹	\$ 2,218,661	\$ -	\$ -	\$ -	\$ -
Community development commission	2,078,822	2,191,014	2,854,075	2,313,011	2,181,928
Kimball Towers	-	-	-	-	-
Morgan Towers	-	-	-	-	-
Total business-type activities expenses	<u>\$ 4,297,483</u>	<u>\$ 2,191,014</u>	<u>\$ 2,854,075</u>	<u>\$ 2,313,011</u>	<u>\$ 2,181,928</u>
Total primary government expenses	<u>\$ 85,967,485</u>	<u>\$ 77,289,170</u>	<u>\$ 79,239,778</u>	<u>\$ 80,934,279</u>	<u>\$ 73,498,531</u>
Program Revenue:					
Government Activities:					
Charges for services:					
General government	\$ 3,035,893	\$ 2,331,329	\$ 3,624,978	\$ 2,924,037	\$ 1,394,546
Public safety	192,291	1,820,369	1,976,414	2,564,953	3,767,099
Transportation	-	-	-	-	-
Community development	776,094	631,769	625,194	945,733	1,179,697
Health	7,426,730	7,355,009	7,258,317	7,418,448	6,984,746
Culture and leisure	935,297	420,314	771,433	216,746	282,197
Operating grants and contributions	26,090,615	20,674,207	21,051,606	16,763,058	19,261,931
Capital grants and contributions	112,107	-	-	-	1,312,296
Total governmental activities program revenue	<u>\$ 38,569,027</u>	<u>\$ 33,232,997</u>	<u>\$ 35,307,942</u>	<u>\$ 30,832,975</u>	<u>\$ 34,182,512</u>
Business-type Activities:					
Charges for services:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	2,044,277	2,041,477	2,063,715	2,208,044	2,334,863
Kimball Towers	-	-	-	-	-
Morgan Towers	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenue	<u>\$ 2,044,277</u>	<u>\$ 2,041,477</u>	<u>\$ 2,063,715</u>	<u>\$ 2,208,044</u>	<u>\$ 2,334,863</u>
Total primary government program revenue	<u>\$ 40,613,304</u>	<u>\$ 35,274,474</u>	<u>\$ 37,371,657</u>	<u>\$ 33,041,019</u>	<u>\$ 36,517,375</u>
Net Revenues (Expenses):					
Governmental activities	(43,100,975)	(41,865,159)	(41,077,761)	(47,788,293)	(37,134,091)
Business-type activities	<u>(2,253,206)</u>	<u>(149,537)</u>	<u>(790,360)</u>	<u>(104,967)</u>	<u>152,935</u>
Total Net Revenues (Expenses)	<u>\$ (45,354,181)</u>	<u>\$ (42,014,696)</u>	<u>\$ (41,868,121)</u>	<u>\$ (47,893,260)</u>	<u>\$ (36,981,156)</u>

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				
	2013	2014	2015	2016	2017
Expenses:					
Governmental Activities:					
General government	\$ 443,592	\$ 5,240,947	\$ 6,299,372	\$ 6,237,858	\$ 7,442,846
Public safety	28,024,676	29,045,583	31,522,488	31,293,361	33,944,093
Transportation	3,061,647	6,315,524	6,737,292	8,605,631	8,925,351
Community development	11,991,339	11,669,866	11,603,528	11,812,563	13,560,523
Health	8,477,778	7,026,857	7,416,697	7,499,719	8,102,830
Culture and leisure	5,784,578	6,712,036	6,349,578	7,188,896	8,129,529
Interest and fiscal charges	633,338	439,367	407,194	308,808	243,832
Depreciation expense (unallocated)	4,423,669	-	-	-	-
Total governmental activities expenses	\$ 62,840,617	\$ 66,450,180	\$ 70,336,149	\$ 72,946,836	\$ 80,349,004
Business-type Activities:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	-	-	-	-	-
Kimball Towers	1,089,698	1,356,385	1,251,377	1,160,095	1,166,521
Morgan Towers	1,177,596	1,130,218	1,078,546	1,113,885	1,141,607
Total business-type activities expenses	\$ 2,267,294	\$ 2,486,603	\$ 2,329,923	\$ 2,273,980	\$ 2,308,128
Total primary government expenses	\$ 65,107,911	\$ 68,936,783	\$ 72,666,072	\$ 75,220,816	\$ 82,657,132
Program Revenue:					
Government Activities:					
Charges for services:					
General government	\$ 1,258,710	\$ 2,371,861	\$ 3,101,468	\$ 5,081,812	\$ 2,697,690
Public safety	3,018,064	3,150,630	3,807,824	2,681,493	2,704,952
Transportation	1,549,092	2,195,535	1,863,599	1,344,988	1,218,156
Community development	2,079,578	2,994,274	3,260,501	1,908,755	2,105,289
Health	7,414,151	7,534,320	9,522,136	8,363,190	8,819,322
Culture and leisure	246,880	199,493	353,740	306,675	631,597
Operating grants and contributions	14,732,996	15,818,335	12,508,517	13,295,661	15,280,776
Capital grants and contributions	1,006,059	6,284,789	11,399,349	7,299,398	3,878,546
Total governmental activities program revenue	\$ 31,305,530	\$ 40,549,237	\$ 45,817,134	\$ 40,281,972	\$ 37,336,328
Business-type Activities:					
Charges for services:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	-	-	-	-	-
Kimball Towers	1,073,082	1,096,559	1,101,514	1,124,578	1,130,543
Morgan Towers	1,241,253	1,244,129	1,260,181	1,266,441	1,289,180
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenue	\$ 2,314,335	\$ 2,340,688	\$ 2,361,695	\$ 2,391,019	\$ 2,419,723
Total primary government program revenue	\$ 33,619,865	\$ 42,889,925	\$ 48,178,829	\$ 42,672,991	\$ 39,756,051
Net Revenues (Expenses):					
Governmental activities	(31,535,087)	(25,900,943)	(24,519,015)	(32,664,864)	(43,012,676)
Business-type activities	47,041	(145,915)	31,772	117,039	111,595
Total Net Revenues (Expenses)	\$ (31,488,046)	\$ (26,046,858)	\$ (24,487,243)	\$ (32,547,825)	\$ (42,901,081)

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				
	2008	2009	2010	2011	2012
General Revenue and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 16,421,961	\$ 15,827,505	\$ 9,983,799	\$ 14,184,279	\$ 11,373,533
Sales taxes ¹	24,072,743	20,700,283	18,872,987	21,731,925	22,864,669
Franchise taxes	1,416,236	1,737,134	1,941,081	1,949,759	1,852,996
Motor vehicle license	5,100,399	5,370,617	5,181,701	5,219,884	4,962,804
Transient occupancy taxes	841,745	630,049	725,901	838,255	887,820
Utilities tax	-	-	-	-	-
Investment earnings ¹	3,369,224	1,425,385	572,489	374,153	297,882
Other miscellaneous revenues	-	270,269	461,101	365,734	23,811
Rent	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>\$ 53,906,300</u>	<u>\$ 46,694,696</u>	<u>\$ 38,502,216</u>	<u>\$ 45,532,524</u>	<u>\$ 42,263,515</u>
Business-type Activities:					
Investment earnings	\$ 27,618	\$ 23,995	\$ 6,943	\$ 3,192	\$ 3,192
Other misc	-	-	-	-	-
Rent	-	-	-	-	-
Transfers	(2,378,910)	-	-	-	-
Total business-type activities	<u>\$ (2,351,292)</u>	<u>\$ 23,995</u>	<u>\$ 6,943</u>	<u>\$ 3,192</u>	<u>\$ 3,192</u>
Total primary government	<u>\$ 51,555,008</u>	<u>\$ 46,718,691</u>	<u>\$ 38,509,159</u>	<u>\$ 45,535,716</u>	<u>\$ 42,266,707</u>
Changes in Net Position:					
Governmental activities	10,805,325	4,829,537	(2,575,545)	4,454,763	5,129,424
Business-type activities	(4,604,498)	(125,542)	(783,417)	(787,168)	156,127
Total Primary Government	<u>\$ 6,200,827</u>	<u>\$ 4,703,995</u>	<u>\$ (3,358,962)</u>	<u>\$ 3,667,595</u>	<u>\$ 5,285,551</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				
	2013	2014	2015	2016	2017
General Revenue and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 4,724,959	\$ 9,908,109	\$ 10,301,592	\$ 10,293,634	\$ 11,948,882
Sales taxes ¹	23,757,635	25,586,661	27,095,666	29,170,512	29,284,869
Franchise taxes	1,602,891	1,718,023	1,902,082	1,922,723	1,856,039
Motor vehicle license	-	27,056	-	-	-
Transient occupancy taxes	5,154,530	1,082,339	1,383,793	1,611,788	1,597,957
Utilities tax	815,136	825,388	818,820	867,488	886,455
Investment earnings ¹	1,873,896	459,019	304,655	553,184	361,077
Other miscellaneous revenues	-	-	-	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>\$ 38,080,926</u>	<u>\$ 39,338,371</u>	<u>\$ 41,806,608</u>	<u>\$ 57,328,800</u>	<u>\$ 45,935,279</u>
Business-type Activities:					
Investment earnings	\$ 3,685	\$ 2,520	\$ 2,579	\$ 3,678	\$ 5,621
Other misc	14,776	15,353	14,869	14,023	15,464
Rent	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>\$ 18,461</u>	<u>\$ 17,873</u>	<u>\$ 17,448</u>	<u>\$ 17,701</u>	<u>\$ 21,085</u>
Total primary government	<u>\$ 38,099,387</u>	<u>\$ 39,356,244</u>	<u>\$ 41,824,056</u>	<u>\$ 57,346,501</u>	<u>\$ 45,956,364</u>
Changes in Net Position:					
Governmental activities	6,545,839	13,437,428	17,287,593	24,663,936	2,922,603
Business-type activities	65,502	(128,042)	49,220	134,740	132,320
Total Primary Government	<u><u>\$ 6,611,341</u></u>	<u><u>\$ 13,309,386</u></u>	<u><u>\$ 17,336,813</u></u>	<u><u>\$ 24,798,676</u></u>	<u><u>\$ 3,054,923</u></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				
	2008	2009	2010	2011	2012
General Fund:					
Reserved	\$ 1,727,692	\$ 1,164,034	\$ 1,126,408	\$ -	\$ -
Unreserved (designated, undesignated)	18,298,540	17,276,654	10,699,617	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	1,671,257	1,671,257
Assigned	-	-	-	4,829,800	5,536,697
Unassigned	-	-	-	7,059,792	10,708,984
Total general fund	\$ 20,026,232	\$ 18,440,688	\$ 11,826,025	\$ 13,560,849	\$ 17,916,938
All Other Governmental Funds:					
Reserved	\$ 23,958,237	\$ 22,821,977	\$ 28,011,724	\$ -	\$ -
Unreserved					
Designated	10,832,286	18,774,518	25,433,482	-	-
Undesignated:					
Special revenue funds	23,394,266	19,853,304	15,651,538	-	-
Capital projects funds	9,750,823	4,428,286	(244,185)	-	-
Debt service funds	-	-	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	-	103,585,798	42,694,439
Committed	-	-	-	2,002,596	2,166,798
Assigned	-	-	-	-	-
Unassigned	-	-	-	(538,052)	485,332
Total all other governmental funds	\$ 67,935,612	\$ 65,878,085	\$ 68,852,559	\$ 105,050,342	\$ 45,346,569

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				
	2013	2014	2015	2016	2017
General Fund:					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved (designated, undesignated)	-	-	-	-	-
Nonspendable	10,162	4,952,830	4,963,916	10,766,098	9,963,816
Restricted	707,262	611,780	590,998	754,913	616,253
Committed	9,085,066	9,085,066	9,085,066	11,585,066	11,585,066
Assigned	6,787,396	15,042,191	16,065,736	14,792,381	14,325,683
Unassigned	6,995,075	7,797,176	10,266,365	12,166,732	11,903,272
Total general fund	\$ 23,584,961	\$ 37,489,043	\$ 40,972,081	\$ 50,065,190	\$ 48,394,090
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	-	1,636,570
Restricted	33,122,400	31,713,774	31,005,844	36,333,305	32,015,860
Committed	-	-	-	-	-
Assigned	740,177	733,384	706,558	-	-
Unassigned	24,729	(8,165,223)	(5,368,938)	(821,959)	(985,588)
Total all other governmental funds	\$ 42,051,541	\$ 32,208,694	\$ 34,270,491	\$ 35,511,346	\$ 32,666,842

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				
	2008	2009	2010	2011	2012
Revenues:					
Taxes ¹	\$ 49,871,559	\$ 47,448,811	\$ 44,435,811	\$ 46,981,938	\$ 42,797,241
Licenses and permits	801,232	742,616	555,717	772,326	837,532
Fines and forfeitures	1,322,347	1,303,006	1,454,328	1,574,031	1,873,119
Interest ¹ and rents	3,369,224	2,387,531	1,414,747	971,728	720,301
Use of money and property	-	-	-	-	-
Intergovernmental	24,377,473	21,575,928	22,200,569	17,498,972	19,427,220
Charges for services	8,471,286	8,371,734	9,064,198	9,161,970	8,482,536
Other revenues	2,680,389	1,926,494	3,465,296	2,166,456	2,025,862
Total revenues	\$ 90,893,510	\$ 83,756,120	\$ 82,590,666	\$ 79,127,421	\$ 76,163,811
Expenditures:					
Current:					
General government	\$ 5,354,513	\$ 4,559,601	\$ 6,517,068	\$ 6,595,278	\$ 5,650,734
Public safety	26,528,937	27,958,385	30,715,473	27,631,707	28,458,759
Transportation	3,756,298	3,079,647	2,118,325	1,945,357	1,667,437
Community development	23,721,153	18,029,047	21,840,082	17,752,422	13,657,581
Health	7,426,569	5,963,766	7,761,907	6,842,236	7,015,478
Culture and leisure	6,276,859	6,928,456	6,160,615	5,127,204	5,138,826
Capital outlay	1,636,398	14,450,567	5,501,888	6,468,842	2,839,897
Debt service:					
Principal	2,891,709	3,024,837	3,191,174	3,327,360	4,547,823
Interest and fiscal charges	2,864,933	2,689,608	2,535,113	2,456,640	4,560,865
Cost of issuance	-	-	-	439,442	-
Total expenditures	\$ 80,457,369	\$ 86,683,914	\$ 86,341,645	\$ 78,586,488	\$ 73,537,400
Excess (deficiency) of revenues over (under) expenditures	10,436,141	(2,927,794)	(3,750,979)	540,933	2,626,411
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	-	-	-	-	-
Gain on sale of land held for resale	-	-	-	-	-
Pass-through payments to other agencies	-	-	-	-	-
Transfers in	13,096,724	8,227,100	10,620,576	16,870,308	7,017,427
Transfers out	(13,151,446)	(8,642,100)	(10,917,436)	(16,196,104)	(6,738,538)
Transfers to Successor Agency	-	-	-	-	-
Total other financing sources (uses)	\$ (54,722)	\$ (415,000)	\$ (296,860)	\$ 39,278,119	\$ 278,889
Extraordinary/Special Items	-	-	-	-	(59,950,984)
Net change in fund balances	\$ 10,381,419	\$ (3,342,794)	\$ (4,047,839)	\$ 39,819,052	\$ (57,045,684)
Debt services as a percentage of noncapital expenditures	7.30%	7.91%	7.08%	8.02%	12.88%

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

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenues:					
Taxes ¹	\$ 38,837,279	\$ 41,386,311	\$ 43,573,589	\$ 45,474,959	\$47,058,901
Licenses and permits	1,225,571	1,099,929	1,567,617	1,122,139	1,280,675
Fines and forfeitures	1,044,422	1,111,961	885,722	646,370	642,972
Interest ¹ and rents	-	-	-	-	1,035,112
Use of money and property	768,612	1,122,149	1,073,543	1,417,606	20,051,795
Intergovernmental	15,803,886	23,571,850	26,791,254	21,381,584	11,721,905
Charges for services	10,080,029	9,531,741	10,024,879	10,734,789	2,552,556
Other revenues	757,913	1,651,370	4,387,660	3,925,718	-
Total revenues	\$ 68,517,712	\$ 79,475,311	\$ 88,304,264	\$ 84,703,165	\$ 84,343,916
Expenditures:					
Current:					
General government	\$ 5,349,464	\$ 5,062,227	\$ 5,403,805	\$ 6,986,812	\$ 7,583,632
Public safety	28,156,246	27,687,841	29,100,717	31,785,904	34,754,008
Transportation	2,957,941	3,673,470	3,941,747	4,546,976	4,687,611
Community development	10,529,246	11,235,322	11,173,792	11,752,502	12,909,844
Health	8,559,588	6,994,103	7,179,865	7,587,801	8,227,149
Culture and leisure	5,797,227	6,057,037	5,306,518	6,239,067	7,351,974
Capital outlay	3,749,471	20,361,948	17,176,753	16,737,745	11,028,203
Debt service:					
Principal	1,068,801	1,376,871	1,142,186	1,150,824	1,310,893
Interest and fiscal charges	547,580	477,061	427,209	364,723	243,329
Cost of issuance	-	-	-	-	-
Total expenditures	\$ 66,715,564	\$ 82,925,880	\$ 80,852,592	\$ 87,152,354	\$ 88,096,643
Excess (deficiency) of revenues over (under) expenditures	1,802,148	(3,450,569)	7,451,672	(2,449,189)	(3,752,727)
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	-	-	58,474
Proceeds from lease	-	-	-	-	-
Proceeds from sale of land	-	-	-	-	-
Gain on sale of land held for resale	-	-	-	-	65,966
Pass-through payments to other agencies	-	-	-	-	(705,115)
Transfers in	3,085,535	5,131,249	1,765,336	4,903,988	2,932,166
Transfers out	(2,514,688)	(4,671,639)	(4,277,182)	(3,078,442)	(3,114,366)
Transfers to Successor Agency	-	-	-	(826,577)	-
Total other financing sources (uses)	\$ 570,847	\$ 7,511,804	\$ (1,957,242)	\$ 998,969	\$ (762,875)
Extraordinary/Special Items	-	-	-	11,784,182	-
Net change in fund balances	\$ 2,372,995	\$ 4,061,235	\$ 5,494,430	\$ 10,333,962	\$ (4,515,602)
Debt services as a percentage of noncapital expenditures	2.57%	2.96%	2.46%	2.15%	1.97%

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				
	2008	2009	2010	2011	2012
Secured:					
Residential Property	\$ 1,675,533,232	\$ 1,727,050,075	\$ 1,486,019,671	\$ 1,438,117,757	\$ 1,482,008,218
Commercial Property	744,585,873	797,911,588	871,757,000	886,630,566	899,802,065
Industrial Property	264,996,707	276,149,692	288,230,654	282,442,202	275,585,085
Institutional Property	4,382,185	44,982,886	54,514,910	55,348,512	44,298,664
Irrigated Property	-	35,858	36,575	-	-
Recreational Property	6,697,142	14,655,682	26,509,839	26,677,054	27,127,749
Unknown	-	-	-	-	-
Vacant Land	68,304,793	92,409,693	93,470,678	96,674,219	58,383,925
Dry Farm	-	-	-	224,466	-
Total Secured	2,764,499,932	2,953,195,474	2,820,539,327	2,786,114,776	2,787,205,706
Unsecured	154,942,915	168,066,373	204,465,642	200,239,342	201,267,744
SBE Nonunitary	4,039,249	5,858,889	5,586,456	5,195,618	5,195,618
Total Taxable Assessed Value	\$ 2,923,482,096	\$ 3,127,120,736	\$ 3,030,591,425	\$ 2,991,549,736	\$ 2,993,669,068
Total Direct Tax Rate	0.56773	0.57066	0.55977	0.54335	0.54734

Note: Exempt values not included in totals.

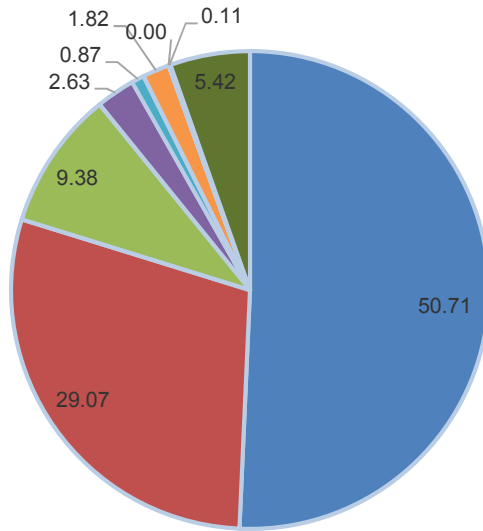
City of National City
Assessed Value and Actual Value of Taxable Property (Continued)
Last Ten Fiscal Years

Category	Fiscal Year				
	2013	2014	2015	2016	2017
Secured:					
Residential Property	\$ 1,503,553,951	\$ 1,547,773,659	\$ 1,665,406,317	\$ 1,717,835,128	\$ 1,805,981,573
Commercial Property	915,142,395	971,070,608	992,982,224	1,026,863,991	1,082,223,930
Industrial Property	370,755,962	372,617,155	360,527,549	345,186,211	351,325,363
Institutional Property	45,384,698	46,107,183	46,316,498	47,648,063	48,280,512
Irrigated Property	-	-	-	-	-
Recreational Property	29,056,094	25,828,782	25,827,429	24,799,504	28,998,288
Unknown	-	-	-	-	-
Vacant Land	57,090,009	61,320,039	60,685,749	66,017,188	66,452,827
Dry Farm	-	-	-	-	-
Total Secured	2,920,983,109	3,024,717,426	3,151,745,766	3,228,350,085	3,383,262,493
Unsecured	183,790,343	224,847,953	197,869,900	208,192,396	200,687,180
SBE Nonunitary	5,195,618	5,224,473	5,224,473	4,088,740	4,088,640
Total Taxable Assessed Value	\$ 3,109,969,070	\$ 3,254,789,852	\$ 3,354,840,139	\$ 3,440,631,221	\$ 3,588,038,313
Total Direct Tax Rate	0.54683	0.24559	0.20747	0.20813	0.19685

Note: Exempt values not included in totals.

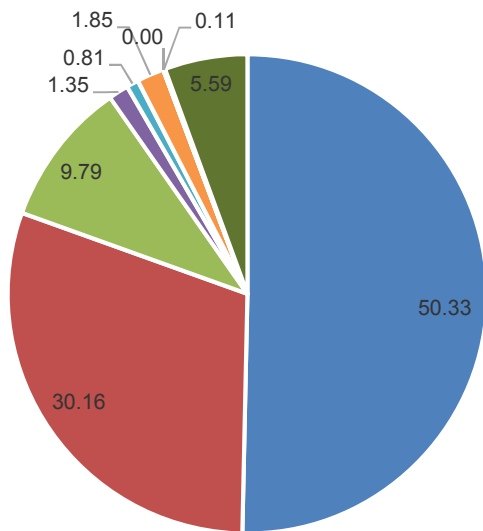
City of National City 2016/17 Use Category Summary (Percentages)

Assessed Value



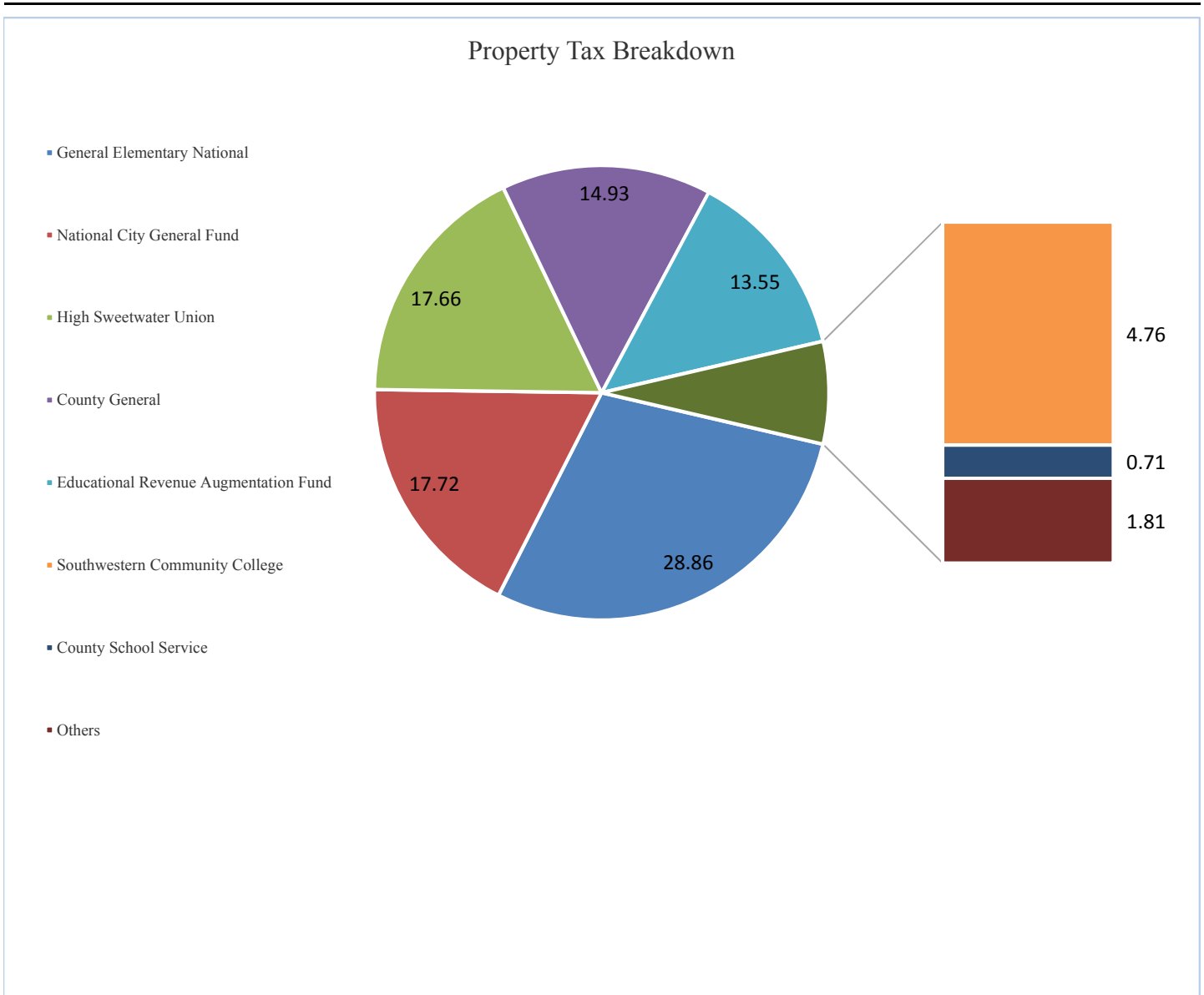
■ Residential
 ■ Commercial
 ■ Industrial
 ■ Institutional
 ■ Recreational
 ■ Vacant
 ■ Exempt
 ■ SBE Nonunitary
 ■ Unsecured

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
2016/17 Roll Summary
Taxable Property Values**

	<u>Secured</u>	<u>Nonunitary Utilities</u>	<u>Unsecured</u>
Parcels	10,029	7	1,573
TRAs	42	3	19
<u>Values</u>			
Land	\$ 1,518,817,727	\$ 4,088,640	\$ -
Improvements	2,025,004,156	-	75,283,781
Personal Property	2,863,717	-	128,008,340
Fixtures	-	-	-
Aircraft	-	-	-
Total Value	\$ 3,546,685,600	\$ 4,088,640	\$ 203,292,121
<u>Exemptions</u>			
Real Estate	\$ 163,423,107	\$ -	\$ 757,037
Personal Property	-	-	1,847,904
Fixture	-	-	-
Aircraft	-	-	-
Homeowners	29,614,200	-	133,000
Total Exemptions	\$ 163,423,107	\$ -	\$ 2,604,941
Total Net Value	\$ 3,383,262,493	\$ 4,088,640	\$ 200,687,180

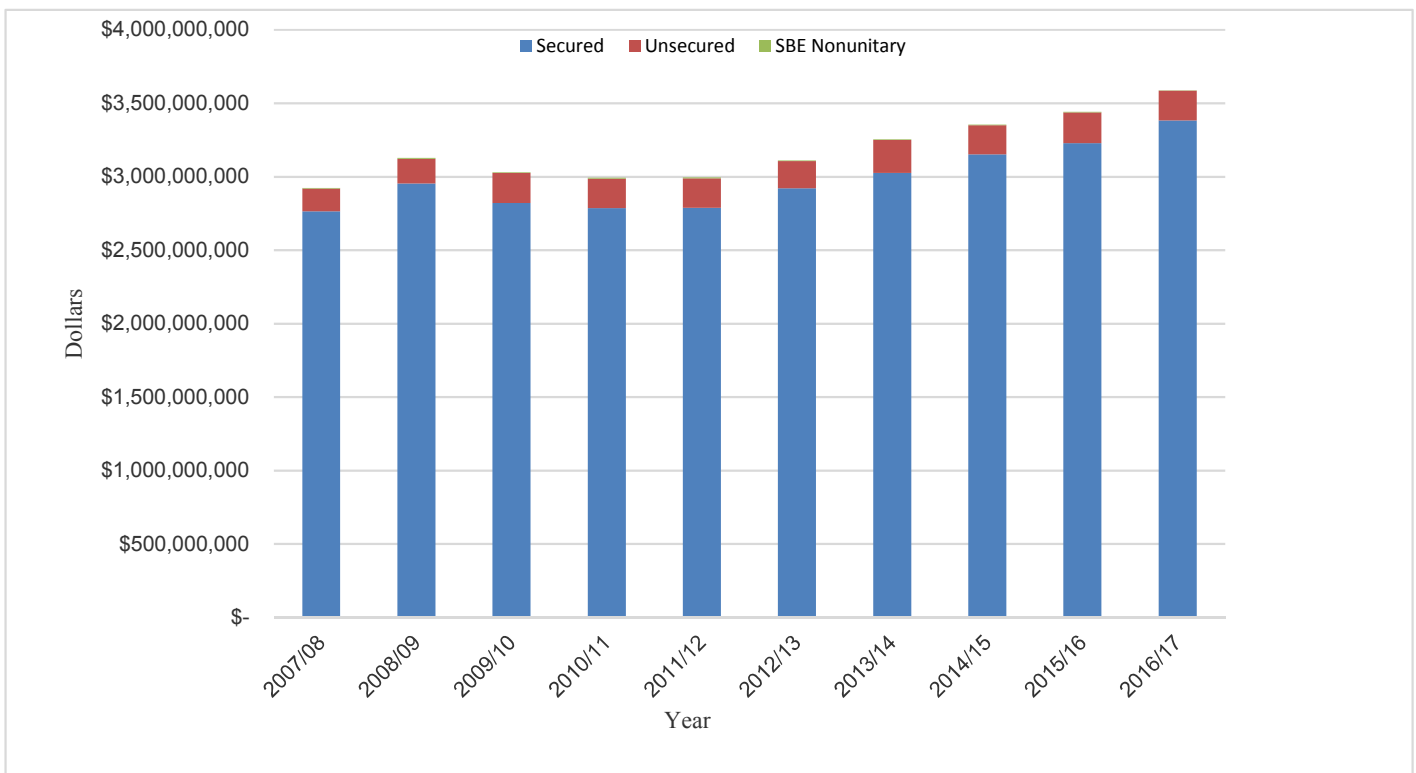
Combined Values	Total
Total Values	\$ 3,754,066,361
Total Exemptions	\$ 166,028,048
Net Total Values	\$ 3,588,038,313
Net Aircraft Values	\$ -

Notes: Total Exemptions does not include homeowner exemption.

Aircraft values and exemptions are reported separately.

City of National City
Net Taxable Assessed Value History
2007/08 - 2016/17

Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
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%
2016/17	3,383,262,493	200,687,180	4,088,640	3,588,038,313	4.28%



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

	Calendar Year				
	2008	2009	2010	2011	2012
Apparel Stores	\$ 107,259	\$ 110,810	\$ 120,759	\$ 129,870	\$ 133,977
General Merchandise	150,957	146,586	146,377	156,947	163,970
Food Stores	27,052	27,572	27,865	28,619	31,886
Eating and Drinking Places	114,360	114,705	121,704	126,315	132,912
Building Materials	76,216	36,605	28,742	28,809	30,059
Auto Dealers and Supplies	420,630	333,247	372,166	417,165	506,080
Service Stations	87,464	66,588	75,945	87,217	85,842
Other Retail Stores	216,033	154,854	141,441	148,291	155,451
All Other Outlets	239,732	202,615	248,235	246,672	262,154
Total	\$ 1,439,703	\$ 1,193,582	\$ 1,283,234	\$ 1,369,905	\$ 1,502,331

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 2017 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				
	2013	2014	2015	2016	2017
Apparel Stores	\$ 134,008	\$ 134,775	\$ 135,071	\$ 143,770	NA
General Merchandise	165,316	171,124	177,381	176,341	NA
Food Stores	31,865	33,041	32,666	20,699	NA
Eating and Drinking Places	138,668	148,888	162,818	175,579	NA
Building Materials	32,490	38,070	55,753	67,094	NA
Auto Dealers and Supplies	548,327	581,390	622,925	636,361	NA
Service Stations	77,680	79,502	71,593	65,266	NA
Other Retail Stores	165,755	180,920	198,828	171,847	NA
All Other Outlets	294,424	299,890	335,514	350,104	NA
Total	\$ 1,588,533	\$ 1,667,600	\$ 1,792,549	\$ 1,807,061	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 2017 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				
	2008	2009	2010	2011	2012
Current Year Tax Levy	\$ 2,855,587	\$ 3,119,018	\$ 3,133,984	\$ 3,118,154	\$ 3,207,237
Current Tax Collections	2,843,810	3,102,793	3,104,248	3,079,633	3,160,964
Percent of Levy Collected	99.59%	99.48%	99.05%	98.76%	98.56%
Delinquent Tax Receivable	15,637	16,472	16,863	17,417	19,334
Delinquent Tax Collections	1,104	2,886	1,864	2,717	1,995
Total Tax Collections	\$ 2,844,914	\$ 3,105,679	\$ 3,106,112	\$ 3,082,350	\$ 3,162,959
Percent of Total Tax Collections To Tax Levy	99.63%	99.57%	99.11%	98.85%	98.62%
Outstanding Delinquent Taxes	\$ 26,310	\$ 29,810	\$ 44,735	\$ 53,222	\$ 63,612
Percent of Delinquent Taxes To Tax Levy	0.92%	0.96%	1.43%	1.71%	1.98%

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Current Year Tax Levy	\$ 3,348,632	\$ 3,099,715	\$ 3,240,544	\$ 3,205,191	\$ 3,335,753
Current Tax Collections	3,330,941	3,087,464	3,227,793	3,195,983	3,333,476
Percent of Levy Collected	99.47%	99.60%	99.61%	99.71%	99.93%
Delinquent Tax Receivable	19,089	19,203	19,758	17,764	16,226
Delinquent Tax Collections	1,781	1,542	1,312	1,564	1,465
Total Tax Collections	\$ 3,332,721	\$ 3,089,006	\$ 3,229,105	\$ 3,197,547	\$ 3,334,941
Percent of Total Tax Collections To Tax Levy	99.52%	99.65%	99.65%	99.76%	99.98%
Outstanding Delinquent Taxes	\$ 34,999	\$ 29,912	\$ 31,197	\$ 25,408	\$ 17,038
Percent of Delinquent Taxes To Tax Levy	1.05%	0.96%	0.96%	0.79%	0.51%

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

Agency	Fiscal Year				
	2008	2009	2010	2011	2012
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000
Chula Vista Elementary	0.02029	0.01762	0.02507	0.02611	0.02594
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	0.00450	0.00430	0.00430	0.00370	0.00370
National City Gen. Obligation Bonds 2002 Series A	0.01430	0.01300	0.01270	0.01420	0.01370
San Diego Community College Bond	0.02740	0.01212	0.02482	0.02494	0.03740
Southwestern Community College	0.01253	0.01320	0.03442	0.03635	0.03308
Sweetwater High Bond	0.04711	0.04621	0.05580	0.05517	0.06079
Total Direct & Overlapping² Tax Rates	1.12613	1.10645	1.15711	1.16047	1.17461
City's Share of 1% Levy Per Prop 13 ³	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate	0.01430	0.01300	0.01270	0.01420	0.01370
Redevelopment Authority Rate ⁴	1.00450	1.00430	1.00430	1.00370	1.00370
Total Direct Rate ⁵	0.57636	0.57066	0.55977	0.54335	0.54734

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				
	2013	2014	2015	2016	2017
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000
Chula Vista Elementary	0.02526	0.00995	0.00932	0.00863	0.00810
Gen Bond Chula Vista Prop Jj, 2013A Ref	0.00000	0.01264	0.01074	0.01035	0.00971
Gen Bond Chula Vista Sfid 2012B, Prop E 11/06/12	0.00000	0.00000	0.00000	0.01166	0.01259
Gen Bond Chula Vista Sfid 2012-1, Prop E	0.00000	0.02372	0.02747	0.01237	0.01283
Gen Bond National City-Prop N 11/04/14 Ser 2014A	0.00000	0.00000	0.00000	0.03055	0.02867
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350	0.00350
National City Gen. Obligation Bonds 2002 Series A	0.01320	0.01190	0.00960	0.00920	0.00880
San Diego Community College Bond	0.03636	0.04760	0.04381	0.03939	0.03912
Southwestern Community College	0.03753	0.03675	0.03582	0.03961	0.03856
Sweetwater High Bond	0.05862	0.05823	0.05407	0.05169	0.05162
Total Direct & Overlapping² Tax Rates	1.17447	1.20429	1.19433	1.21695	1.21350
City's Share of 1% Levy Per Prop 13 ³	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate	0.01320	0.01190	0.00960	0.00920	0.00880
Redevelopment Authority Rate ⁴	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct Rate ⁵	0.54683	0.24559	0.20747	0.20813	0.19685

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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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.

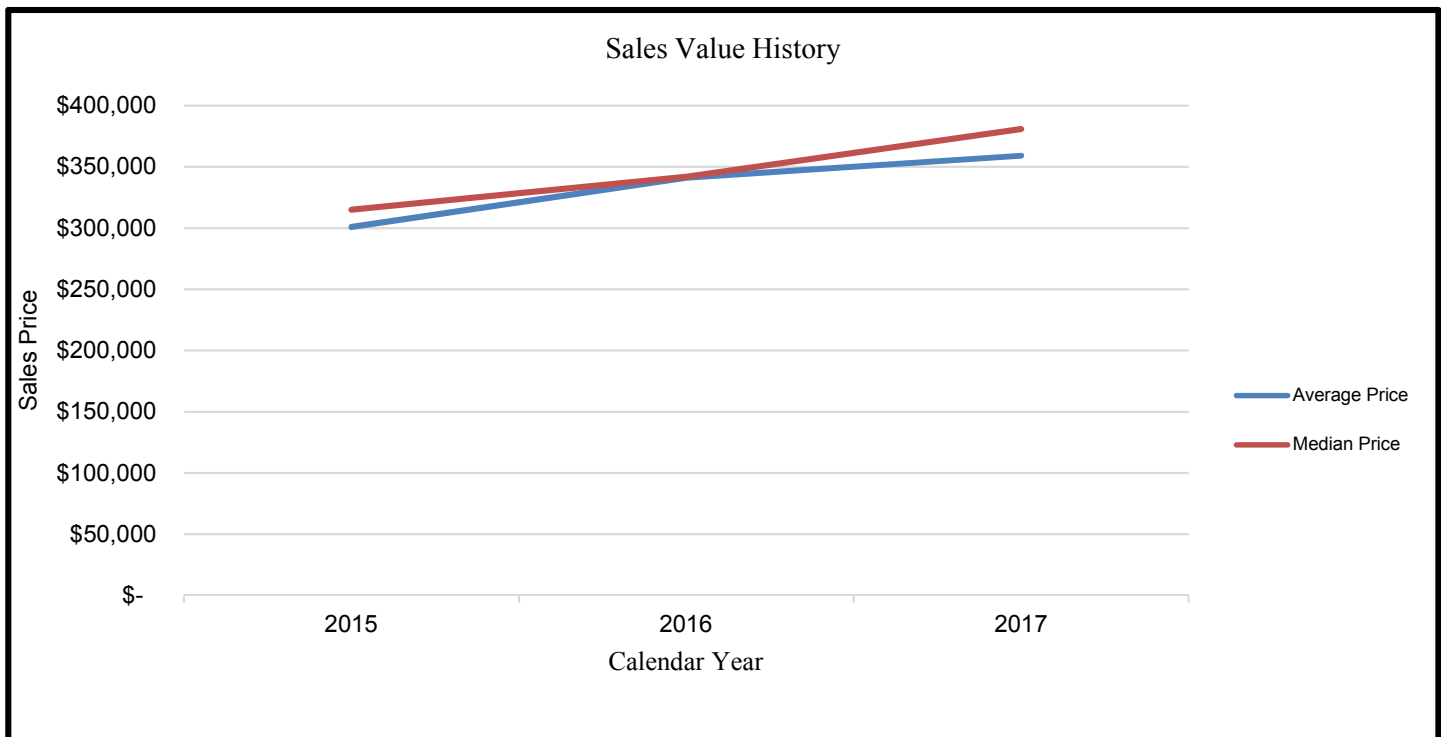
**City of National City
Principal Property Tax Payers
Current Year and Nine Years Ago**

Taxpayer (Parcels)	2016/2017			2007/2008		
	Taxable Assessed Value (Secured and Unsecured)	Rank	Percentage of Net Assessed Value	Taxable Assessed Value (Secured and Unsecured)	Rank	Percentage of Net Assessed Value
	Centermark Properties Inc. (11)	\$ 257,244,653	1	7.17%	-	-
Pasha Automotive Services (6)	77,868,050	2	2.17%	-	-	-
P V H R LLC (2)	52,997,242	3	1.48%	-	-	-
Costco Wholesale Corporation (1)	43,578,575	4	1.21%	-	-	-
R O I C Califotnia LLC (7)	40,520,238	5	1.13%	-	-	-
MRT of National City CA-SNF (2)	33,778,679	6	0.94%	-	-	-
Fenton N C P LLC (16)	32,902,113	7	0.92%	-	-	-
MPT of Paradise Valley L P (30)	31,990,381	8	0.89%	-	-	-
Dixieline Lumber Cmpny (3)	25,216,686	9	0.70%	-	-	-
MGP XI US Properties LLC (22)	24,900,547	10	0.69%	-	-	-
Centermark Properties Inc. (9)	-	-	-	\$ 166,087,624	1	5.68%
Group The Pasha (9)	-	-	-	39,784,461	2	1.36%
Wells Fargo Bank (5)	-	-	-	25,545,635	3	0.87%
Sweetwater Associates LP (22)	-	-	-	22,001,490	4	0.75%
Williams G.W. Company (2)	-	-	-	21,857,275	5	0.75%
WalMart Real Estate Business Trust (1)	-	-	-	19,388,217	6	0.66%
Costco Wholesale Corporation (1)	-	-	-	18,909,556	7	0.65%
Sweetwater Square LLC LF AARDEMA (4)	-	-	-	18,826,745	8	0.64%
Macy's Department Stores Inc. (2)	-	-	-	18,226,301	9	0.62%
C I P Venture (16)	-	-	-	15,913,778	10	0.54%
Top Ten Total	\$ 620,997,164		17.30%	\$ 366,541,082		12.52%
City Total	\$ 3,588,038,313 *			\$ 2,923,482,096 *		

* Value includes outer TRA's

City of National City
Sales Value History
Single Family Residential Full Value Sales (1/1/2015-7/31/2017)

<u>Year</u>	<u>Full Value Sales</u>	<u>Average Price</u>	<u>Median Price</u>	<u>Median % Change</u>
2015	298	\$ 300,958	\$ 315,000	
2016	269	341,177	342,000	8.57
2017	147	359,143	380,909	11.38





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**City of National City
Top 25 Sales Tax Producers
For 2016-17 & 2007-08**

2016-2017		2007-2008	
Business Name	Business Category	Business Name	Business Category
99 Cents Only	Variety Stores	Arco	Service Stations
Arco AM PM	Service Stations	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	Building Materials
Honda Acura Mitsu Suzuki & Kia	New Motor Vehicle Dealers	Frank Auto Pros	New Motor Vehicle Dealers
JC Penny	Department Stores	Harrison Buick	New Motor Vehicle Dealers
Macys	Department Stores	Honda Acura Mitsu Suzuki & Kia	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	Ron Baker Chevrolet	New Motor Vehicle Dealers
Ross	Family Apparel	Ross	Family Apparel
South Bay Volkswagen	New Motor Vehicle Dealers	San Diego Dodge	New Motor Vehicle Dealers
South County Buick GMC	New Motor Vehicle Dealers	So Cal Truck Stop	Service Stations
T Mobile	Electronics/ Appliance Stores	South Bay Subaru	New Motor Vehicle Dealers
Target	Discount Dept Stores	South Bay Volkswagen	New Motor Vehicle Dealers
USA Gasoline	Service Stations	Sweetwater Harley Davidson	Boats/Motorcycles
Victoria's Secret	Women's Apparel	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	Drugs/Chemicals	Westcott Mazda	New Motor Vehicles Dealers

Percent of 2016-2017 total paid by top 25 accounts = 52.86

Percent of 2007-2008 total paid by top 25 accounts = 58.27

* Firms listed alphabetically

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental Activities:					
NCJPFA Lease Revenue Refunding Bond	\$ 3,920,000	\$ 3,605,000	\$ 3,280,000	\$ 3,115,000	\$ 2,715,000
Tax Allocation Bonds	41,820,000	39,680,000	37,455,000	74,590,000	71,115,000
General Obligation Bonds	5,585,000	5,440,000	5,285,000	5,120,000	4,945,000
HUD 108 Bond 2003 A	6,185,000	5,975,000	5,750,000	5,505,000	5,245,000
Total Bonded Debt	\$ 57,510,000	\$ 54,700,000	\$ 51,770,000	\$ 88,330,000	\$ 84,020,000
Per Capita	\$ 1,026	\$ 971	\$ 913	\$ 1,528	\$ 1,425
Percent of Taxable Assessed Values	1.97%	1.75%	1.71%	2.95%	2.81%
Other Governmental Activities Debt					
Capital Lease Payable	\$ 1,372,940	\$ 1,117,728	\$ 2,611,714	\$ 2,416,722	\$ 2,147,477
Business-Type Activities:					
Notes Payable	\$ 3,180,054	\$ 3,022,049	\$ 2,853,463	\$ 2,481,662	\$ 2,853,463
Total Primary Government	\$ 62,062,994	\$ 58,839,777	\$ 57,235,177	\$ 93,228,384	\$ 89,020,940
Percent of Personal Income	7.85%	7.35%	7.27%	10.95%	9.54%
Per Capita	\$ 1,107	\$ 1,045	\$ 1,009	\$ 1,613	\$ 1,510

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Governmental Activities:					
NCJPFA Lease Revenue Refunding Bond	\$ 2,300,000	\$ 1,870,000	\$ 1,425,000	\$ 965,000	\$ 490,000
Tax Allocation Bonds	67,160,000	63,040,000	58,750,000	51,465,000	49,395,000
General Obligation Bonds	4,846,073	4,613,668	4,371,263	4,123,858	3,917,653
HUD 108 Bond 2003 A	4,965,000	4,450,000	4,140,000	3,805,000	3,440,000
Total Bonded Debt	\$ 79,271,073	\$ 73,973,668	\$ 68,686,263	\$ 60,358,858	\$ 57,242,653
Per Capita	\$ 1,347	\$ 1,246	\$ 1,160	\$ 993	\$ 935
Percent of Taxable Assessed Values	2.55%	2.27%	2.05%	1.75%	1.60%
Other Governmental Activities Debt					
Capital Lease Payable	\$ 1,866,025	\$ 1,571,831	\$ 1,948,686	\$ 1,723,764	\$ 1,494,160
Business-Type Activities:					
Notes Payable	\$ 2,058,393	\$ 1,576,533	\$ 1,311,137	\$ 1,027,967	\$ 725,833
Total Primary Government	\$ 83,195,491	\$ 77,122,032	\$ 71,946,086	\$ 63,110,589	\$ 59,462,646
Percent of Personal Income	8.63%	7.85%	7.36%	6.18%	5.67%
Per Capita	\$ 1,414	\$ 1,299	\$ 1,215	\$ 1,039	\$ 971



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City of National City
Direct and Overlapping Debt
As of June 30, 2017

2016-2017 Assessed Valuation: \$3,590,233,625

	Total Debt 6/30/2017	% Applicable ¹	City's Share of Debt 06/30/17
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 74,905,000	0.139%	\$ 104,118
San Diego Community College District	1,322,159,705	0.200%	26,443
Southwestern Community College District	326,088,676	7.145%	23,299,036
Chula Vista City School District	48,750,000	1.496%	729,300
Chula Vista City School District School Facilities Improvement District No. 1	83,580,000	2.748%	2,296,778
National School District	26,050,000	94.118%	24,517,739
Sweetwater Union High School District	391,939,739	8.536%	33,455,976
Chula Vista City School District Community Facilities Districts	-	0.000%	-
Sweetwater Union High School District Community Facilities Districts	8,221,262	4.035-24.174	1,552,506
City Overlapping Tax and Assessment Debt Subtotal	\$ 2,281,694,382		\$ 85,981,896
City of National City	3,900,000	100%	3,900,000
City Tax and Assessment Debt Subtotal	\$ 3,900,000		\$ 3,900,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 2,285,594,382		\$ 89,881,896
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 291,180,000	0.768%	\$ 2,236,262
San Diego County Pension Obligation Bonds	605,520,000	0.768%	4,650,394
San Diego County Superintendent of Schools Obligations	11,460,000	0.768%	88,013
Southwestern Community College District General Fund Obligations	890,000	7.145%	63,591
Sweetwater Union High School District Certificates of Participation	43,565,000	8.536%	3,718,708
Chula Vista City School District Certificates of Participation	158,000,000	1.496%	2,363,680
City of National City General Fund Obligations	490,000	100.000%	490,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$ 1,111,105,000		\$ 13,610,648
Overlapping Tax Increment Debt (Successor Agency)	\$ 49,395,000	100%	\$ 49,395,000
COMBINED TOTAL DEBT	\$ 3,396,699,382		\$ 103,492,544
Total Direct Debt			\$ 4,390,000
Total Direct and Overlapping Tax and Assessment Debt			99,102,544
Combined Total Debt ²			\$ 103,492,544

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$3,900,000)	0.11%
Total Direct and Overlapping Tax and Assessment Debt	2.50%
Total Direct Debt (\$4,390,000)	12.00%
Combined Total Debt	4.26%
<u>Ratios to Redevelopment Successor Agency Incremental Valuation</u>	
<u>(\$1,668,801,510):</u>	
Total Overlapping Tax Increment Debt	2.96%

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				
	2008	2009	2010	2011	2012
Assessed Valuation	\$ 2,923,482,096	\$ 3,127,120,736	\$ 3,030,591,425	\$ 2,991,549,736	\$ 2,993,669,068
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 730,870,524	\$ 781,780,184	\$ 757,647,856	\$ 747,887,434	\$ 748,417,267
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 109,630,579	\$ 117,267,028	\$ 113,647,178	\$ 112,183,115	\$ 112,262,590
Total Debt (due more than one year)	\$ 62,378,019	\$ 59,277,180	\$ 58,583,736	\$ 93,559,890	\$ 23,783,337
Less: Non Bonded Debt					
Claims Payable	(2,578,000)	(2,759,900)	(4,286,256)	(4,535,629)	(4,701,604)
Compensated Absences	(1,326,678)	(1,356,429)	(1,053,748)	(803,341)	(3,044,777)
Capitalized Lease Obligation	(1,099,735)	874,565	(2,423,051)	(2,037,295)	(2,059,274)
Notes Payable	(2,673,606)	(2,481,662)	(2,276,886)	(2,058,393)	(1,825,270)
Total Applicable to Limitation	54,700,000	53,553,754	48,543,795	84,125,232	12,152,412
Legal Debt Margin	<u>\$ 54,930,579</u>	<u>\$ 63,713,274</u>	<u>\$ 65,103,383</u>	<u>\$ 28,057,883</u>	<u>\$ 100,110,178</u>
Total debt applicable to the limit as a percentage of debt limit	50%	46%	43%	75%	11%

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Assessed Valuation	\$ 3,109,969,070	\$ 3,254,789,852	\$ 3,354,840,139	\$ 3,440,631,221	\$ 3,588,038,313
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 777,492,268	\$ 813,697,463	\$ 838,710,035	\$ 860,157,805	\$ 897,009,578
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 116,623,840	\$ 122,054,619	\$ 125,806,505	\$ 129,023,671	\$ 134,551,437
Total Debt (due more than one year)	\$ 21,416,534	\$ 20,857,367	\$ 20,579,839	\$ 19,496,761	\$ 10,093,670
Less: Non Bonded Debt					
Claims Payable	(4,604,010)	(5,466,746)	(5,580,594)	(6,112,318)	(6,416,518)
Compensated Absences	(948,661)	(1,421,472)	(1,632,485)	(1,821,032)	(2,023,755)
Capitalized Lease Obligation	(1,571,831)	(1,362,172)	(1,723,765)	(1,494,160)	(1,249,932)
Notes Payable	(1,576,533)	(1,311,137)	(1,027,967)	(725,833)	(403,465)
Total Applicable to Limitation	12,715,499	11,295,840	10,615,028	9,343,418	-
Legal Debt Margin	<u>\$ 103,908,341</u>	<u>\$ 110,758,779</u>	<u>\$ 115,191,477</u>	<u>\$ 119,680,253</u>	<u>\$ 134,551,437</u>
Total debt applicable to the limit as a percentage of debt limit	11%	9%	8%	7%	0%

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Revenue					
Property Tax Gross Incremental Revenue	\$ 11,766,428	\$ 11,790,224	\$ 11,184,289	\$ 11,070,963	\$ 6,054,668
Debt Service Requirements					
Principal	\$ 2,065,000	\$ 2,140,000	\$ 2,225,000	\$ 2,525,000	\$ 3,955,000
Interest and Fiscal Charges	2,017,843	1,883,148	1,806,370	1,706,646	3,978,074
Pass-through Payments	1,525,468	1,553,258	7,395,921	2,613,680	-
	\$ 5,608,311	\$ 5,576,406	\$ 11,427,291	\$ 6,845,326	\$ 7,933,074
Debt Coverage	2.10	2.11	0.98	1.62	0.76

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

	Fiscal Year				
	2013	2014	2015	2016	2017
Revenue					
Property Tax Gross Incremental Revenue	\$ 11,505,010	\$ 13,608,368	\$ 12,705,481	\$ 11,558,679	\$ 7,740,998
Debt Service Requirements					
Principal	\$ 4,120,000	\$ 4,290,000	\$ 5,230,000	\$ 2,070,000	\$ 2,220,000
Interest and Fiscal Charges	3,797,907	3,589,747	3,484,532	3,078,878	2,980,532
Pass-through Payments	-	-	-	-	-
	\$ 7,917,907	\$ 7,879,747	\$ 8,714,532	\$ 5,148,878	\$ 5,200,532
Debt Coverage	1.45	1.73	1.46	2.24	1.49



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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%)			
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
2017	61,210	1.8%	0.7%	32.2	3.4	72.3%	12.9%	5.9%	1,048,669	17,132

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				
	2008	2009	2010	2011	2012
General Government					
City Clerk	3.16	3.16	3.16	3.16	3.00
City Manager	7.50	7.50	7.50	9.50	9.00
Risk Management	2.00	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	16.55	16.75
Purchasing	3.48	3.48	2.48	2.48	2.48
City Attorney	3.50	3.50	3.50	3.50	3.50
Human Resources	4.80	4.80	5.30	5.50	5.50
Community Development ¹	—	—	—	—	—
Planning	7.50	7.70	5.10	5.17	4.83
Building	4.00	4.00	4.40	4.33	4.33
Engineering	14.95	14.70	14.70	14.70	14.04
Redevelopment ¹	4.00	7.00	5.20	5.70	3.20
Advanced Planning / Economic Development ¹	5.50	2.40	2.75	2.75	—
Housing & Grants ¹	11.00	11.58	17.85	18.30	17.05
Neighborhood Services ¹	12.00	11.00	6.00	11.00	9.50
Public Works ²	36.05	35.30	36.30	36.30	36.96
Community Services ²	23.00	23.00	22.50	22.50	33.69
Nutrition Center	15.00	12.25	11.25	11.25	11.25
Library	25.91	31.18	28.51	60.07	59.31
Public Safety					
Police	139.36	139.36	139.36	134.36	135.38
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				
	2013	2014	2015	2016	2017
General Government					
City Clerk	3.00	3.00	3.00	3.00	3.00
City Manager	7.05	8	8.00	8.00	8.00
Risk Management	1.00	1.00	1.00	1.00	1.00
Management Information Systems	3.00	3.00	3.50	4.00	4.00
Finance	14.48	14.48	14.77	15.77	15.77
Purchasing	2.48	2.48	1.48	1.48	1.48
City Attorney	3.00	3.5	4.00	3.50	4.00
Human Resources	3	3	3.00	4.00	4.00
Community Development ¹	19.6	19.34	15.01	—	—
Planning	3.00	3	3	4	4
Building	3.00	4	4	5	5
Engineering	9	10	11	13	13
Redevelopment ¹	3.20	3.20	0.00	0.00	0.00
Advanced Planning / Economic Development ¹	—	—	—	—	—
Housing & Grants ¹	14.50	14	15.00	15.00	16.00
Neighborhood Services ¹	10.00	10	10.00	11.00	11.00
Public Works ²	41	42	45.00	45.00	46.50
Community Services ²	28.35	19.35	15.01	17.98	18.98
Nutrition Center	6.75	10	10.00	10.00	10.00
Library	56.47	56.3	20.35	21.35	21.85
Public Safety					
Police	124.38	125.38	129.50	129.50	130.50
Fire	42	43	43.00	47.00	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				
	2008	2009	2010	2011	2012
Police					
Physical Arrests	3,100	3,834	3,456	3,008	3,082
Parking Violations	5,003	4,956	9,843	12,157	10,406
Traffic Violations	2,450	3,154	3,491	2,325	3,384
Fire					
Emergency Responses	5,497	5,394	5,165	6,008	7,240
Fires Extinguished	158	118	140	79	136
Inspections	NA	NA	NA	1,909	3,505
Other Public Works					
Street Resurfacing (miles)	NA	17	25	5	0
Parks and Recreation					
Athletic Field Permits Issued	24	24	17	11	10
Community Center Admissions ¹	49,803	49,825	65,609	57,142	54,520
Library					
Volumes in Collection	194,383	200,516	207,100	212,175	213,177
Total Volumes Borrowed	312,591	316,075	285,527	243,055	252,356
Wastewater					
Average Daily Sewage Treatment (million gallons per day)	5.211	5.211	4.482	4.566	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				
	2013	2014	2015	2016	2017
Police					
Physical Arrests	3,861	3,167	3,484	3,418	3,078
Parking Violations	9,704	11,283	7,434	8,659	7,958
Traffic Violations	3,811	2,158	1,801	1,561	1,563
Fire					
Emergency Responses	6,974	6,264	7,815	8,228	8,403
Fires Extinguished	155	149	121	141	125
Inspections	1,591	1,583	1,316	900	837
Other Public Works					
Street Resurfacing (miles)	0	0	2	0	0
Parks and Recreation					
Athletic Field Permits Issued	9	9	18	26	28
Community Center Admissions ¹	54,520	54,520	18,138	42,762	43,396
Library					
Volumes in Collection	241,921	246,299	238,114	233,109	231,683
Total Volumes Borrowed	247,608	215,955	189,145	129,762	111,271
Wastewater					
Average Daily Sewage Treatment (million gallons per day)	3.917	3.902	3.891	3.891	3.921

NA: Not available.

¹ Excludes Nutrition Center admissions.

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

<u>Function/Program</u>	Fiscal Year				
	2008	2009	2010	2011	2012
Police					
Stations	1	1	1	1	1
Zone Offices	1	1	1	1	1
Patrol Units	38	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	1,723	1,725	1,730	1,730	1,730
Traffic Signals	89	89	88	88	88
Parks and Recreation					
Acreage	84	84	84	84	84
Playgrounds	4	4	4	4	4
Baseball/Softball Diamonds	7	7	7	5	5
Soccer/Football Fields	3	3	3	1	1
Community Centers	5	5	5	5	5
Wastewater					
Sanitary Sewers (miles)	100	100	97	97	97
Storm Sewers (miles)	25.3	25.3	25.3	25.3	25.3
Treatment Capacity (million gallons per day)	4.52	4.48	7.10	7.10	7.10

NA: Not available.

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

<u>Function/Program</u>	Fiscal Year				
	2013	2014	2015	2016	2017
Police					
Stations	1	1	1	1	1
Zone Offices	1	1	1	1	0
Patrol Units	38	34	38	45	45
Fire Stations	2	2	2	2	2
Other Public Works					
Streets (miles)	101	101	101	101	108
Highways (miles)	6	6	6	6	9
Streetlights	1,730	1,730	1,730	1,730	1,995
Traffic Signals	88	74	74	75	74
Parks and Recreation					
Acreage	84	84	84	75	80
Playgrounds	4	4	4	5	5
Baseball/Softball Diamonds	5	5	5	5	5
Soccer/Football Fields	1	1	1	1	1
Community Centers	5	5	5	1	1
Wastewater					
Sanitary Sewers (miles)	97	97	97	97	104
Storm Sewers (miles)	25.3	45.0	45.0	45.0	96.0
Treatment Capacity (million gallons per day)	7.10	7.20	7.20	7.20	7.20

NA: Not available.



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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, 2017, 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 19, 2017.

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
Page 2

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 19, 2017