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NATIONAL CITY
1887
INCORPORATED



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
JUNE 30, 2018**

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City of National City

National City, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2018



**City of National City
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018**

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Office of the City Manager

December 19, 2018

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, 2018. 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, 2018. 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 62,000 residents and occupies 9.2 square miles.

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

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

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

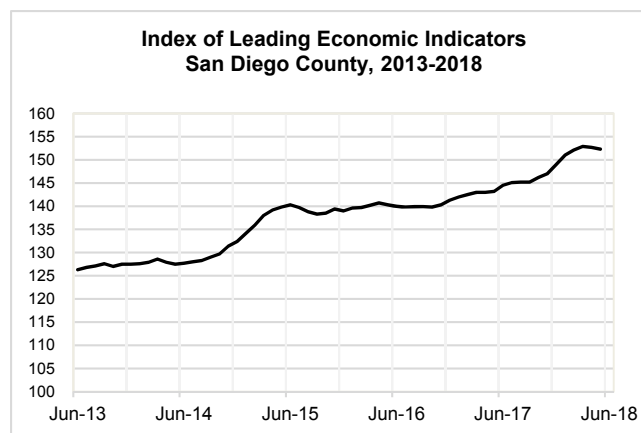
BUDGETARY CONTROL

The annual budget serves as the foundation for the City's financial planning and control. The proposed budget is presented to the City Council for review and adoption prior to the beginning of each fiscal year, July 1st. The Council is required to hold public hearings on the proposed budget prior to adoption. The state mandates a structurally balanced budget. The budget is prepared by fund and department. After budget adoption, in accordance with the National City Municipal Code, 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 106 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 107.

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 2018, the Index increased approximately 5.4% indicating an improving local economy. In addition, the Index continues to reflect an overall positive year-over-year trend since fiscal year 2013.



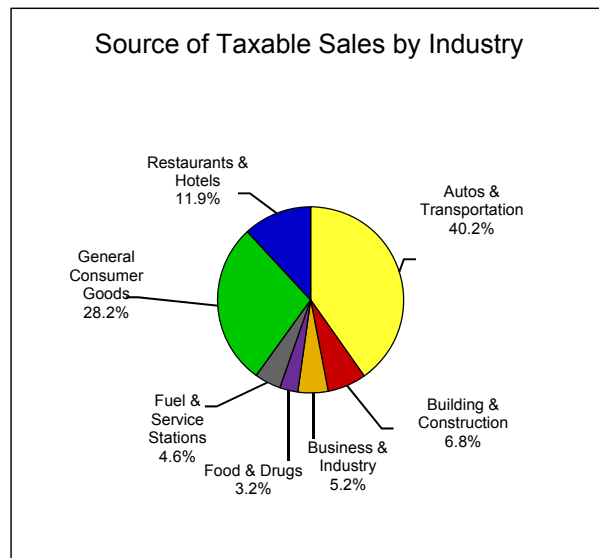
A key factor in the improving economy is the decline in unemployment rates for the June 2017 to June 2018 period, which fell at the state level and local levels – California’s from 4.7% to 4.5%, the San Diego County metropolitan area’s from 5.1% to 3.7%, and the City’s from 5.9% to 4.1%. Also contributing to the recovery is a return to growth over the past six years in assessed property values in both National City and the County, as a whole, after three years of declining or flat values.

Recent General Fund revenue trends reflect that National City has benefitted from the healthy economic climate; however, revenues are expected to level off in the upcoming fiscal year. As shown in Table 1, the City’s major revenue sources, sales- and property-related taxes, while growing in recent years, are projected to dip slightly in the upcoming fiscal year. Fiscal year

Table 1

Prior Years Sales- & Property-Related Taxes			Projection
FY 16	FY 17	FY 18	FY 19
\$36.6M	\$37.1M	\$38.5M	\$38.2M

Table 2



2018 results for these revenue were mixed. Assessed valuation growth resulted in a 7.4% increase in property tax-related revenues over the prior year. District transactions & use tax revenues experienced modest growth, due to gains in nearly all sectors. And sales & use tax revenues fell slightly, with strong building & construction receipts offset by losses in the autos & transportation and general consumer goods sectors. The autos & transportation segment was the single largest contributor to sales & use tax revenue, accounting for approximately 40.2%, while general consumer goods accounted for the largest portion, 40.5%, of the City’s voter-approved 1% district transactions & use (“Proposition ‘D’”) tax. 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 again been boosted by the City’s all-time-high total assessed valuation. Net taxable assessed value rose by 8.1% in 2018. At the same time, the average price in the City for a detached single-family residential home grew 15.3%, also reaching its historical high. The median home price rose 8.9%, achieving its second-highest level.

As noted above, the healthy economy has resulted in recent revenue growth, particularly from sales- and property-related taxes, which represent more than 70% of the General Fund’s revenue total. But due to anticipated decreases in sales

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 2009
2009	3,127,120,736	-	-	-
2010	3,030,591,425	-96,529,311	-3.1%	-96,529,311
2011	2,991,549,736	-39,041,689	-1.3%	-135,571,000
2012	2,993,669,068	2,119,332	0.1%	-133,451,668
2013	3,109,969,070	116,300,002	3.9%	-17,151,666
2014	3,254,789,852	144,820,782	4.7%	127,669,116
2015	3,354,840,139	100,050,287	3.1%	227,719,403
2016	3,440,631,221	85,791,082	2.6%	313,510,485
2017	3,588,038,313	147,407,092	4.3%	460,917,577
2018	3,877,829,380	289,791,067	8.1%	750,708,644
2019	4,057,201,760	179,372,380	4.6%	930,081,024

related taxes, overall General Fund revenues, excluding those associated with one-time events, are expected to remain essentially flat in fiscal year 2019.

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 \$11.4 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.

**City of National City Strategic Plan
2017-2022**

Provide Quality Services

Achieve Fiscal Sustainability

Improve Quality of Life

Enhance Housing and Community Assets

Promote a Healthy Community

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 2019-2023 total approximately \$81.7 million. Funding comes from multiple sources, including available fund balance, general purpose revenues, user fees, special tax revenues, and regional, state, and federal funds. In addition to routine sewer, drainage, and transportation-related projects, the CIP includes improvements to parks, recreation, and community services facilities and municipal buildings and facilities, such as the library, community center, police department, and fire stations.

Financial Policies

A portion of the fund balance of the General Fund, the “Contingency Reserve,” is committed to strengthening the City’s ability to withstand unexpected financial emergencies and to accumulate funds for large-scale purchases. The City’s reserve policy establishes that the City will 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. However, a transfer of \$500,000 from the Facilities Maintenance Reserve was necessary during fiscal year 2018, to address Tier 1 (high-priority) capital maintenance needs, reducing the balance to \$2,000,000, as of June 30, 2018. In accordance with the reserve policy, the assets maintained in this reserve, as well as those in the Contingency Reserve, described above, 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, 2018.

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

Sewer Replacement and Upsizing Project (\$3,400,000 project; completed December 2017.)

Projects include repair and/or replacement of deteriorated sewer lines and/or upsizing to increase capacity and efficiency of the sewer collection system City-wide. Project improvements include: 1) sewer replacement and upsizing through the intersection of National City Boulevard and Mile of Cars Way and 2) sewer replacement and upsizing along Plaza Boulevard east of Euclid Avenue.

Westside Pedestrian & Bicycle Enhancements (\$3,100,000 project; completed June 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 with angle parking; 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.

18th Street Community Corridor – Phases I & II (\$1,600,000; completed June 2018)

The project includes traffic calming, pedestrian, bicycle and Safe Routes to School enhancements on 18th Street between "D" Avenue and Granger Avenue. Improvements include street resurfacing, ADA upgrades, Class II bike lanes and Class III bike sharrows with signage, green bike boxes at three signalized intersections - Highland Avenue, "L" Avenue and Palm Avenue, traffic calming measures such as corner bulb-outs, pedestrian actuated flashing crosswalk signs and high intensity striping at the intersection of East 18th Street and Lanoitan Avenue, and storm water treatment infiltration areas.

Street Resurfacing and Alley Improvements (\$1,300,000; completed in June 2018)

Projects include a combination of roadway rehabilitation, grinding and overlay, slurry seals and re-striping of finished pavement. Other improvements include rehabilitation of alleys and removal and replacement of damaged or lifted sidewalks and substandard pedestrian curb ramps for ADA compliance. Fiscal year 2018 improvements include reconstructing eight existing alleys subject to drainage issues with new concrete alleys, and recompacting / soil stabilization for three additional dirt alleys.

Division Street Traffic Calming (\$1,200,000; completed September 2017)

The project includes traffic calming, pedestrian, bicycle and Safe Routes to School enhancements on Division Street between Highland Avenue and Euclid Avenue. Improvements include street resurfacing, ADA upgrades, approximately 1 mile of Class II bike lanes with signage, and traffic calming measures such as a "road diet" converting four travel lanes to three travel lanes (two westbound and one eastbound) with a two-way left-turn center lane, bike lanes and on-street parking.

Wayfinding Signage and Community Gateways (\$1,200,000; completed February 2018)

The project designed and implemented a comprehensive wayfinding signage program for the Downtown, Westside and Marina District Specific Plan Areas to inform residents and guests of key points of interest such as historic districts, civic center, transit centers, public library and community parks. Community gateway signage was installed on Mile of Cars Way, Main Street and the 8th Street pedestrian bridge. The project also installed truck route signs along designated truck routes to restrict trucks from traveling through local neighborhoods.

Drainage Improvements (\$130,000; completed July 2017)

Projects include repair and/or replacement of corrugated metal storm drain pipes and other high priority drainage improvements City-wide to ensure proper channelization and conveyance of urban storm water runoff. Fiscal year 2018 improvements include replacement of corrugated metal storm water pipes at the following locations: 1) intersection of East 30th Street and "D" Avenue; 2) intersection of Sweetwater Road and Grove Street; and 3) 1400 block of Earle Drive.

Safe Routes to School Pedestrian and Bicycle Safety Enhancements (\$90,000 project; completed October 2017)

Projects include various infrastructure improvements City-wide to enhance access and safety for children walking and biking to school. Fiscal year 2018 improvements include construction of a raised crosswalk with pedestrian actuated flashing crosswalk signs, high intensity striping, and new pedestrian curb ramps for ADA compliance on Lanoitan Avenue in front of Lincoln Acres Elementary School.

Traffic Signal Upgrades (\$3,200,000; estimated completion 4th quarter fiscal year 2019)

Projects include various upgrades and modifications to traffic signals and associated infrastructure/equipment City-wide, to enhance traffic safety and operations. Fiscal year 2019 improvements include installation of a traffic signal at the intersection of Highland Avenue and East 28th Street near Sweetwater High School; modifications to signal poles and heads based on changes to roadway configuration or signal phasing; pedestrian "countdown" signal heads and audible pedestrian crossing systems; new poles, push buttons and pedestrian curb ramps for ADA compliance; new cabinets, controllers, battery back-up and other equipment; communications infrastructure upgrades to support GPS-based emergency vehicle preemption systems and CCTV cameras; and expansion of the City's fiber optic interconnect network for high speed data transfer and connectivity to the City's traffic signal timing management system.

City-wide Midblock Pedestrian Crossing Enhancements (\$1,600,000; estimated completion October 2018)

The project includes a variety of pedestrian safety enhancements at midblock / uncontrolled crosswalks City-wide. Improvements include ADA upgrades, replacement of existing safety light fixtures with new LED fixtures at 30 signalized intersections, installation of pedestrian level LED street lights at 16 midblock crosswalks, and construction of traffic calming measures such as corner bulb-outs, pedestrian actuated flashing crosswalk signs and high intensity striping at 6 midblock crosswalks.

Drainage Improvements (\$670,000; estimated completion 3rd quarter fiscal year 2019)

Fiscal year 2019 improvements include rehabilitation and/or replacement of approximately 1,000 linear feet of storm water pipe, ranging in size from 18" diameter to 42" diameter, through Las Palmas Park.

Public Safety Cameras (\$350,000; estimated completion 4th quarter fiscal year 2019)

The project will replace existing cameras that are no longer operational and/or require upgrades, and install new cameras and associated infrastructure to enhance public safety. The project also includes purchasing new servers, as needed, to expand video / data storage capacity.

Safe Routes to School Pedestrian and Bicycle Safety Enhancements (\$200,000 project; estimated completion 4th quarter fiscal year 2019)

Fiscal year 2019 improvements include street resurfacing, Class III bike sharrows with signage, and traffic calming chicanes on Harbison Avenue between Division Street and East 4th Street. Future improvements will be prioritized based on neighborhood walk audits, public surveys and traffic safety evaluations.

Cell Phone Repeater Upgrades (\$75,000; estimated completion 3rd quarter fiscal year 2019)

The project will upgrade cellphone repeaters to provide cellphone service to fortified areas in the Civic Center (City Hall) basement.

Facilities

Fire Station 33 (\$400,000 project; completed October 2017)

The project consists 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 include installation of security fencing, lighting, cameras and two large carports adjacent to the building, one for the Squad medium-duty response vehicle and the other for the Police Department Mobile Command Vehicle. The temporary facility will be located in the parking lot adjacent to the El Toyon Recreation Center in El Toyon Park.

ARTS Center Roof Replacement (\$140,000; completed July 2017)

The ARTS Center is being leased to "A Reason to Survive (ARTS)", a non-profit organization that is dedicated to providing, supporting, and advocating for arts programs that heal, inspire, and empower youth facing adversity. The facility includes workshops, offices, meeting rooms, kitchen and break rooms, restrooms, materials storage areas, and display areas for public art. Fiscal year 2018 improvements include replacement of the ARTS center roof.

Civic Center (City Hall) Improvements (\$2,400,000 project; estimated completion 3rd quarter fiscal year 2019)

The project includes mechanical, electrical and plumbing upgrades to the Civic Center (City Hall) building as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment. Other improvements in support of the ESCO include replacement of the roof in preparation for installation of solar panels and installation of a new electrical service panel and relays for the fire alarm system.

1430 Hoover Avenue Tenant Improvements (\$1,300,000; estimated completion 3rd quarter fiscal year 2019)

The project will provide tenant improvements to the 6,400 square foot warehouse located at 1430 Hoover Avenue, such as installation of a fire suppression system and ADA upgrades. On May 15, 2018, per City Council Resolution 2018-85, City Council authorized the purchase of real property at 1430 Hoover Avenue, for a negotiated price of \$973,350, to be used by City Police and Public Works for secure storage of vehicles, equipment and materials.

Police Department Building Improvements (\$1,200,000; estimated completion 3rd quarter fiscal year 2019)

The project includes mechanical, electrical and plumbing upgrades to the Police Department building as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment. Other improvements in support of the ESCO include replacement of the roof in preparation for installation of solar panels.

National City Public Library Improvements (\$790,000; estimated completion 3rd quarter fiscal year 2019)
The project includes mechanical, electrical and plumbing upgrades to the National City Public Library as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment.

Martin Luther King Jr Community Center Improvements (\$540,000; estimated completion 3rd quarter fiscal year 2019)
The project includes mechanical, electrical and plumbing upgrades to Martin Luther King Jr Community Center as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment.

Fire Station 34 Improvements (\$470,000; estimated completion 3rd quarter fiscal year 2019)
The project includes mechanical, electrical and plumbing upgrades to Fire Station 34 as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment.

ARTS Center Improvements (\$260,000; estimated completion 3rd quarter fiscal year 2019)
The project includes mechanical and electrical upgrades to the ARTS Center as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment.

Casa de Salud Manuel Portillo Youth Center Improvements (\$120,000; estimated completion 3rd quarter fiscal year 2019)
The project includes mechanical, electrical and plumbing upgrades to the Casa de Salud Manuel Portillo Youth Center as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment.

1726 Wilson Avenue Improvements (\$90,000; estimated completion 3rd quarter fiscal year 2019)
The project includes mechanical and electrical upgrades to Public Works facilities located at 1726 Wilson Ave as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment.

Kimball Senior Center Improvements (\$40,000; estimated completion 3rd quarter fiscal year 2019)
The project includes mechanical, electrical and plumbing upgrades to the Kimball Senior Center as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment.

Fire Station 31 Improvements (\$30,000; estimated completion 3rd quarter fiscal year 2019)
The project includes mechanical, electrical and plumbing upgrades to Fire Station 31 as part of a City-wide Energy Savings Contract (ESCO) where capital improvements are funded up front, then reimbursed over time through a reduction in utility costs resulting from implementation of energy efficient systems and equipment.

Historic Property Preservation

Las Palmas Municipal Pool Improvements (\$90,000; completed May 2018)

The project includes replacing the boiler, pumps and associated mechanical and electrical upgrades for Las Palmas Municipal Pool.

Kimball House (\$70,000; completed July 2017)

The Kimball House and Museum, located at 921 “A” Avenue, is operated by the National City Historical Society. The Kimball House is a locally designated significant building. Fiscal year 2018 improvements to preserve and restore the building include: 1) exterior painting; 2) replace windows (sash, trim, panes and paint); and 3) repair doors and stairs.

Kimball Senior Center Improvements (\$60,000; completed June 2018)

The project will replace two, 7.5-ton heat pump condensing units and air handlers at the Kimball Senior Center. Additional improvements include construction of 3-foot tall concrete walls with fencing on top to shield the units from the public.

Granger Music Hall (\$50,000; completed July 2017)

Granger Music Hall, located at 1615 East 4th Street, is listed in the National Register of Historic Places. Fiscal year 2018 improvements to protect the building from damage due to weather and vandalism include: 1) secure exterior windows, doors and holes in siding, and paint board up material to match existing building colors; 2) install solar powered LED security lighting; and 3) tarp roof with heavy duty Thermoplastic Polyolefin (TPO) single-ply reflective roofing membrane over the existing roofing material.

Stein Family Farm (\$40,000; completed July 2017)

The Stein Family Farm, located at 1808 "F" Avenue, is operated by the National City Living History Farm Preserve, incorporated and owned by the City of National City. The property contains a Victorian farmhouse, an old barn and other support structures, gardens and orchards. Fresh fruits and vegetables are grown for educational purposes, which provides an opportunity for children throughout the community to help tend the garden and harvest the produce for consumption on-site. Fiscal year 2018 improvements to preserve and restore the farmhouse include exterior painting and window repairs.

Santa Fe Rail Depot (\$30,000; completed July 2017)

The Santa Fe Rail Depot, located at 922 West 23rd Street, is operated by the San Diego Electric Railway Association. The Santa Fe Rail Depot is listed in the National Register of Historic Places and also designated as a California Historical Landmark (#1023). Fiscal year 2018 improvements to preserve and restore the building include exterior painting and window repairs.

Parks & Recreation

El Toyon & Las Palmas Lighting Improvements (\$1,000,000 project; completed July 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, 2017. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable program requirements.

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

The preparation of this report would not have been possible without the dedication and professionalism of the entire staff of the Department of Finance. We would like to express our gratitude to those who devoted significant hours in preparing the report. We appreciate and commend all the City departments who assisted and contributed materials to this document. And we acknowledge the Mayor and members of the City Council for their interest, dedication, and constant support for planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Leslie Deese
City Manager



Mark Roberts
Director of Finance



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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

Vacant

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 City

Minh Duong

Librarian

Armando Vergara

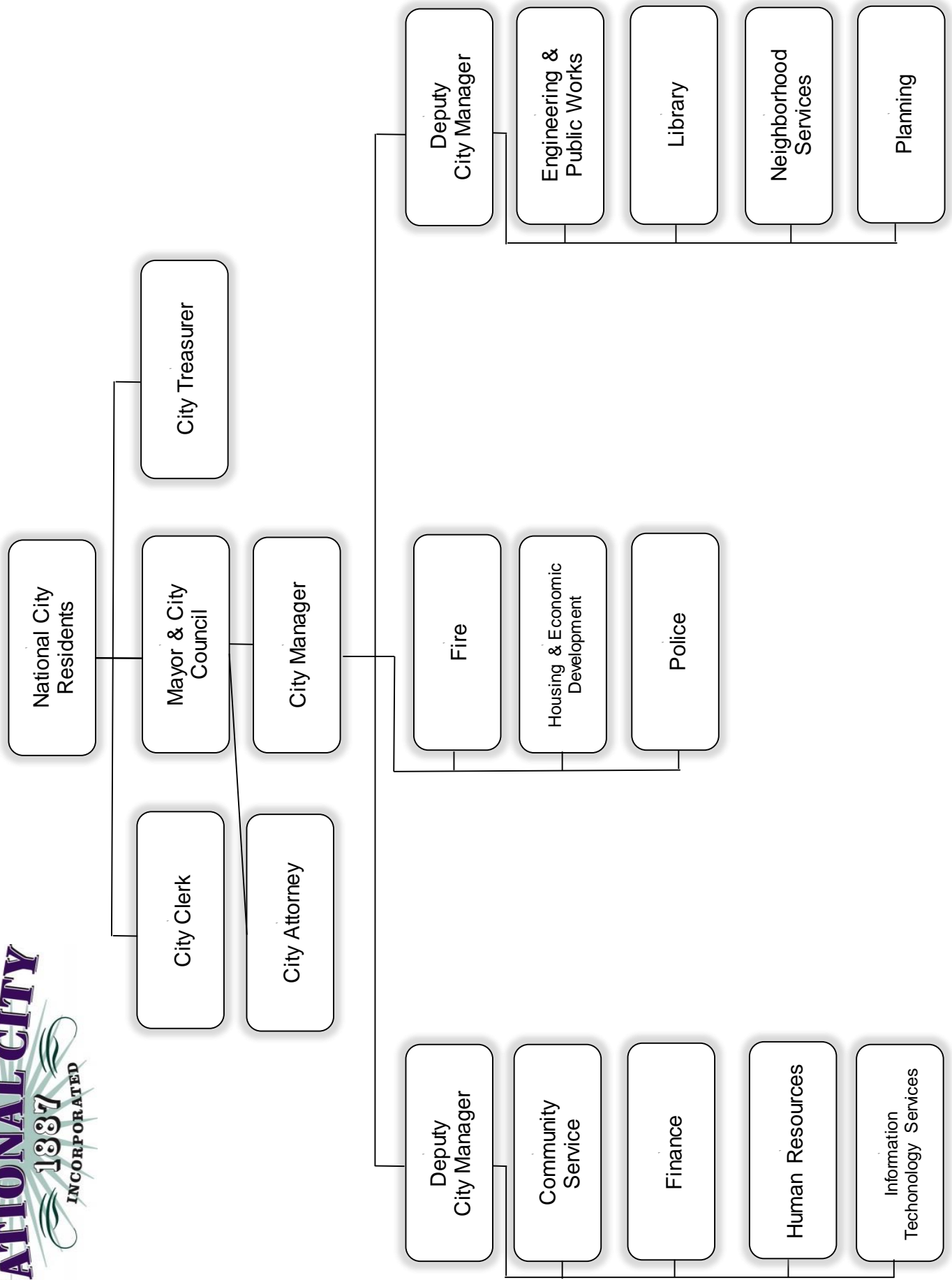
Director of Neighborhood Services

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, 2017

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, 2018, 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.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

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, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of 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 106 to 115 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.

The Combining and Individual Non-Major Fund Financial Statements and Fund Budgetary Comparison Schedules on pages 122 through 151 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

San Diego, California
December 19, 2018



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Management's Discussion and Analysis (Unaudited)

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, 2018. We encourage readers to consider the information presented here in conjunction with our letter of transmittal, which can be found beginning 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-two 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 122-129.

The City adopts annual budgets for its General, Housing, Housing Choice Voucher Program, and Sewer Service Funds. Budgetary comparison statements, found on pages 106-110, 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 35-38. Individual fund data for the internal service funds is provided in the form of supplementary combining statements and can be found on pages 144-151.

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 41-43, and the combining Statement of Changes in Assets and Liabilities for the Agency Funds can be found on page 155.

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 45.

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 106-115.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented on pages 122-129 and 144-151, 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, 2018

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 106,206,286	\$ 109,304,350	\$ 2,628,637	\$ 2,437,382	\$ 108,834,923	\$ 111,741,732
Capital Assets, Net	157,090,410	151,758,623	5,407,409	5,721,624	162,497,819	157,480,247
TOTAL ASSETS	263,296,696	261,062,973	8,036,046	8,159,006	271,332,742	269,221,979
Deferred Outflows of Resources	23,814,784	19,505,299	-	-	23,814,784	19,505,299
Current Liabilities	15,899,941	18,433,134	616,871	587,248	16,516,812	19,020,382
Long-term Liabilities	127,918,861	113,980,793	59,506	403,465	127,978,367	114,384,258
TOTAL LIABILITIES	143,818,802	132,413,927	676,377	990,713	144,495,179	133,404,640
Deferred Inflows of Resources	3,762,217	5,221,122	-	-	3,762,217	5,221,122
Net Position:						
Net Investment in						
Capital Assets	141,748,074	140,128,868	5,003,945	4,995,791	146,752,019	145,124,659
Restricted	31,566,245	34,134,528	2,333,153	2,185,518	33,899,398	36,320,046
Unrestricted	(33,783,858)	(31,330,173)	22,571	(13,016)	(33,761,287)	(31,343,189)
TOTAL NET POSITION	\$ 139,530,461	\$ 142,933,223	\$ 7,359,669	\$ 7,168,293	\$ 146,890,130	\$ 150,101,516

The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$146,890,130 at June 30, 2018, a decrease of \$3,211,296 from June 30, 2017. By far, the largest portion of the City's net position, \$146,752,019, is its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure). 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, \$33,899,398, represents resources that are subject to external restrictions on how they may be used. The remainder of net position, unrestricted net position, comprises the City's net pension liability of (\$100,576,938), the total OPEB liability (\$5,268,116), and \$72,083,767, the latter of which may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position was (\$33,761,287), as of June 30, 2018, a decline of \$2,418,098, which was primarily due to increased spending on general government and public safety.

TABLE 2
CHANGES IN NET POSITION
For the year ended June 30, 2018

	Governmental Activities		Business-Type Activity		Total	
	2018	2017	2018	2017	2018	2017
REVENUES:						
Program Revenues:						
Charges for Services	\$ 20,199,048	\$ 18,177,006	\$ 2,457,217	\$ 2,419,723	\$ 22,656,265	\$ 20,596,729
Operating Grants and Contributions	14,306,662	15,280,776	-	-	14,306,662	15,280,776
Capital Grants and Contributions	6,414,610	3,878,546	-	-	6,414,610	3,878,546
Total Program Revenues	<u>40,920,320</u>	<u>37,336,328</u>	<u>2,457,217</u>	<u>2,419,723</u>	<u>43,377,537</u>	<u>39,756,051</u>
General Revenues:						
Taxes:						
Property Taxes	12,721,058	11,948,882	-	-	12,721,058	11,948,882
Sales Taxes	30,084,675	29,284,869	-	-	30,084,675	29,284,869
Franchise Taxes	1,910,053	1,856,039	-	-	1,910,053	1,856,039
Utility User Tax	711,635	886,455	-	-	711,635	886,455
Transient Occupancy Taxes	1,660,800	1,597,957	-	-	1,660,800	1,597,957
Total Taxes	<u>47,088,221</u>	<u>45,574,202</u>	<u>-</u>	<u>-</u>	<u>47,088,221</u>	<u>45,574,202</u>
Investment Earnings	836,038	361,077	9,390	5,261	845,428	366,338
Miscellaneous	21,049	-	14,743	15,464	35,792	15,464
Total General Revenues	<u>47,945,308</u>	<u>45,935,279</u>	<u>24,133</u>	<u>20,725</u>	<u>47,969,441</u>	<u>45,956,004</u>
TOTAL REVENUES	<u>88,865,628</u>	<u>83,271,607</u>	<u>2,481,350</u>	<u>2,440,448</u>	<u>91,346,978</u>	<u>85,712,055</u>
EXPENSES:						
General Government	15,307,497	7,379,307	-	-	15,307,497	7,379,307
Public Safety	39,597,743	34,007,632	-	-	39,597,743	34,007,632
Transportation	8,076,078	8,925,351	-	-	8,076,078	8,925,351
Community Development	12,884,161	13,560,523	-	-	12,884,161	13,560,523
Health	7,467,338	8,102,830	-	-	7,467,338	8,102,830
Culture and Leisure	8,521,220	8,129,529	-	-	8,521,220	8,129,529
Depreciation	-	-	-	-	-	-
Interest on Long-term Debt	414,353	243,832	-	-	414,353	243,832
Kimball Towers	-	-	1,187,232	1,166,521	1,187,232	1,166,521
Morgan Towers	-	-	1,102,742	1,141,607	1,102,742	1,141,607
TOTAL EXPENSES	<u>92,268,390</u>	<u>80,349,004</u>	<u>2,289,974</u>	<u>2,308,128</u>	<u>94,558,364</u>	<u>82,657,132</u>
	<u>(3,402,762)</u>	<u>2,922,603</u>	<u>191,376</u>	<u>132,320</u>	<u>(3,211,386)</u>	<u>3,054,923</u>
Restatement of Net Assets (See Note 14)	<u>-</u>	<u>(4,024,282)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,024,282)</u>
CHANGE IN NET POSITION	<u>(3,402,762)</u>	<u>(1,101,679)</u>	<u>191,376</u>	<u>132,320</u>	<u>(3,211,386)</u>	<u>(969,359)</u>
NET POSITION, BEGINNING OF YEAR	142,933,223	144,034,902	7,168,293	7,035,973	150,101,516	151,070,875
NET POSITION, END OF YEAR	<u>\$ 139,530,461</u>	<u>\$ 142,933,223</u>	<u>\$ 7,359,669</u>	<u>\$ 7,168,293</u>	<u>\$ 146,890,130</u>	<u>\$ 150,101,516</u>

Table 2 provides a condensed summary of activities of the City's governmental and business-type operations for the period ended June 30, 2018, with the prior fiscal year presented for comparative purposes. The \$3,211,386 (2.1%) decline in the City's total net position resulted from a decrease in governmental activities of \$3,402,762 and increase in business-type activities of \$191,376, respectively. Governmental and business-type operating results for the current fiscal year are provided in greater detail on pages 20-21.

As noted above, net position for governmental activities declined by \$3,402,762. The key element of the decrease was spending on general government and public safety, which is discussed below.

Business-type activities increased the City's net position by \$191,376, as the result of an excess of revenues over expenses.

Governmental Activities. The City’s total revenues from governmental activities were \$88,865,628 for the fiscal year ended June 30, 2018, growing \$5,594,021, or 6.7%, compared to the prior year. The largest source of revenue for the City, at 33.9%, is sales-related taxes (comprising sales & use tax and district transaction & use tax). Revenues from sales-related taxes grew \$799,806, or 2.7%. 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 19.1% of total revenues at the end of the current fiscal year (fiscal year 2018) and increased by \$714,213, or 4.4%.

Capital grants and contributions for governmental activities ended the fiscal year \$2,536,064, or 65.4%, higher than the prior year, largely due to an increase in transportation grants. Charges for services grew by \$2,022,042, or 11.1%, compared to the prior year. Lastly, operating grants and contributions declined by \$974,114, or 6.4%.

The City’s expenses for governmental activities cover a wide array of services, with \$39,597,743, or 42.9%, for fiscal year 2018 related to public safety and \$15,307,497, or 16.6%, to general government. Overall, expenses for governmental activities rose \$11,919,386, or 14.8%, with a \$7,928,190, or 107.4%, growth in general government expenses and \$5,590,011, or 16.4%, growth in public safety the primary drivers of the change. General government includes construction in progress which, in the current fiscal year, was \$10,724,550. Details regarding projects contributing to this total may be found in the “Major Accomplishments and Initiatives” section of the letter of transmittal.

Business-type Activities. Overall revenues from the City’s business-type activities increased 1.7%, or \$40,902, to \$2,481,350 for the current fiscal year, mostly due to an increase in rental income, which increased 1.5%, or \$37,494, to \$ 2,457,217.

The City’s business-type activities expenses account for the operations of Kimball Towers and Morgan Towers. These expenses totaled \$2,289,974, decreasing 0.8%, or \$18,154, over the prior year.

Financial Analysis of the City’s Funds

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

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

The City’s classifications of fund balance comprise a hierarchy based on the extent to which the City is bound to observe constraints imposed upon the use of the financial resources of the funds. Fund balance is reported in five categories, based upon the following defining characteristics:

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

- unassigned – fund balance not falling in any of the foregoing categories and available for spending at the City’s discretion.

TABLE 3
GOVERNMENTAL FUNDS SUMMARY
For the year ended June 30, 2018

	General Fund		Housing Choice Voucher Program Fund		Other Governmental Funds		Total Governmental Funds	
	2018	2017	2018	2017	2018	2017	2018	2017
Total Assets	\$ 57,426,555	\$ 57,686,402	\$ 277,790	\$ 676,253	\$ 38,262,344	\$ 41,398,547	\$ 95,966,689	\$ 99,761,202
Total Liabilities	7,315,657	9,292,312	101,307	19,689	9,291,425	9,388,269	16,708,389	18,700,270
Fund Balances								
Non-spendable	9,966,729	9,963,816	129,383	128,645	86	1,507,925	10,096,198	11,600,386
Restricted	555,168	616,253	47,100	527,919	30,881,507	31,665,633	31,483,775	32,809,805
Committed	11,085,066	11,585,066	-	-	-	-	11,085,066	11,585,066
Assigned	15,772,642	14,325,683	-	-	-	-	15,772,642	14,325,683
Unassigned	12,731,293	11,903,272	-	-	(1,910,674)	(1,163,280)	10,820,619	10,739,992
Total Fund Balance	50,110,898	48,394,090	176,483	656,564	28,970,919	32,010,278	79,258,300	81,060,932
Total Liabilities and Fund Balances	\$ 57,426,555	\$ 57,686,402	\$ 277,790	\$ 676,253	\$ 38,262,344	\$ 41,398,547	\$ 95,966,689	\$ 99,761,202

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$79,258,300, a decrease of \$1,802,632 over the prior year. The restricted component represents the largest portion, 39.7%, of ending fund balance followed by assigned, at 19.9%, and committed, which includes assets the City has set aside in reserves for future economic contingencies and for facilities maintenance, 14.0%. Non-spendable fund balance represents 12.7% of total fund balance. Lastly, unassigned fund balance represents 13.7% 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 \$50,110,898 in comparison to \$48,394,090 in the prior year, an increase of \$1,716,808. General Fund revenues grew \$3,191,099 with increases of \$1,615,680 in intergovernmental revenues, \$1,551,097 in taxes, and \$433,437 in charges for services. General Fund expenditures rose \$6,293,980, with increases of \$3,061,746 and \$2,306,408 in general government functions and public safety activities, respectively, along with an increase \$744,334 in debt service payments largely driven by two new bonds related to clean energy. Other financing resources increased \$6,490,787, primarily as the result of the transfer of the proceeds of the above-referenced bonds into the General Fund.

The fund balance classification for the General Fund and other major funds can be found on page 101, in Note 13 of the Notes to Financial Statements section.

The Sewer Service Fund total fund balance decreased \$1,274,054, due to an excess of expenditures over revenues. The Housing Choice Voucher Program Fund total fund balance also declined as the result of expenditures exceeding revenues, decreasing by \$480,081. Sewer Service Fund revenues and expenditures both were, essentially, flat year over year, as were Housing Choice Voucher Fund revenues. However, Housing Choice Voucher Fund expenditures grew by \$529,856.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Final Budget</u>
Total Revenues	\$ 53,844,876	\$ 53,844,876	\$ 54,814,126	\$ 969,250
Expenditures:				
General Government	8,266,896	9,079,193	8,558,000	521,193
Public Safety	37,666,466	38,526,340	36,405,839	2,120,501
Transportation	3,474,897	3,655,625	3,324,708	330,917
Community Development	375,643	877,129	418,845	458,284
Culture and Leisure	4,096,101	4,055,992	3,852,718	203,274
Capital Outlay	2,900,000	16,507,489	4,006,575	12,500,914
Principal	672,162	672,162	672,162	-
Interest on Long-term Debt	315,419	315,419	315,419	-
Total Expenditures	<u>57,767,584</u>	<u>73,689,349</u>	<u>57,554,266</u>	<u>16,135,083</u>
Revenues Over (Under) Expenditures	(3,922,708)	(19,844,473)	(2,740,140)	17,104,333
Other Financing Sources	5,523,602	-	4,456,948	4,456,948
Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,600,894</u>	<u>(19,844,473)</u>	1,716,808	<u>21,561,281</u>
Beginning Fund Balance			48,394,090	
Ending Fund Balance			<u>\$ 50,110,898</u>	

Final budgeted General Fund revenues did not change from the amounts originally budgeted.

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

- Actual revenues were \$969,250 more than the final budget. While collections for fines and forfeitures were \$1,978,916 short of their budgeted estimate, overall receipts for all other revenue categories exceeded their budgeted amounts, led by intergovernmental receipts, which ended the year \$1,506,343 above their projected total.
- Actual expenditures were less than their overall budgeted amount \$16,135,083. The most significant variance of \$12,500,914 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 \$3,634,169 of the total variance is due to savings in public safety and operational cost savings, particularly personnel cost savings.

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, 2018, amounted to \$162,497,819. This investment includes land, rights of ways, construction in progress, buildings and improvements, machinery, and infrastructure. Infrastructure assets represented 49.0% of total combined assets.

TABLE 5
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)
For the year ended June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
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	14,340,585	15,082,792	-	-	\$ 14,340,585	\$ 15,082,792
Buildings and improvements	28,564,089	29,856,959	4,685,090	5,153,467	\$ 33,249,179	\$ 35,010,426
Machinery and equipment	7,188,232	6,743,115	193,937	251,228	\$ 7,382,169	\$ 6,994,343
Infrastructure	79,596,979	72,611,694	-	-	\$ 79,596,979	\$ 72,611,694
Radio Rights	1,143,687	1,207,225	-	-	\$ 1,143,687	\$ 1,207,225
TOTALS	\$ 157,090,410	\$ 151,758,623	\$ 5,407,409	\$ 5,933,077	\$ 162,497,819	\$ 157,691,700

The largest addition to capital assets during the current fiscal year was in infrastructure, which grew \$6,985,285 to \$79,596,979, net of depreciation. The most significant contributors to the growth were the completion of the Sewer Replacement and Upsizing project and various street projects, including the Westside Pedestrian & Bicycle Enhancements project, the 18th Street Community Corridor project, the City-wide Midblock Pedestrian Crossing Enhancements project, and street resurfacing and alley improvements throughout the city. Buildings and improvements fell \$1,761,247 to \$33,249,179 after depreciation, with no projects completed during the current fiscal year significantly impacting the total. Construction in progress totaled \$14,340,585, which included new spending of \$10,724,550 and transfers to completed projects of \$11,466,757. Depreciation expense during the fiscal year was \$6,577,157 for governmental activities and \$314,215 for business-type activities, an overall total of \$6,891,372.

Additional information on the City's capital assets can be found in Note 5 on pages 74-76 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$33,162,306, including bonded debt of \$12,015,497.

TABLE 6
OUTSTANDING LONG-TERM DEBT
For the year ended June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
2012 General Obligation Refunding Bonds	\$ 3,635,000	\$ 3,900,000	\$ -	\$ -	\$ 3,635,000	\$ 3,900,000
Bond Premium	16,048	17,653	-	-	16,048	17,653
NCJPFA Lease Revenue Refunding Bonds	-	490,000	-	-	-	490,000
HUD 108 Bonds, Series A	3,050,000	3,440,000	-	-	3,050,000	3,440,000
2017 Clean Energy Bonds	1,800,000	-	-	-	1,800,000	-
2017 Lease Revenue Bonds	3,530,497	-	-	-	3,530,497	-
Notes Payable	1,043,788	1,158,837	-	-	1,043,788	1,158,837
Capital Leases	1,264,425	1,494,160	-	-	1,264,425	1,494,160
Morgan Towers Notes Payable	-	-	403,464	725,833	403,464	725,833
Compensated Absences	3,755,968	4,027,498	-	-	3,755,968	4,027,498
Claims Payable	9,395,000	9,494,000	-	-	9,395,000	9,494,000
OPEB Liability	5,268,116	5,116,397	-	-	5,268,116	5,116,397
TOTALS	\$ 32,758,842	\$ 29,138,545	\$ 403,464	\$ 725,833	\$ 33,162,306	\$ 29,864,378

The City’s total debt increased by \$3,297,928, or 11.0%, during the current fiscal year. The net increase primarily resulted from the issuance of the bonds related to clean energy of \$5,330,497 and decreases in other debt due to normally scheduled payments.

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 pages 76-84 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, 2018

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current assets:			
Cash and investments	\$ 79,195,907	\$ 214,723	\$ 79,410,630
Receivables:			
Accounts	2,045,094	4,667	2,049,761
Taxes	5,041,524	-	5,041,524
Interest	267,035	-	267,035
Due from other governments	1,363,747	-	1,363,747
Land held for resale	6,239,182	-	6,239,182
Inventories and prepaid items	161,016	76,094	237,110
Total current assets	94,313,505	295,484	94,608,989
Noncurrent assets:			
Restricted cash and investments:			
Held by fiscal agent	10,334	2,333,153	2,343,487
Loans receivable	11,882,447	-	11,882,447
Non-depreciable capital assets	40,597,423	528,382	41,125,805
Depreciable capital assets, net	116,492,987	4,879,027	121,372,014
Total noncurrent assets	168,983,191	7,740,562	176,723,753
Total assets	263,296,696	8,036,046	271,332,742
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	42,000	-	42,000
Pension related deferred outflows	23,772,784	-	23,772,784
Total deferred outflows of resources	23,814,784	-	23,814,784

City of National City
Statement of Net Position (Continued)
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 4,822,057	\$ 158,627	\$ 4,980,684
Accrued liabilities	1,532,804	18,181	1,550,985
Interest payable	124,458	2,185	126,643
Unearned revenue	3,532,496	-	3,532,496
Deposits payable	-	93,920	93,920
Compensated absences - due within one year	2,383,204	-	2,383,204
Claims payable - due within one year	2,305,406	-	2,305,406
Long-term debt - due within one year	1,199,516	343,958	1,543,474
Total current liabilities	15,899,941	616,871	16,516,812
Noncurrent liabilities:			
Developer deposits	471,207	-	471,207
Total OPEB liability	5,268,116	-	5,268,116
Aggregate net pension liability	100,576,938	-	100,576,938
Compensated absences - due in more than one year	1,372,764	-	1,372,764
Claims payable - due in more than one year	7,089,594	-	7,089,594
Long-term debt - due in more than one year	13,140,242	59,506	13,199,748
Total noncurrent liabilities	127,918,861	59,506	127,978,367
Total liabilities	143,818,802	676,377	144,495,179
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	3,762,217	-	3,762,217
Total deferred inflows of resources	3,762,217	-	3,762,217
NET POSITION			
Net investment in capital assets	141,748,074	5,003,945	146,752,019
Restricted:			
General services	16,441,482	-	16,441,482
Community development	283,394	1,514,475	1,797,869
Public safety	1,472,665	-	1,472,665
Transportation	1,985,811	-	1,985,811
Housing	8,980,034	-	8,980,034
Debt service	1,681,688	818,678	2,500,366
Capital projects	721,171	-	721,171
Total restricted	31,566,245	2,333,153	33,899,398
Unrestricted (deficit)	(33,783,858)	22,571	(33,761,287)
Total net position	\$ 139,530,461	\$ 7,359,669	\$ 146,890,130

City of National City
Statement of Activities and Changes in Net Position
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 15,307,497	\$ 2,543,350	\$ 498,879	\$ (397,748)	\$ 2,644,481
Public safety	39,597,743	3,393,625	1,694,628	-	5,088,253
Transportation	8,076,078	1,640,930	-	6,812,358	8,453,288
Community development	12,884,161	3,320,354	12,050,437	-	15,370,791
Health	7,467,338	8,624,774	15,428	-	8,640,202
Culture and leisure	8,521,220	676,015	47,290	-	723,305
Interest on long-term debt	414,353	-	-	-	-
Total governmental activities	<u>92,268,390</u>	<u>20,199,048</u>	<u>14,306,662</u>	<u>6,414,610</u>	<u>40,920,320</u>
Business-type activities:					
Kimball Towers	1,187,232	1,127,607	-	-	1,127,607
Morgan Towers	1,102,742	1,329,610	-	-	1,329,610
Total business-type activities	<u>2,289,974</u>	<u>2,457,217</u>	<u>-</u>	<u>-</u>	<u>2,457,217</u>
Total primary government	<u>\$ 94,558,364</u>	<u>\$ 22,656,265</u>	<u>\$ 14,306,662</u>	<u>\$ 6,414,610</u>	<u>\$ 43,377,537</u>

City of National City
Statement of Activities and Changes in Net Position (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (12,663,016)	\$ -	\$ (12,663,016)
Public safety	(34,509,490)	-	(34,509,490)
Transportation	377,210	-	377,210
Community development	2,486,630	-	2,486,630
Health	1,172,864	-	1,172,864
Culture and leisure	(7,797,915)	-	(7,797,915)
Interest on long-term debt	(414,353)	-	(414,353)
Total governmental activities	<u>(51,348,070)</u>	<u>-</u>	<u>(51,348,070)</u>
Business-type activities:			
Kimball Towers	-	(59,625)	(59,625)
Morgan Towers	-	226,868	226,868
Total business-type activities	<u>-</u>	<u>167,243</u>	<u>167,243</u>
Total primary government	<u>(51,348,070)</u>	<u>167,243</u>	<u>(51,180,827)</u>
General revenues:			
Taxes:			
Property taxes	12,721,058	-	12,721,058
Sales taxes	30,084,675	-	30,084,675
Franchise taxes	1,910,053	-	1,910,053
Utilities user taxes	711,635	-	711,635
Transient occupancy taxes	1,660,800	-	1,660,800
Total taxes	<u>47,088,221</u>	<u>-</u>	<u>47,088,221</u>
Investment earnings	836,038	9,390	845,428
Miscellaneous	21,049	14,743	35,792
Total general revenues	<u>47,945,308</u>	<u>24,133</u>	<u>47,969,441</u>
Changes in net position	(3,402,762)	191,376	(3,211,386)
Net Position - beginning of year	<u>142,933,223</u>	<u>7,168,293</u>	<u>150,101,516</u>
Net Position - end of year	<u>\$ 139,530,461</u>	<u>\$ 7,359,669</u>	<u>\$ 146,890,130</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, 2018

	Major Funds			
	General Fund	Housing Special Revenue Fund	Housing Choice Voucher Program Special Revenue Fund	Sewer Service Special Revenue Fund
ASSETS				
Cash and investments	\$ 38,524,469	\$ 263,476	\$ -	\$ 14,934,952
Receivables:				
Accounts	1,521,364	109,672	148,407	66,084
Taxes	4,988,297	-	-	-
Interest	209,115	1,078	-	50,339
Loans	-	10,700,365	-	-
Due from other funds	2,075,945	-	-	-
Due from other governments	140,636	-	-	674,041
Advances to other funds	4,941,000	-	-	-
Inventories and prepaid items	31,547	-	129,383	-
Land held for resale	4,994,182	1,245,000	-	-
Total assets	<u>\$ 57,426,555</u>	<u>\$ 12,319,591</u>	<u>\$ 277,790</u>	<u>\$ 15,725,416</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,421,877	\$ 11,725	\$ 8,338	\$ 136,286
Accrued liabilities	1,352,612	5,594	10,577	12,632
Due to other funds	-	-	82,392	-
Advances from other funds	-	4,941,000	-	-
Deposits	11,419	-	-	-
Unearned revenue	3,529,749	-	-	-
Total liabilities	<u>7,315,657</u>	<u>4,958,319</u>	<u>101,307</u>	<u>148,918</u>
Fund Balances:				
Nonspendable	9,966,729	-	129,383	-
Restricted	555,168	7,361,272	47,100	15,576,498
Committed	11,085,066	-	-	-
Assigned	15,772,642	-	-	-
Unassigned	12,731,293	-	-	-
Total fund balances	<u>50,110,898</u>	<u>7,361,272</u>	<u>176,483</u>	<u>15,576,498</u>
Total liabilities and fund balances	<u>\$ 57,426,555</u>	<u>\$ 12,319,591</u>	<u>\$ 277,790</u>	<u>\$ 15,725,416</u>

**City of National City
Balance Sheet (Continued)
Governmental Funds
June 30, 2018**

	<u>Major Funds</u>		
	<u>Other Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 5,066,675	\$ 3,248,816	\$ 62,038,388
Receivables:			
Accounts	21,964	88,914	1,956,405
Taxes	-	53,227	5,041,524
Interest	1,595	4,908	267,035
Loans	-	1,182,082	11,882,447
Due from other funds	-	-	2,075,945
Due from other governments	549,070	-	1,363,747
Advances to other funds	-	-	4,941,000
Inventories and prepaid items	-	86	161,016
Land held for resale	-	-	6,239,182
Total assets	<u><u>\$ 5,639,304</u></u>	<u><u>\$ 4,578,033</u></u>	<u><u>\$ 95,966,689</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,341,469	\$ 269,796	\$ 4,189,491
Accrued liabilities	7,215	109,620	1,498,250
Due to other funds	1,794,576	198,977	2,075,945
Advances from other funds	-	-	4,941,000
Deposits	459,788	-	471,207
Unearned revenue	-	2,747	3,532,496
Total liabilities	<u><u>3,603,048</u></u>	<u><u>581,140</u></u>	<u><u>16,708,389</u></u>
Fund Balances:			
Nonspendable	-	86	10,096,198
Restricted	3,742,973	4,200,764	31,483,775
Committed	-	-	11,085,066
Assigned	-	-	15,772,642
Unassigned	(1,706,717)	(203,957)	10,820,619
Total fund balances	<u><u>2,036,256</u></u>	<u><u>3,996,893</u></u>	<u><u>79,258,300</u></u>
Total liabilities and fund balances	<u><u>\$ 5,639,304</u></u>	<u><u>\$ 4,578,033</u></u>	<u><u>\$ 95,966,689</u></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, 2018

Total Fund Balances - Total Governmental Funds	<u>\$ 79,258,300</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	157,090,410
Less: Internal Service Funds' Capital Assets	<u>(6,068,043)</u>
Total capital assets	<u>151,022,367</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 \$12,557 in internal service funds).	
	<u>(111,901)</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	(2,383,204)
Compensated absences - due in more than one year	(1,372,764)
Claims payable - due within one year	(2,305,406)
Claims payable - due in more than one year	(7,089,594)
Long-term debt - due within one year	(1,199,516)
Long-term debt - due in more than one year	(13,140,242)
Net OPEB liability	<u>(5,268,116)</u>
	<u>(32,758,842)</u>
Less: Amount reported in Internal Service Funds	
Capital leases payable - due within one year	124,463
Capital leases payable - due in more than one year	920,115
Compensated absences - due within one year	132,108
Claims payable - due within one year	2,305,406
Claims payable - due in more than one year	<u>7,089,594</u>
	<u>10,571,686</u>
Net long-term liabilities	<u>(22,187,156)</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.	
	23,772,784
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	
	(100,576,938)
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.	
	42,000
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.	
	(3,762,217)
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>12,073,222</u>
Net Position of Governmental Activities	<u><u>\$ 139,530,461</u></u>

City of National City
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds			
	General Fund	Housing Special Revenue Fund	Housing Choice Voucher Program Special Revenue Fund	Sewer Service Special Revenue Fund
REVENUES:				
Taxes	\$ 44,698,296	\$ -	\$ -	\$ -
Licenses and permits	1,169,216	-	-	-
Fines and forfeitures	544,211	-	77,548	-
Use of money and property	991,103	168,855	142	188,921
Intergovernmental	2,357,306	-	11,097,102	-
Charges for services	3,283,420	-	-	7,235,751
Other revenues	1,770,574	-	-	670,581
Total revenues	54,814,126	168,855	11,174,792	8,095,253
EXPENDITURES:				
Current:				
General Government	8,558,000	-	-	-
Public Safety	36,405,839	-	-	-
Transportation	3,324,708	-	-	-
Community Development	418,845	342,523	11,640,386	-
Health	-	-	-	6,565,222
Culture and Leisure	3,852,718	-	-	-
Capital outlay	4,006,575	-	-	2,544,085
Debt service:				
Principal	672,162	-	-	-
Interest and fiscal charges	315,419	-	-	-
Total expenditures	57,554,266	342,523	11,640,386	9,109,307
REVENUES OVER (UNDER) EXPENDITURES	(2,740,140)	(173,668)	(465,594)	(1,014,054)
OTHER FINANCING SOURCES (USES):				
Proceeds from debt issuance	-	-	-	-
Transfers in	4,456,948	-	-	-
Transfers out	-	(5,924)	(14,487)	(260,000)
Total other financing sources (uses)	4,456,948	(5,924)	(14,487)	(260,000)
CHANGES IN FUND BALANCES	1,716,808	(179,592)	(480,081)	(1,274,054)
FUND BALANCES:				
Beginning of year	48,394,090	7,540,864	656,564	16,850,552
End of year	\$ 50,110,898	\$ 7,361,272	\$ 176,483	\$ 15,576,498

City of National City
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2018

	<u>Major Funds</u>		
	<u>Other Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 445,127	\$ 3,825,248	\$ 48,968,671
Licenses and permits	710,163	-	1,879,379
Fines and forfeitures	17,850	23,596	663,205
Use of money and property	1,915	42,797	1,393,733
Intergovernmental	6,583,560	2,633,882	22,671,850
Charges for services	491,642	-	11,010,813
Other revenues	22,514	212,056	2,675,725
Total revenues	<u>8,272,771</u>	<u>6,737,579</u>	<u>89,263,376</u>
EXPENDITURES:			
Current:			
General Government	204,573	-	8,762,573
Public Safety	929,173	200,626	37,535,638
Transportation	-	1,406,926	4,731,634
Community Development	79,898	460,671	12,942,323
Health	148,030	830,854	7,544,106
Culture and Leisure	193,920	3,992,425	8,039,063
Capital outlay	6,946,842	1,063,195	14,560,697
Debt service:			
Principal	-	880,000	1,552,162
Interest and fiscal charges	-	72,438	387,857
Total expenditures	<u>8,502,436</u>	<u>8,907,135</u>	<u>96,056,053</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(229,665)</u>	<u>(2,169,556)</u>	<u>(6,792,677)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from debt issuance	-	5,523,602	5,523,602
Transfers in	902,851	1,554,169	6,913,968
Transfers out	(1,590,087)	(5,577,027)	(7,447,525)
Total other financing sources (uses)	<u>(687,236)</u>	<u>1,500,744</u>	<u>4,990,045</u>
CHANGES IN FUND BALANCES	(916,901)	(668,812)	(1,802,632)
FUND BALANCES:			
Beginning of year	<u>2,953,157</u>	<u>4,665,705</u>	<u>81,060,932</u>
End of year	<u>\$ 2,036,256</u>	<u>\$ 3,996,893</u>	<u>\$ 79,258,300</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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (1,802,632)
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period (net of \$1,243,109 added in internal service funds).	11,063,583
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 \$749,220.	(5,827,937)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) decreased Net Position.	(397,748)
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	1,552,162
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	294,856
Changes in net OPEB liabilities	(151,719)
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).	(10,289,883)
The net effect of various miscellaneous transactions involving pension plans (i.e. deferred inflow/outflow amortization, contributions after measurement date) decreased Net Position.	248,988
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.	(23,901)
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.	1,934,064
Change in Net Position of Governmental Activities	\$ (3,402,762)

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, 2018

	Major Funds			Governmental
	Kimball Towers	Morgan Towers	Total	Activities Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 179,279	\$ 35,444	\$ 214,723	\$ 17,157,519
Accounts receivable	339	4,328	4,667	88,689
Inventories	-	-	-	-
Prepaid items and deposits	38,842	37,252	76,094	-
Total current assets	218,460	77,024	295,484	17,246,208
Noncurrent assets:				
Restricted cash and investments	1,514,475	818,678	2,333,153	10,334
Capital assets:				
Non-depreciable assets	315,814	212,568	528,382	-
Depreciable assets, net of accumulated depreciation	3,575,123	1,303,904	4,879,027	6,068,043
Total capital assets, net	3,890,937	1,516,472	5,407,409	6,068,043
Total noncurrent assets	5,405,412	2,335,150	7,740,562	6,078,377
Total assets	5,623,872	2,412,174	8,036,046	23,324,585
LIABILITIES AND NET POSITION				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	65,974	92,653	158,627	632,566
Salaries payable	9,382	8,799	18,181	34,554
Interest payable	-	2,185	2,185	12,557
Capital leases payable - due within one year	-	-	-	124,463
Compensated absences - due within one year	-	-	-	132,108
Note payable - due within one year	-	343,958	343,958	-
Claims payable - due within one year	-	-	-	2,305,406
Total current liabilities	75,356	447,595	522,951	3,241,654
Noncurrent liabilities:				
Tenant security deposit liability	49,041	44,879	93,920	-
Capital leases payable - due in more than one year	-	-	-	920,115
Note payable - due in more than one year	-	59,506	59,506	-
Claims payable - due in more than one year	-	-	-	7,089,594
Total noncurrent liabilities	49,041	104,385	153,426	8,009,709
Total liabilities	124,397	551,980	676,377	11,251,363
Net Position:				
Net investment in capital assets	3,890,937	1,113,008	5,003,945	5,023,465
Restricted:				
Debt service	-	818,678	818,678	10,334
Housing programs	1,514,475	-	1,514,475	-
Total restricted	1,514,475	818,678	2,333,153	10,334
Unrestricted (deficit)	94,063	(71,492)	22,571	7,039,423
Total net position	\$ 5,499,475	\$ 1,860,194	\$ 7,359,669	\$ 12,073,222



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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, 2018

	Major Funds			Governmental
	Kimball Towers	Morgan Towers	Total	Activities Internal Service Funds
OPERATING REVENUES:				
Rental income	\$ 1,127,607	\$ 1,329,610	\$ 2,457,217	\$ -
Charges for services	-	-	-	11,720,862
Other	7,782	6,961	14,743	149,260
Total operating revenues	1,135,389	1,336,571	2,471,960	11,870,122
OPERATING EXPENSES:				
Operations and administration	513,871	513,898	1,027,769	4,559,527
Maintenance	472,684	436,192	908,876	5,120,656
Depreciation	200,677	113,538	314,215	749,220
Total operating expenses	1,187,232	1,063,628	2,250,860	10,429,403
OPERATING INCOME (LOSS)	(51,843)	272,943	221,100	1,440,719
NONOPERATING REVENUES (EXPENSES):				
Interest income	5,680	3,710	9,390	-
Interest expense	-	(39,114)	(39,114)	(40,212)
Total nonoperating revenues (expenses)	5,680	(35,404)	(29,724)	(40,212)
INCOME (LOSS) BEFORE TRANSFERS	(46,163)	237,539	191,376	1,400,507
TRANSFERS:				
Transfers in	-	-	-	563,441
Transfers out	-	-	-	(29,884)
Total transfers	-	-	-	533,557
CHANGES IN NET POSITION	(46,163)	237,539	191,376	1,934,064
NET POSITION:				
Beginning of year	5,545,638	1,622,655	7,168,293	10,139,158
End of year	<u>\$ 5,499,475</u>	<u>\$ 1,860,194</u>	<u>\$ 7,359,669</u>	<u>\$ 12,073,222</u>

City of National City
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Major Funds			Governmental
	Kimball Towers	Morgan Towers	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 1,127,938	\$ 1,325,724	\$ 2,453,662	\$ -
Cash received from other funds	-	-	-	11,646,814
Cash payments to supplier and employees for goods and services	(1,015,960)	(895,592)	(1,911,552)	(10,081,175)
Other operating revenues	7,781	6,961	14,742	149,260
Net cash provided by operating activities	<u>119,759</u>	<u>437,093</u>	<u>556,852</u>	<u>1,714,899</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on debt	-	(322,369)	(322,369)	(130,724)
Acquisition of capital assets	-	(1)	(1)	(1,243,109)
Interest paid	-	-	-	(41,681)
Net cash used in capital and related financing activities	<u>-</u>	<u>(322,370)</u>	<u>(322,370)</u>	<u>(1,415,514)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interest paid	-	(40,860)	(40,860)	-
Transfers in	-	-	-	563,441
Transfers (out)	-	-	-	(29,884)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(40,860)</u>	<u>(40,860)</u>	<u>533,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	5,680	3,710	9,390	-
Net cash provided by investing activities	<u>5,680</u>	<u>3,710</u>	<u>9,390</u>	<u>-</u>
Net change in cash and cash equivalents	125,439	77,573	203,012	832,942
CASH AND CASH EQUIVALENTS:				
Beginning of year	1,568,315	776,549	2,344,864	16,334,911
End of year	<u>\$ 1,693,754</u>	<u>\$ 854,122</u>	<u>\$ 2,547,876</u>	<u>\$ 17,167,853</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 179,279	\$ 35,444	\$ 214,723	\$ 17,157,519
Restricted cash and investments	1,514,475	818,678	2,333,153	10,334
Total cash and cash equivalents	<u>\$ 1,693,754</u>	<u>\$ 854,122</u>	<u>\$ 2,547,876</u>	<u>\$ 17,167,853</u>

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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



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City of National City
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds	Successor Agency Private-Purpose Trust Fund
ASSETS		
Cash and investments	\$ 1,501,311	\$ 14,490,281
Receivables:		
Account	-	10,963
Interest	-	39,649
Loans	-	434,938
Restricted cash and investments with fiscal agent	-	1,433
Capital asset, net accumulated depreciation	-	450,000
Total assets	\$ 1,501,311	15,427,264
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding		6,584,547
Total deferred outflows of resources		6,584,547
LIABILITIES		
Accounts payable and accrued liabilities	\$ 159,153	259,676
Interest payable	-	502,188
Long-term debt - due within one year	-	3,163,000
Long-term debt - due in more than one year	-	45,380,000
Developer deposits	-	25,000
Deposits payable	1,342,158	-
Total liabilities	\$ 1,501,311	49,329,864
NET POSITION		
Held in trust		(27,318,053)
Total net position		\$ (27,318,053)



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City of National City
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Successor Agency Private-Purpose Trust Fund
ADDITIONS:	
Property taxes	\$ 8,921,732
Investment income	132,047
Total additions	9,053,779
DEDUCTIONS:	
Enforceable obligations	623,658
Community development	1,811,931
Administrative expenses	312,348
Total deductions	2,747,937
Changes in Net Position	6,305,842
NET POSITION:	
Beginning of year	(33,623,895)
End of year	\$ (27,318,053)



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**NOTES TO THE
BASIC FINANCIAL STATEMENTS**





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City of National City
Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

<u>NOTE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
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City of National City
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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

The City reports the following 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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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, 2018

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

O. Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan (Note 11).

The following timeframes are used for OPEB reporting:

CalPERS:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

P. 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.

Q. 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

Q. Fund Balances (Continued)

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.

R. 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.

S. 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

T. Accounting Changes

New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018

GASB Statement No. 81

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement did not have a significant effect on the City's financial statements.

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement did not have a significant effect on the City's financial statements.

GASB Statement No. 86

In April 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement did not have a significant effect on the City's financial statements.

Upcoming Governmental Accounting Standards Implementation

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

T. Accounting Changes (Continued)

Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

T. Accounting Changes (Continued)

Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests— An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City’s fiscal year ending June 30, 2020.

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, 2018.

	<u>Government-Wide Statement of Net Position</u>			<u>Fiduciary Funds</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Statement of</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Net Position</u>	
Cash and investments	\$ 79,195,907	\$ 214,723	\$ 79,410,630	\$ 15,991,592	\$ 95,402,222
Restricted cash and investments:					
Held by fiscal agents	10,334	2,333,153	2,343,487	1,433	2,344,920
Total restricted cash and investments	10,334	2,333,153	2,343,487	1,433	2,344,920
Total cash and investments	<u>\$ 79,206,241</u>	<u>\$ 2,547,876</u>	<u>\$ 81,754,117</u>	<u>\$ 15,993,025</u>	<u>\$ 97,747,142</u>

Cash, cash equivalents and investments consisted of the following at June 30, 2018:

Petty cash	\$ 3,615
Deposits with financial institution	21,293,374
Investments	74,105,233
Investments held by bond trustee	2,344,920
Total cash and investments	<u>\$ 97,747,142</u>

A. Deposits

The carrying amount of the City’s cash deposits were \$21,293,374 at June 30, 2018. Bank balances before reconciling items were \$22,199,819 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City’s name as discussed below.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

A. Deposits (Continued)

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

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

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

B. Investments

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

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

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

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

** Maximum is \$50 million per account.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018, the City’s investments had the following recurring fair value measurements:

Investment Type	Level 2	Uncategorized	Percent of Total
LAIF	\$ -	\$ 36,052,050	48.65%
Money Market Funds	-	596,492	0.80%
San Diego County Investment Pool	-	8,228,583	11.10%
Supranational	954,387	-	1.29%
Negotiable Certificates of Deposit	1,133,335	-	1.53%
Commercial Paper	1,103,510	-	1.49%
Asset-backed Securities	1,968,424	-	2.66%
US Corporate	5,308,780	-	7.16%
US Treasury Obligations	7,843,870	-	10.58%
US Agency Securities	10,915,802	-	14.73%
Total Investments	\$ 29,228,108	\$ 44,877,125	100.00%

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Medium term notes: quoted prices for similar securities in active markets; and
- Asset-backed securities: recent appraisals of the asset value.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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	\$ 317,840	\$ 404,891	\$ 722,731
Residual receipts reserve	-	343,093	343,093
MIP and insurance impounds reserve	-	25,815	25,815
Other	1,196,635	44,879	1,241,514
Total restricted cash and investments	\$ 1,514,475	\$ 818,678	\$ 2,333,153

Kimball Towers

Reserve for replacements of \$317,840 represents a balance held in trust by the City of National City Community Development Commission.

Other restricted cash and investments totaling \$1,196,635 are included in the accompanying basic financial statements.

Morgan Towers

Reserve for replacements of \$404,891 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 \$343,093 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 \$25,815, represents amounts held for the future payment of property and mortgage insurance.

Other restricted cash and investments totaling \$44,879 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, 2018, 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, 2018

Note 2 – Cash and Investments (Continued)

E. Risks Disclosures (Continued)

Interest Rate Risk (Continued)

As of June 30, 2018, 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	\$ 36,052,050	\$ 36,052,050	\$ -	\$ -	\$ -	\$ -
Money Market Funds	596,492	596,492	-	-	-	-
San Diego County Investment Pool	8,228,583	8,228,583	-	-	-	-
Supranational	954,387	452,579	-	501,808	-	-
Negotiable Certificates of Deposit	1,133,335	1,133,335	-	-	-	-
Commercial Paper	1,103,510	1,103,510	-	-	-	-
Asset-backed Securities	1,968,424	-	611,780	653,057	703,587	-
US Corporate	5,308,780	530,418	1,465,941	2,539,705	391,313	381,403
US Treasury Obligations	7,843,870	1,730,617	2,929,291	2,010,834	1,173,128	-
US Agency Securities	10,915,802	2,715,528	3,289,360	1,669,980	2,750,778	490,156
Total Investments	\$ 74,105,233	\$ 52,543,112	\$ 8,296,372	\$ 7,375,384	\$ 5,018,806	\$ 871,559

The weighted average maturity of the portfolio was 1.56 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	\$ 36,052,050	Not Rated	Not Rated
Money Market Funds	596,492	Aaa	AAA
San Diego County Investment Pool	8,228,583	Not Rated	Not Rated
Supranational	954,387	Aaa	AAA
Negotiable Certificates of Deposit	1,133,335	P-1	A-1
Commercial Paper	1,103,510	P-1	A-1
Asset-backed Securities	1,968,424	Aaa	AAA
US Corporate	5,308,780	Various	Various
US Treasury Obligations	7,843,870	Aaa	AA+
US Agency Securities	10,915,802	Aaa	AA+
	\$ 74,105,233		

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

E. Risks Disclosures (Continued)

Custodial Credit Risk

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

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Fair Value</u>
Local Agency Investment Fund (LAIF)	California Pooled Investment Fund	\$ 36,052,050
US Agency Securities	Federal Agency Securities	10,915,802
San Diego County Investment Pool	San Diego County Pooled Investment Fund	8,228,583
US Treasury Obligations	US Treasury Obligations	7,843,870
US Corporate	Corporate Medium Term Notes	5,308,780

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, 2018 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, 2018, the City had \$36,052,050 invested in LAIF, which had invested 2.67% 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, 2018, 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, 2018.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

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. At June 30, 2018, the City had \$8,228,583 invested in the pool. 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. 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>.

Note 3 – Loans Receivable

A. Government-Wide Financial Statements

At June 30, 2018, the City had the following loans receivable, including principal and accrued interest:

Copper Hills Apartments, LP	\$	7,407,795
Plaza City Apartments, LP		3,422,000
Home Improvement Loan Program		31,554
First Time Home Buyers Program		3,388,177
Owner Occupied Loan Program		489,601
Rental Rehabilitation Loan Program		3,332,500
Paradise Creek, LP		5,975,002
Subtotal		24,046,629
Less: Contractual Allowance		(12,164,182)
Total	\$	11,882,447

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, 2018, the outstanding balance was \$7,407,795.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Loans Receivable (Continued)

A. Government-Wide Financial Statements (Continued)

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, 2018, 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, 2018, the outstanding balance of the loans made was \$31,554.

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, 2018, the outstanding balance of the loans made was \$3,388,177.

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, 2018, the outstanding balance of the loans made was \$489,601.

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, 2018, the outstanding balance of loans made was \$3,332,500.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Loans Receivable (Continued)

A. Government-Wide Financial Statements (Continued)

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, 2018, the note receivable amount is \$5,975,002. 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, 2018, the Agency had the following loans receivable, including principal and accrued interest:

National City Mile of Cars	\$	434,938
First Time Home Buyers Program		2,500,000
Subtotal		2,934,938
Less: Contractual Allowance		(2,500,000)
Total	\$	434,938

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, 2018, the note receivable amount was \$434,938. 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, 2018, the outstanding balance of the loans made was \$2,500,000 with an allowance for doubtful accounts applied for the full balance.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Interfund Balances and Transactions

A. Due to/Due from other funds

At June 30, 2018, interfund receivables and payables were as follows:

Due From Other Funds	Due To Other Funds			
	Housing Choice Voucher Program Special Revenue Fund	Other Special Revenue Fund	Nonmajor Governmental Funds	Total
	Fund	Fund	Funds	Total
General Fund	\$ 82,392	\$ 1,794,576	\$ 198,977	\$ 2,075,945
Total	\$ 82,392	\$ 1,794,576	\$ 198,977	\$ 2,075,945

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, 2018, long-term advances balances were as follows:

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

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

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 4 – Interfund Balances and Transactions (Continued)

C. Transfers In/Out

For the year ended June 30, 2018, interfund transfers were as follows:

Transfers Out	Transfers In					Total
	General Fund	Other Special Revenue Fund	Non-major Governmental Funds	Governmental Activities Internal Service Funds	Successor Agency	
Housing Special Revenue Fund	\$ -	\$ -	\$ -	\$ 5,924	\$ -	\$ 5,924
Housing Choice Voucher Program Special Revenue Fund	-	-	-	14,487	-	14,487
Sewer Service Special Revenue Fund	-	-	-	260,000	-	260,000
Other Special Revenue Fund	-	-	1,554,169	35,918	-	1,590,087
Nonmajor Governmental Funds	4,427,064	902,851	-	247,112	-	5,577,027
Governmental Activities Internal Service Funds	29,884	-	-	-	-	29,884
Total	<u>\$ 4,456,948</u>	<u>\$ 902,851</u>	<u>\$ 1,554,169</u>	<u>\$ 563,441</u>	<u>\$ -</u>	<u>\$ 7,477,409</u>

General Fund – A transfer in from the NCJPFA Debt Service Fund was for the 2017 Energy Efficiency Bond proceeds. Other transfers in were to consolidate funds into the General Fund and to cover administrative costs. Budgeted transfers from the General Fund were for operating support to subsidize library operations, park maintenance operations, nutrition center operations, and retiree health benefit program. The total net amount transferred to the aforementioned activities were \$4,456,948.

Other Special Revenue Funds – The administrative transfer from the Development Impact Fees Fund to the Transportation Impact Fees Fund was to create separate funds which were previously consolidated, and to the Personnel Compensation Fund to fund retiree health benefits. The total amount transferred to the aforementioned activities was \$902,851.

Non-major Governmental Funds – The Non-major Governmental Funds budgeted transfers were for operating support to subsidize library, park maintenance and nutrition center operations, and an administrative transfer from the Wings Grant Fund to the Library Fund. The total amount of operating support transferred to the aforementioned operations and programs was \$1,554,169.

Governmental Activities Internal Service Funds – The budgeted transfers from the Sewer Service Fund and the Trash Rate Stabilization Fund were for the purchase of two new vehicles and from the General Fund for the purchase of additional equipment for the built out of Fire Station No. 33 and for the repair of the fire sprinkler system at the Martin Luther King building for a total of \$563,441.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Capital Assets

A. Governmental Activities

A summary of changes in capital assets for governmental activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	CIP Transfers	Balance June 30, 2018
Capital assets, not being depreciated:					
Land	\$ 22,011,750	\$ -	\$ -	\$ -	\$ 22,011,750
Right of way	4,245,088	-	-	-	4,245,088
Construction in progress	15,082,792	10,724,550	-	(11,466,757)	14,340,585
Total capital assets, not being depreciated	41,339,630	10,724,550	-	(11,466,757)	40,597,423
Capital assets, being depreciated:					
Buildings and improvements	56,712,167	-	-	744,555	57,456,722
Machinery and equipment	19,247,505	1,582,142	(299,820)	-	20,529,827
Infrastructure	138,585,863	-	(1,184,402)	10,722,202	148,123,663
Radio rights	1,270,763	-	-	-	1,270,763
Subtotal	215,816,298	1,582,142	(1,484,222)	11,466,757	227,380,975
Less accumulated depreciation					
Buildings and improvements	(26,855,208)	(2,037,425)	-	-	(28,892,633)
Machinery and equipment	(12,504,390)	(1,129,106)	291,901	-	(13,341,595)
Infrastructure	(65,974,169)	(3,347,088)	794,573	-	(68,526,684)
Radio rights	(63,538)	(63,538)	-	-	(127,076)
Subtotal	(105,397,305)	(6,577,157)	1,086,474	-	(110,887,988)
Total capital assets, being depreciated	110,418,993	(4,995,015)	(397,748)	11,466,757	116,492,987
Total capital assets, net	\$ 151,758,623	\$ 5,729,535	\$ (397,748)	\$ -	\$ 157,090,410

Depreciation expense was charged to functions/programs as follows:

General government	\$ 770,229
Public safety	1,005,986
Transportation	3,444,997
Community development	20,068
Culture and leisure	586,657
Internal service funds	749,220
Total depreciation expense	\$ 6,577,157

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 528,382	\$ -	\$ -	\$ 528,382
Total capital assets, not being depreciated	528,382	-	-	528,382
Capital assets, being depreciated:				
Building and improvements	15,741,156	-	-	15,741,156
Furniture and equipment	796,638	-	-	796,638
Subtotal	16,537,794	-	-	16,537,794
Less accumulated depreciation				
Building and improvements	(10,778,961)	(277,105)	-	(11,056,066)
Furniture and equipment	(565,591)	(37,110)	-	(602,701)
Subtotal	(11,344,552)	(314,215)	-	(11,658,767)
Total capital assets, being depreciated	5,193,242	(314,215)	-	4,879,027
Total capital assets, net	\$ 5,721,624	\$ (314,215)	\$ -	\$ 5,407,409

Depreciation expense for business-type activities for the year ended June 30, 2018 was as follows:

Kimball Towers	\$ 200,677
Morgan Towers	113,538
Total depreciation expense	\$ 314,215

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
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
Machinery and equipment	81,163	-	-	81,163
Subtotal	881,163	-	-	881,163
Less accumulated depreciation				
Buildings	(800,000)	-	-	(800,000)
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, 2018 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, 2018 is as follows:

	Balance June 30, 2017	Debt Issued	Debt Retired	Balance June 30, 2018	Classification	
					Due within One Year	Due in More Than One Year
Long-term debt:						
2012 General Obligation Bonds	\$ 3,900,000	\$ -	\$ (265,000)	\$ 3,635,000	\$ 275,000	\$ 3,360,000
Bond Premium	17,653	-	(1,605)	16,048	-	16,048
Lease Revenue Refunding Bonds	490,000	-	(490,000)	-	-	-
Section 108 Bonds	3,440,000	-	(390,000)	3,050,000	420,000	2,630,000
2017 Clean Energy Bonds	-	1,800,000	-	1,800,000	-	1,800,000
2017 Lease Revenue Bonds	-	3,723,602	(193,105)	3,530,497	123,018	3,407,479
Notes payable	1,158,837	-	(115,049)	1,043,788	118,258	925,530
Capital leases	1,494,160	16,554	(233,051)	1,264,425	263,240	1,001,185
Total long-term debt	\$ 10,500,650	\$ 5,540,156	\$ (1,687,810)	\$ 14,339,758	\$ 1,199,516	\$ 13,140,242

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 the outstanding balance is \$3,635,000.

The annual debt service requirements for the 2012 General Obligation Refunding Bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	315,000	76,150	385,375
2024-2028	1,780,000	222,563	2,002,563
2029	395,000	6,913	401,913
Total	\$ 3,635,000	\$ 696,314	\$ 4,325,539

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, 2018 the outstanding balance is \$0.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 the outstanding balance is \$3,050,000.

The annual debt service requirements for the Section 108 Bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	565,000	23,861	588,861
2024	605,000	8,470	613,470
Total	\$ 3,050,000	\$ 237,864	\$ 3,287,864

2017 Clean Energy Bonds and 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 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.

The annual debt service requirements for the 2017 taxable Clean Energy Bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ -	\$ 86,940	\$ 86,940
2020	-	86,940	86,940
2021	-	86,940	86,940
2022	-	86,940	86,940
2023	-	86,940	86,940
2024-2028	482,164	385,223	867,387
2029-2033	650,641	251,118	901,759
2034-2037	667,195	74,677	741,872
Total	\$ 1,800,000	\$ 1,145,718	\$ 2,945,718

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2017 Clean Energy Bonds and 2017 Lease Revenue Bonds (Continued)

The annual debt service requirements for the 2017 Lease Revenue Bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 123,018	\$ 96,948	\$ 219,966
2020	134,455	93,462	227,917
2021	162,810	89,543	252,353
2022	176,433	84,939	261,372
2023	190,720	79,954	270,674
2024-2028	704,247	338,878	1,043,125
2029-2033	991,058	224,208	1,215,266
2034-2037	1,047,756	67,523	1,115,279
Total	\$ 3,530,497	\$ 1,075,455	\$ 4,605,952

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, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	132,019	15,361	147,380
2024-2026	418,569	23,570	442,139
Total	\$ 1,043,788	\$ 135,251	\$ 1,179,039

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Capital Leases

	Balance July 1, 2017	Debt Issued	Debt Retired	Balance June 30, 2018	Classification	
					Due within One Year	Due in More Than One Year
Honeywell Lease	\$ 1,133,187	\$ -	\$ (118,489)	\$ 1,014,698	\$ 124,463	\$ 890,235
Fleet Vehicle Lease	360,973	16,554	(127,800)	249,727	138,777	110,950
Total	\$ 1,494,160	\$ 16,554	\$ (246,289)	\$ 1,264,425	\$ 263,240	\$ 1,001,185

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, 2018 on this contract was \$1,014,698.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	151,532	20,872	172,404
2024-2025	326,373	18,436	344,809
Total	\$ 1,014,698	\$ 192,133	\$ 1,206,831

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, 2018 was \$249,727.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 138,777	\$ 13,697	\$ 152,474
2020	101,483	3,683	105,166
2021	3,404	509	3,913
2022	3,650	262	3,912
2023	2,413	32	2,445
Total	\$ 249,727	\$ 18,183	\$ 267,910

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 is as follows:

	Balance July 1, 2017	Debt Issued	Debt Retired	Balance June 30, 2018	Classification	
					Due within One Year	Due in More Than One Year
Morgan Towers Notes Payable	\$ 725,833	\$ -	\$ (322,369)	\$ 403,464	\$ 343,958	\$ 59,506
Total	\$ 725,833	\$ -	\$ (322,369)	\$ 403,464	\$ 343,958	\$ 59,506

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, 2018, the outstanding balance is \$403,464. The annual debt service payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 343,958	\$ 16,097	\$ 704,013
2020	59,506	484	119,496
Total	\$ 403,464	\$ 16,581	\$ 823,509

C. Fiduciary Funds

A summary of changes in fiduciary funds long-term debt for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Debt Issued	Debt Retired	Balance June 30, 2018	Classification	
					Due within One Year	Due in More Than One Year
1999 Tax Allocation Bonds	\$ 3,085,000	\$ -	\$ (3,085,000)	\$ -	\$ -	\$ -
2005B Tax Allocation Bonds	9,080,000	-	(9,080,000)	-	-	-
2011 Tax Allocation Bonds	37,230,000	-	(37,230,000)	-	-	-
2017A Tax Allocation Refunding Bonds	-	45,874,000	-	45,874,000	2,964,000	42,910,000
2017B Tax Allocation Refunding Bonds	-	2,669,000	-	2,669,000	199,000	2,470,000
Total	\$ 49,395,000	\$ 48,543,000	\$(49,395,000)	\$ 48,543,000	\$ 3,163,000	\$ 45,380,000

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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 1999 Tax Allocation Bonds were in-substance defeased in fiscal year 2018 via the issuance of the 2017 Series A and B Tax Allocation Refunding Bonds, whose proceeds were placed in an irrevocable escrow account to pay off the future debt service requirements of the Bonds. The balance of defeased debt outstanding at June 30, 2018 was \$2,910,000. The outstanding debt for the Successor Agency at June 30, 2018 was \$0.

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 2005 Series B Tax Allocation Bonds were in-substance defeased in fiscal year 2018 via the issuance of the 2017 Series A and B Tax Allocation Refunding Bonds, whose proceeds were placed in an irrevocable escrow account to pay off the future debt service requirements of the Bonds. The balance of defeased debt outstanding at June 30, 2018 was \$8,290,000. The outstanding debt for the Successor Agency at June 30, 2018 was \$0.

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 2011 Tax Allocation Bonds were in-substance defeased in fiscal year 2018 via the issuance of the 2017 Series A and B Tax Allocation Refunding Bonds, whose proceeds were placed in an irrevocable escrow account to pay off the future debt service requirements of the Bonds. The balance of defeased debt outstanding at June 30, 2018 was \$35,975,000. The outstanding debt for the Successor Agency at June 30, 2018 was \$0.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

2017 Series A and B Tax Allocation Refunding Bonds

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. The aggregate debt service payments of the new debt are \$9,877,886 less than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the net present value of the old debt and the new debt service payments) of approximately \$9,497,037.

The annual debt service requirements for the 2017 Series A Tax Allocation Bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,964,000	\$ 1,105,360	\$ 4,069,360
2020	2,918,000	1,032,129	3,950,129
2021	2,991,000	958,562	3,949,562
2022	2,923,000	884,933	3,807,933
2023	2,996,000	811,242	3,807,242
2024-2028	15,303,000	2,905,843	18,208,843
2029-2033	15,779,000	998,056	16,777,056
Total	\$ 45,874,000	\$ 8,696,125	\$ 54,570,125

The annual debt service requirements for the 2017 Series B Tax Allocation Bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 199,000	\$ 60,640	\$ 259,640
2020	198,000	55,955	253,955
2021	203,000	51,223	254,223
2022	208,000	46,374	254,374
2023	212,000	41,418	253,418
2024-2028	1,151,000	127,804	1,278,804
2029-2030	498,000	11,826	509,826
Total	\$ 2,669,000	\$ 395,240	\$ 3,064,240

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-Term Debt (Continued)

C. Fiduciary Funds (Continued)

2017 Series A and B Tax Allocation Refunding Bonds (Continued)

Pledged Revenues

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

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

In fiscal year 2018, the amount of property tax revenue deposited to the RPTTF for the Successor Agency totaled \$19,804,261. After deductions for County administrative fees and pass-through payments, the RPTTF revenue available for distribution to the Successor Agency was \$15,263,603. The actual amount of RPTTF revenue authorized by the State Department of Finance to be distributed to the Successor Agency was \$8,921,732. Prior to the refunding in September 2017, total scheduled debt service for all Tax Allocation Bonds (TABs) was \$5,200,533, 34% of the RPTTF revenue available for distribution to the Successor Agency. As a result of the refunding, actual scheduled annual principal and interest payments totaled \$4,150,933, which equals about 27% of the RPTTF revenue projected to be available for distribution to the Successor Agency. Beyond fiscal year 2018 and through final maturity in fiscal year 2033, these annual payments will gradually decline from \$4.3 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2018 is as follows:

	Balance			Balance June 30, 2018	Classification	
	July 1, 2017	Additions	Deletions		Due within One Year	Due in More Than One Year
Compensated Absences	\$ 4,027,498	\$ 2,111,674	\$ (2,383,204)	\$ 3,755,968	\$ 2,383,204	\$ 1,372,764
Total	\$ 4,027,498	\$ 2,111,674	\$ (2,383,204)	\$ 3,755,968	\$ 2,383,204	\$ 1,372,764

The City’s liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$3,755,968 at June 30, 2018. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Compensated absences at June 30, 2018 are obligations of the following funds:

Governmental Funds	\$ 3,623,860
Facilities Maintenance	47,673
Liability Insurance	3,301
Information Systems Maintenance	40,758
Motor Vehicle Services	40,376
Total	\$ 3,755,968

Note 8 – Other Required Fund Disclosures

At June 30, 2018, the following funds had deficit fund equity:

Fund Type	Funds	Deficit
Special Revenue Fund	CDBG	\$ (164,640)
Capital Projects Fund	Proposition A	\$ (39,231)
Fiduciary Fund	Successor Agency To the Community Development Commission of National City Private-Purpose Trust Fund	\$ (27,318,053)

CDBG Special Revenue Fund – The CDBG Special Revenue Fund had a deficit of \$(164,640) resulting from program expenses for the year ended June 30, 2018. The deficit will be eliminated via funding drawdowns from HUD/CDBG programs.

Proposition A Capital Projects Fund – The Proposition A Capital Projects Fund had a deficit of \$(39,231) resulting from increased capital outlay during 2018. The deficit will be eliminated via interfund transfer in fiscal year 2019.

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 \$(26,318,053). The City expects to repay the amount through tax increment.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Other Required Fund Disclosures (Continued)

Governmental Activities - At June 30, 2018, the City had an unrestricted net position deficit of \$(33,761,287) 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. The City expects to eliminate the deficit via increased pension contributions consistent with the amortization schedule provided by the City's pension administrator (CalPERS).

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, 2018

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, 2018, the City accrued \$9,395,000 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, 2018 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>2018</u>	<u>2017</u>	<u>2016</u>
Claims liabilities - beginning balance	\$ 9,494,000	\$ 8,128,000	\$ 7,886,000
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	1,318,157	4,443,482	2,257,682
Payments on claims attributable to events of both the current fiscal year and prior fiscal years	<u>(1,417,157)</u>	<u>(3,077,482)</u>	<u>(2,015,682)</u>
Claims liabilities - ending balance	<u>\$ 9,395,000</u>	<u>\$ 9,494,000</u>	<u>\$ 8,128,000</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	\$ 35,485,687
Safety Plan	65,091,251
Total	<u>\$ 100,576,938</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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	Changes in Assumptions	Total pension-related deferred outflows
Miscellaneous Plan	\$ 2,953,694	\$ 1,234,022	\$ 4,099,386	\$ 8,287,102
Safety Plan	5,838,590	1,703,547	7,943,545	15,485,682
Total	\$ 8,792,284	\$ 2,937,569	\$ 12,042,931	\$ 23,772,784

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	\$ -	\$ 881,061	\$ 881,061
Safety Plan	508,182	2,372,974	2,881,156
Total	\$ 508,182	\$ 3,254,035	\$ 3,762,217

Pension Expense

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

	Pension Expense
Miscellaneous Plan	\$ 5,402,775
Safety Plan	7,906,795
Total	\$ 13,309,570

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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%-3% 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, 2018

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, 2016, the valuation date, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Active employees	185	126
Transferred and terminated employees	238	71
Retired employees and beneficiaries	269	216

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, 2017, the average active miscellaneous and safety employee contribution rates were 8% and 9% of annual pay, respectively, and the employer's contribution rates were 10.882% and 19.898% of miscellaneous and safety employee annual payroll, respectively.

For the measurement year ended June 30, 2017, the contributions were:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Aggregate Total</u>
Contributions - employer	\$ 2,953,694	\$ 5,838,590	\$ 8,792,284

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65% 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, 2016 valuations were based on the results of a January 2014 actuarial experience study for the period 1997 to 2014. 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. The discount rate was also changed from 7.65% as of the June 30, 2015 measurement date to 7.15% as of the June 30, 2016 measurement date. The CalPERS Board has approved reducing the discount rate to 7.00% by 2020.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Net Pension Liability (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the 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. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees’ Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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.

The long-term expected rate of return on pension plan investments was determined using a building block method in which 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 (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), 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 PERF 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 equal to the single equivalent rate calculated above and rounded down to the nearest 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, 2018

Note 10 – Pension Plans (Continued)

B. CalPERS Pension Plans (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

The long-term expected rate of return by asset class for the measurement period ended June 30, 2016 was as follows:

Asset Class	New Strategic Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
	<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, 2016 (Valuation Date)	\$ 114,645,070	\$ 82,771,999	\$ 31,873,071
Changes in the year:			
Service cost	2,118,219	-	2,118,219
Interest on the total pension liabilities	8,488,639	-	8,488,639
Changes of Assumptions	7,027,519	-	7,027,519
Differences between expected and actual experience	(1,231,712)	-	(1,231,712)
Benefit payments, including refunds of members contributions	(5,555,553)	(5,555,553)	-
Plan to plan resource movement	-	-	-
Contributions - employer	-	2,854,739	(2,854,739)
Contributions - employee	-	858,901	(858,901)
Net investment income	-	9,198,616	(9,198,616)
Administrative expenses	-	(122,207)	122,207
Net changes	<u>10,847,112</u>	<u>7,234,496</u>	<u>3,612,616</u>
Balance at June 30, 2017 (Measurement Date)	<u>\$ 125,492,182</u>	<u>\$ 90,006,495</u>	<u>\$ 35,485,687</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2016 (Valuation Date)	\$ 173,168,265	\$ 114,754,281	\$ 58,413,984
Changes in the year:			
Service cost	3,730,242	-	3,730,242
Interest on the total pension liabilities	12,890,015	-	12,890,015
Changes of Assumptions	10,998,755	-	10,998,755
Differences between expected and actual experience	(1,384,693)	-	(1,384,693)
Benefit payments, including refunds of members contributions	(8,735,024)	(8,735,024)	-
Plan to plan resource movement	-	-	-
Contributions - employer	-	5,748,626	(5,748,626)
Contributions - employee	-	1,238,443	(1,238,443)
Net investment income	-	12,739,410	(12,739,410)
Administrative expenses	-	(169,427)	169,427
Net changes	<u>17,499,295</u>	<u>10,822,028</u>	<u>6,677,267</u>
Balance at June 30, 2017 (Measurement Date)	<u>\$ 190,667,560</u>	<u>\$ 125,576,309</u>	<u>\$ 65,091,251</u>

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

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15)
Miscellaneous Plan	\$ 52,455,654	\$ 35,485,687	\$ 21,501,219
Safety Plan	\$ 91,877,779	\$ 65,091,251	\$ 43,222,028
Aggregate Total	<u>\$ 144,333,433</u>	<u>\$ 100,576,938</u>	<u>\$ 64,723,247</u>

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

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

For the year ended June 30, 2018, the City recognized pension expense in the amounts of \$5,402,775 and \$7,906,795, 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, 2018

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 20167-17 measurement period are 2.4 and 3.6 years, respectively, which was obtained by dividing the total service years of 1,631 and 1,474, respectively, (the sum of remaining service lifetimes of the active employees) by 692 and 413, respectively, (the total number of participants: active, inactive, and retired).

At June 30, 2018 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	\$ 4,099,386	\$ -
Difference between expected and actual experience	-	(881,061)
Difference between projected and actual earning on pension plan investments	1,234,022	-
Total	\$ 5,333,408	\$ (881,061)
Safety Plan		
	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ 7,943,545	\$ (508,182)
Difference between expected and actual experience	-	(2,372,974)
Difference between projected and actual earning on pension plan investments	1,703,547	-
Total	\$ 9,647,092	\$ (2,881,156)
Aggregate Totals		
	Deferred outflows of Resources	Deferred inflows of Resources
Changes of assumptions	\$ 12,042,931	\$ (508,182)
Difference between expected and actual experience	-	(3,254,035)
Difference between projected and actual earning on pension plan investments	2,937,569	-
Total	\$ 14,980,500	\$ (3,762,217)

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, \$2,953,694 and \$5,838,590, 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, 2019. 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
2018	\$ 2,216,592	\$ 1,072,495	\$ 3,289,087
2019	2,391,221	4,301,541	6,692,762
2020	517,446	2,317,847	2,835,293
2021	(672,912)	(925,947)	(1,598,859)
2022	-	-	-
Thereafter	-	-	-
	\$ 4,452,347	\$ 6,765,936	\$ 11,218,283

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, 2018, 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, 2018

Note 11 – Other Postemployment Benefits (Continued)

Total OPEB Liability

The City’s total OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability at June 30, 2018 was:

Total OPEB liability	\$	5,268,116
		5,268,116
Total OPEB liability	\$	5,268,116

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.50%
Inflation	2.80%
Aggregate payroll increases	3.00%
Expected long-term investment rate of return	n/a
Mortality, Termination, and Disability	CalPERS 1997-2014
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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2014.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.5% 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.

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (Continued)

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 5,116,397
Changes Recognized for the Measurement Period:	
Service Cost	196,023
Interest on the total OPEB liability	177,753
Changes of assumptions	(53,296)
Benefit payments	(168,761)
Net Changes during July 1, 2017 to June 30, 2018	151,719
Balance at June 30, 2018 (Measurement Date)	\$ 5,268,116

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 (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

Plan's Total OPEB Liability		
Discount Rate - 1% (2.5%)	Current Discount Rate (3.5%)	Discount Rate + 1% (4.5%)
\$ 5,837,760	\$ 5,268,116	\$ 4,774,777

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%)
\$ 5,257,607	\$ 5,268,116	\$ 5,276,707

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Postemployment Benefits (Continued)

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 2018, the City contributed \$168,761 to the plan for current premiums.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2017, the City recognized OPEB expense of \$367,114.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(46,634)
Net difference between projected and actual earning on OPEB plan investments	-	-
Total	\$ -	\$ (46,634)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
2019	\$ (6,662)
2020	(6,662)
2021	(6,662)
2022	(6,662)
2023	(6,662)
Thereafter	(13,324)
	\$ (46,634)

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018, the City had a total of sixty-eight contractual commitments with a remaining balance of \$22,447,630. The following table represents the City's contractual commitments by contract type.

Capital lease	\$ 1,024,609
Construction	10,144,750
Consulting services	8,060,890
Legal services	865
Professional services	<u>3,216,516</u>
Total contractual commitments	<u>\$ 22,447,630</u>

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Classification of Fund Balances

The City classifies fund balances, as shown on the *Balance Sheet – Governmental Funds* as of June 30, 2018 as follows:

	Major Funds					Other Governmental Funds	Total
	General	Housing	Housing Choice Voucher Program	Sewer Service	Other Special Revenue		
Nonspendable							
Loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86	\$ 86
Advances to other funds	4,941,000	-	-	-	-	-	4,941,000
Land held for resale	4,994,182	-	-	-	-	-	4,994,182
Inventories and prepaid items	31,547	-	129,383	-	-	-	160,930
Total nonspendable	9,966,729	-	129,383	-	-	86	10,096,198
Restricted							
Housing	-	7,361,272	40,864	-	-	-	7,402,136
Debt service	535,169	-	6,236	25,786	-	1,114,497	1,681,688
Community development	19,999	-	-	-	263,395	1,577,898	1,861,292
Public safety	-	-	-	-	994,292	478,373	1,472,665
Transportation	-	-	-	-	1,856,415	274,427	2,130,842
General Services	-	-	-	15,550,712	628,871	755,569	16,935,152
Total restricted	555,168	7,361,272	47,100	15,576,498	3,742,973	4,200,764	31,483,775
Committed							
Facilities maintenance	2,000,000	-	-	-	-	-	2,000,000
Economic contingency	9,085,066	-	-	-	-	-	9,085,066
Total committed	11,085,066	-	-	-	-	-	11,085,066
Assigned							
Accrued employee benefits	3,623,860	-	-	-	-	-	3,623,860
Pension stabilization	1,000,000	-	-	-	-	-	1,000,000
Post-employment benefits	6,960,340	-	-	-	-	-	6,960,340
Community development	647,828	-	-	-	-	-	647,828
Public safety	32,744	-	-	-	-	-	32,744
Transportation	672,107	-	-	-	-	-	672,107
General Services	2,802,707	-	-	-	-	-	2,802,707
Housing	33,056	-	-	-	-	-	33,056
Total assigned	15,772,642	-	-	-	-	-	15,772,642
Unassigned (deficit)	12,731,293	-	-	-	(1,706,717)	(203,957)	10,820,619
Total fund balances	\$ 50,110,898	\$ 7,361,272	\$ 176,483	\$ 15,576,498	\$ 2,036,256	\$ 3,996,893	\$ 79,258,300

City of National City
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 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, 2018 was \$2,000,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**





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City of National City
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2018

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 XIIB 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 XIIB 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 44,401,061	\$ 44,401,061	\$ 44,698,296	\$ 297,235
Licenses and permits	669,524	669,524	1,169,216	499,692
Fines and forfeitures	2,523,127	2,523,127	544,211	(1,978,916)
Use of money and property	824,452	824,452	991,103	166,651
Intergovernmental	850,963	850,963	2,357,306	1,506,343
Charges for services	2,863,775	2,863,775	3,283,420	419,645
Other revenues	1,711,974	1,711,974	1,770,574	58,600
Total revenues	53,844,876	53,844,876	54,814,126	969,250
EXPENDITURES:				
Current:				
General government	8,266,896	9,079,193	8,558,000	521,193
Public safety	37,666,466	38,526,340	36,405,839	2,120,501
Transportation	3,474,897	3,655,625	3,324,708	330,917
Community development	375,643	877,129	418,845	458,284
Culture and leisure	4,096,101	4,055,992	3,852,718	203,274
Capital outlay	2,900,000	16,507,489	4,006,575	12,500,914
Debt service:				
Principal	672,162	672,162	672,162	-
Interest and fiscal charges	315,419	315,419	315,419	-
Total expenditures	57,767,584	73,689,349	57,554,266	16,135,083
REVENUES OVER (UNDER) EXPENDITURES	(3,922,708)	(19,844,473)	(2,740,140)	17,104,333
OTHER FINANCING SOURCES (USES)				
Transfers in	5,523,602	-	4,456,948	4,456,948
Total other financing sources (uses)	5,523,602	-	4,456,948	4,456,948
Net change in fund balance	\$ 1,600,894	\$ (19,844,473)	1,716,808	\$ 21,561,281
Fund Balance:				
Beginning of year			48,394,090	
End of year			<u>\$ 50,110,898</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Housing Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 168,855	\$ 168,855
Total revenues	<u>-</u>	<u>-</u>	<u>168,855</u>	<u>168,855</u>
EXPENDITURES:				
Current:				
Community development	352,106	352,106	342,523	9,583
Total expenditures	<u>352,106</u>	<u>352,106</u>	<u>342,523</u>	<u>9,583</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(352,106)</u>	<u>(352,106)</u>	<u>(173,668)</u>	<u>178,438</u>
Net change in fund balance	<u>\$ (352,106)</u>	<u>\$ (352,106)</u>	<u>(179,592)</u>	<u>\$ 172,514</u>
Fund Balance:				
Beginning of year			<u>7,540,864</u>	
End of year			<u>\$ 7,361,272</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 77,548	\$ 57,548
Use of money and property	-	-	142	142
Intergovernmental	11,047,000	11,047,000	11,097,102	50,102
Other revenues	-	-	-	-
Total revenues	<u>11,067,000</u>	<u>11,067,000</u>	<u>11,174,792</u>	<u>107,792</u>
EXPENDITURES:				
Current:				
Community development	10,964,648	10,964,648	11,640,386	675,738
Culture and Leisure	500	500	-	(500)
Total expenditures	<u>10,965,148</u>	<u>10,965,148</u>	<u>11,640,386</u>	<u>675,238</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>101,852</u>	<u>101,852</u>	<u>(465,594)</u>	<u>(567,446)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(14,487)	(14,487)
Total other financing sources (uses)	-	-	(14,487)	(14,487)
Net change in fund balance	<u>\$ 101,852</u>	<u>\$ 101,852</u>	<u>(480,081)</u>	<u>\$ (581,933)</u>
Fund Balance:				
Beginning of year			656,564	
End of year			<u>\$ 176,483</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Sewer Service Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Licenses and permits	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Use of money and property	36,200	36,200	188,921	152,721
Charges for services	6,938,000	6,938,000	7,235,751	297,751
Other revenues	-	-	670,581	670,581
Total revenues	<u>6,989,200</u>	<u>6,989,200</u>	<u>8,095,253</u>	<u>1,106,053</u>
EXPENDITURES:				
Current:				
Health	7,875,415	7,875,415	6,565,222	1,310,193
Capital outlay	2,637,937	2,637,937	2,544,085	93,852
Total expenditures	<u>10,513,352</u>	<u>10,513,352</u>	<u>9,109,307</u>	<u>1,404,045</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,524,152)</u>	<u>(3,524,152)</u>	<u>(1,014,054)</u>	<u>2,510,098</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(260,000)	(260,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(260,000)</u>	<u>(260,000)</u>
Net change in fund balance	<u>\$ (3,524,152)</u>	<u>\$ (3,524,152)</u>	<u>(1,274,054)</u>	<u>\$ 2,250,098</u>
Fund Balance:				
Beginning of year			<u>16,850,552</u>	
End of year			<u>\$ 15,576,498</u>	

City of National City
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Other Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 459,708	\$ 459,708	\$ 445,127	\$ (14,581)
Licenses and permits	258,000	258,000	710,163	452,163
Fines and forfeitures	-	-	17,850	17,850
Use of money and property	1,300	1,300	1,915	615
Intergovernmental	8,315,501	8,315,501	6,583,560	(1,731,941)
Charges for services	123,000	123,000	491,642	368,642
Other revenues	700	700	22,514	21,814
Total revenues	<u>9,158,209</u>	<u>9,158,209</u>	<u>8,272,771</u>	<u>(885,438)</u>
EXPENDITURES:				
Current:				
General Government	199,487	199,487	204,573	(5,086)
Public Safety	1,392,028	1,392,028	929,173	462,855
Community Development	86,259	86,259	79,898	6,361
Health	155,456	155,456	148,030	7,426
Culture and Leisure	196,895	196,895	193,920	2,975
Capital outlay	12,364,910	12,364,910	6,946,842	5,418,068
Total expenditures	<u>14,395,035</u>	<u>14,395,035</u>	<u>8,502,436</u>	<u>5,892,599</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,236,826)</u>	<u>(5,236,826)</u>	<u>(229,665)</u>	<u>5,007,161</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	902,851	902,851
Transfers out	-	-	(1,590,087)	(1,590,087)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(687,236)</u>	<u>(687,236)</u>
Net change in fund balance	<u>\$ (5,236,826)</u>	<u>\$ (5,236,826)</u>	<u>(916,901)</u>	<u>\$ 4,319,925</u>
Fund Balance:				
Beginning of year			<u>2,953,157</u>	
End of year			<u>\$ 2,036,256</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, 2018

	City Miscellaneous Plan			
	2016-17	2015-16	2014-15	2013-14
Total pension liability				
Service cost	\$ 2,118,219	\$ 1,825,480	\$ 1,811,929	\$ 1,937,067
Interest on total pension liability	8,488,639	8,268,915	7,985,539	7,748,026
Changes in assumptions	7,027,519	-	(1,944,963)	-
Differences between expected and actual experience	(1,231,712)	(975,368)	(1,691,529)	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,555,553)	(5,253,955)	(4,995,309)	(4,818,483)
Net change in total pension liability	10,847,112	3,865,072	1,165,667	4,866,610
Total pension liability - beginning	114,645,070	110,779,998	109,614,331	104,747,721
Total pension liability - ending (a)	<u>\$ 125,492,182</u>	<u>\$ 114,645,070</u>	<u>\$ 110,779,998</u>	<u>\$ 109,614,331</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,854,739	\$ 2,367,548	\$ 2,056,706	\$ 1,956,344
Contributions - employee	858,901	820,175	895,912	767,784
Investment income (net of administrative expenses)	9,198,616	415,274	1,859,184	12,778,105
Benefit payments	(5,555,553)	(5,253,955)	(4,995,309)	(4,818,483)
Plan to plan resource movement	-	(135)	-	-
Administrative expenses	(122,207)	(51,483)	(94,900)	-
Net change in plan fiduciary net position	7,234,496	(1,702,576)	(278,407)	10,683,750
Plan fiduciary net position - beginning	82,771,999	84,474,575	84,752,982	74,069,232
Plan fiduciary net position - ending (b)	<u>\$ 90,006,495</u>	<u>\$ 82,771,999</u>	<u>\$ 84,474,575</u>	<u>\$ 84,752,982</u>
Net pension liability - ending (a)-(b)	<u>\$ 35,485,687</u>	<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	71.72%	72.20%	76.25%	77.32%
Covered payroll	\$ 10,724,047	\$ 10,126,926	\$ 9,742,081	\$ 9,853,337
Net pension liability as a percentage of covered-employee payroll	330.90%	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: In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Historical information is presented for measurement periods for which GASB 68 is applicable.

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, 2018

	City Safety Plan			
	2015-16	2015-16	2014-15	2013-14
Total pension liability				
Service cost	\$ 3,730,242	\$ 3,143,806	\$ 3,185,323	\$ 3,249,200
Interest on total pension liability	12,890,015	12,491,615	12,122,308	11,761,448
Changes in assumptions	10,998,755	-	(3,049,086)	-
Differences between expected and actual experience	(1,384,693)	(2,263,779)	(2,416,366)	-
Changes in benefit terms	-	-	-	-
Benefit payments, including refunds of employee contributions	(8,735,024)	(8,368,654)	(8,022,441)	(7,719,645)
Net change in total pension liability	17,499,295	5,002,988	1,819,738	7,291,003
Total pension liability - beginning	173,168,265	168,165,277	166,345,539	159,054,536
Total pension liability - ending (a)	<u>\$ 190,667,560</u>	<u>\$ 173,168,265</u>	<u>\$ 168,165,277</u>	<u>\$ 166,345,539</u>
Plan fiduciary net position				
Contributions - employer	\$ 5,748,626	\$ 4,978,090	\$ 4,463,726	\$ 4,190,264
Contributions - employee	1,238,443	1,109,955	1,047,676	983,295
Investment income (net of administrative expenses)	12,739,410	584,907	2,587,755	17,466,806
Benefit payments	(8,735,024)	(8,368,654)	(8,022,441)	(7,719,645)
Plan to plan resource movement	-	135	-	-
Administrative expenses	(169,427)	(71,013)	(131,164)	-
Net change in plan fiduciary net position	10,822,028	(1,766,580)	(54,448)	14,920,720
Plan fiduciary net position - beginning	114,754,281	116,520,861	116,575,309	101,654,589
Plan fiduciary net position - ending (b)	<u>\$ 125,576,309</u>	<u>\$ 114,754,281</u>	<u>\$ 116,520,861</u>	<u>\$ 116,575,309</u>
Net pension liability - ending (a)-(b)	<u>\$ 65,091,251</u>	<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	65.86%	66.27%	69.29%	70.08%
Covered payroll	\$ 11,939,450	\$ 11,157,745	\$ 11,228,972	\$ 10,916,911
Net pension liability as a percentage of covered-employee payroll	545.18%	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: In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Historical information is presented for measurement periods for which GASB 68 is applicable.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedules of Contributions
Last Ten Fiscal Years *
For the Year Ended June 30, 2018

	City Miscellaneous Plan - 172				
	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 2,953,694	\$ 2,854,739	\$ 2,367,548	\$ 2,056,706	\$ 1,956,344
Contributions in relation to the actuarially determined contributions ²	(2,953,694)	(2,854,739)	(2,367,548)	(2,056,706)	(1,956,344)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll ^{3,4}	\$ 11,045,796	\$ 10,724,074	\$ 10,126,926	\$ 9,742,081	\$ 9,853,337
Contributions as a percentage of covered payroll ³	26.74%	26.62%	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 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, \$10,724,074, was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date:

6/30/2016

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, 2014 Funding Valuation Report
Asset valuation method	Market value of assets. For details, see the June 30, 2014 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 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* - Historical information is presented for measurement periods for which GASB 68 is applicable.

City of National City
Required Supplementary Information (Unaudited) (Continued)
Schedules of Contributions (Continued)
Last Ten Fiscal Years *
For the Year Ended June 30, 2018

	City Safety Plan - 4923				
	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 5,838,590	\$ 5,748,626	\$ 4,978,090	\$ 4,463,726	\$ 4,190,264
Contributions in relation to the actuarially determined contributions ²	(5,838,590)	(5,748,626)	(4,978,090)	(4,463,726)	(4,190,264)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll ^{3,4}	\$ 12,297,634	\$ 11,939,450	\$ 11,157,745	\$ 11,228,972	\$ 10,916,911
Contributions as a percentage of covered payroll ³	47.48%	48.15%	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 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, \$11,939,450, was assumed to increase by the 3.00% payroll growth assumption.

Notes to Schedule

Valuation date:

6/30/2016

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, 2014 Funding Valuation Report
Asset valuation method	Market value of assets. For details, see the June 30, 2014 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 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* - Historical information is presented for measurement periods for which GASB 68 is applicable.

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, 2018

Measurement period, year ending:	<u>6/30/2018 ¹</u>	<u>6/30/2017 ¹</u>
Total OPEB liability		
Service cost	\$ 196,023	\$ 189,577
Interest	177,753	170,970
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(53,296)	-
Benefit payments, including refunds of member contributions	(168,761)	(166,220)
Net change in total OPEB liability	151,719	194,327
Total OPEB liability - beginning	5,116,397	4,922,070
Total OPEB liability - ending (a)	<u>\$ 5,268,116</u>	<u>\$ 5,116,397</u>
OPEB fiduciary net position		
Contributions - employer	\$ 168,761	\$ 166,220
Net investment income	-	-
Benefit payments, including refunds of member contributions	(168,761)	(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)	<u>\$ 5,268,116</u>	<u>\$ 5,116,397</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered payroll	\$ 23,316,000	\$ 23,316,000
Plan net OPEB liability as a percentage of covered payroll	22.59%	21.94%

¹ Historical information is presented only for periods for which GASB 75 is applicable.



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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, 2018

	Special Revenue				
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax
ASSETS					
Cash and investments	\$ 7,682	\$ 43,062	\$ 135,942	\$ 559,704	\$ 132,231
Receivables:					
Accounts	-	-	-	1,637	-
Taxes	-	-	-	-	53,227
Interest	-	-	-	-	1,057
Loans	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Total assets	<u>\$ 7,682</u>	<u>\$ 43,062</u>	<u>\$ 135,942</u>	<u>\$ 561,341</u>	<u>\$ 186,515</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 10,360	\$ 103,795	\$ 1,185	\$ 36,417
Accrued liabilities	-	21,738	21,308	-	10,886
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>32,098</u>	<u>125,103</u>	<u>1,185</u>	<u>47,303</u>
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	7,682	10,964	10,839	560,156	139,212
Unassigned (deficit)	-	-	-	-	-
Total fund balances	<u>7,682</u>	<u>10,964</u>	<u>10,839</u>	<u>560,156</u>	<u>139,212</u>
Total liabilities and fund balances	<u>\$ 7,682</u>	<u>\$ 43,062</u>	<u>\$ 135,942</u>	<u>\$ 561,341</u>	<u>\$ 186,515</u>

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue				
	Parks and Recreation Capital Outlay	CDBG	HOME Program	Asset Forfeiture	Nutrition
ASSETS					
Cash and investments	\$ -	\$ -	\$ 501,539	\$ 477,492	\$ 98,253
Receivables:					
Accounts	-	-	1,445	(705)	86,524
Taxes	-	-	-	-	-
Interest	-	-	1,673	1,586	-
Loans	-	31,554	1,150,528	-	-
Inventories and prepaid items	-	86	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 31,640</u>	<u>\$ 1,655,185</u>	<u>\$ 478,373</u>	<u>\$ 184,777</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 11,182	\$ 74,540	\$ -	\$ 11,489
Accrued liabilities	-	4,524	-	-	51,164
Due to other funds	-	180,574	-	-	-
Unearned revenue	-	-	2,747	-	-
Total liabilities	<u>-</u>	<u>196,280</u>	<u>77,287</u>	<u>-</u>	<u>62,653</u>
Fund Balances:					
Nonspendable	-	86	-	-	-
Restricted	-	-	1,577,898	478,373	122,124
Unassigned (deficit)	-	(164,726)	-	-	-
Total fund balances	<u>-</u>	<u>(164,640)</u>	<u>1,577,898</u>	<u>478,373</u>	<u>122,124</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 31,640</u>	<u>\$ 1,655,185</u>	<u>\$ 478,373</u>	<u>\$ 184,777</u>

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	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	\$ 1,114,279	\$ -	\$ -
Receivables:					
Accounts	-	-	-	13	-
Taxes	-	-	-	-	-
Interest	-	-	-	-	-
Loans	-	-	-	-	-
Inventories and prepaid items	-	-	-	-	-
Total assets	\$ -	\$ 218	\$ 1,114,279	\$ 13	\$ -
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 20,828
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	18,403
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	-	39,231
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	218	1,114,279	13	-
Unassigned (deficit)	-	-	-	-	(39,231)
Total fund balances	-	218	1,114,279	13	(39,231)
Total liabilities and fund balances	\$ -	\$ 218	\$ 1,114,279	\$ 13	\$ -

(Continued)

City of National City
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	<u>Capital Projects</u>	<u>Permanent</u>	Total Other Governmental Funds
	State-Local Partnership	Library Endowment	
ASSETS			
Cash and investments	\$ 127,111	\$ 51,303	\$ 3,248,816
Receivables:			
Accounts	-	-	88,914
Taxes	-	-	53,227
Interest	422	170	4,908
Loans	-	-	1,182,082
Inventories and prepaid items	-	-	86
Total assets	<u>\$ 127,533</u>	<u>\$ 51,473</u>	<u>\$ 4,578,033</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 269,796
Accrued liabilities	-	-	109,620
Due to other funds	-	-	198,977
Unearned revenue	-	-	2,747
Total liabilities	<u>-</u>	<u>-</u>	<u>581,140</u>
Fund Balances:			
Nonspendable	-	-	86
Restricted	127,533	51,473	4,200,764
Unassigned (deficit)	-	-	(203,957)
Total fund balances	<u>127,533</u>	<u>51,473</u>	<u>3,996,893</u>
Total liabilities and fund balances	<u>\$ 127,533</u>	<u>\$ 51,473</u>	<u>\$ 4,578,033</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, 2018

	Special Revenue				
	General Capital Outlay	Library	Parks Maintenance	Library Capital Outlay	Gas Tax
REVENUES:					
Taxes	\$ -	\$ 811,787	\$ 945,939	\$ 106,284	\$ 1,589,622
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	414
Intergovernmental	-	5,395	6,286	-	-
Other revenues	-	-	26	48,144	-
Total revenues	<u>-</u>	<u>817,182</u>	<u>952,251</u>	<u>154,428</u>	<u>1,590,036</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	1,406,926
Community development	-	-	-	-	-
Health	-	-	12,680	-	-
Culture and leisure	-	1,852,642	1,403,361	87,836	-
Capital outlay	127,997	-	53,202	6,145	56,890
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>127,997</u>	<u>1,852,642</u>	<u>1,469,243</u>	<u>93,981</u>	<u>1,463,816</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(127,997)</u>	<u>(1,035,460)</u>	<u>(516,992)</u>	<u>60,447</u>	<u>126,220</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from debt issuance	-	-	-	-	-
Transfers in	-	876,641	414,940	-	-
Transfers out	-	(13,821)	(18,596)	-	(12,364)
Total other financing sources (uses)	<u>-</u>	<u>862,820</u>	<u>396,344</u>	<u>-</u>	<u>(12,364)</u>
CHANGES IN FUND BALANCES	<u>(127,997)</u>	<u>(172,640)</u>	<u>(120,648)</u>	<u>60,447</u>	<u>113,856</u>
FUND BALANCES:					
Beginning of year	135,679	183,604	131,487	499,709	25,356
End of year	<u>\$ 7,682</u>	<u>\$ 10,964</u>	<u>\$ 10,839</u>	<u>\$ 560,156</u>	<u>\$ 139,212</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, 2018

	Special Revenue				
	Parks and Recreation Capital Outlay	CDBG	HOME Program	Asset Forfeiture	Nutrition
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	23,596	-
Use of money and property	-	6,631	28,685	4,855	-
Intergovernmental	-	586,685	279,126	-	307,511
Other revenues	-	-	-	53,031	110,855
Total revenues	-	593,316	307,811	81,482	418,366
EXPENDITURES:					
Current:					
Public safety	-	-	-	200,626	-
Transportation	-	-	-	-	-
Community development	-	351,937	108,734	-	-
Health	-	-	-	-	818,174
Culture and leisure	-	324	254,065	-	12,278
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	390,000	-	-	-
Interest and fiscal charges	-	68,559	-	-	-
Total expenditures	-	810,820	362,799	200,626	830,452
REVENUES OVER (UNDER) EXPENDITURES	-	(217,504)	(54,988)	(119,144)	(412,086)
OTHER FINANCING SOURCES (USES):					
Proceeds from debt issuance	-	-	-	-	-
Transfers in	-	-	-	-	262,588
Transfers out	-	-	-	-	(8,644)
Total other financing sources (uses)	-	-	-	-	253,944
CHANGES IN FUND BALANCES	-	(217,504)	(54,988)	(119,144)	(158,142)
FUND BALANCES:					
Beginning of year	-	52,864	1,632,886	597,517	280,266
End of year	\$ -	\$ (164,640)	\$ 1,577,898	\$ 478,373	\$ 122,124

(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, 2018

	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	\$ -	\$ -	\$ 371,616	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Use of money and property	-	-	-	-	898
Intergovernmental	-	493,879	-	-	955,000
Other revenues	-	-	-	-	-
Total revenues	-	493,879	371,616	-	955,898
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	-	-	-	-	-
Health	-	-	-	-	-
Culture and leisure	-	-	381,919	-	-
Capital outlay	-	-	-	-	818,961
Debt service:					
Principal	-	490,000	-	-	-
Interest and fiscal charges	-	3,879	-	-	-
Total expenditures	-	493,879	381,919	-	818,961
REVENUES OVER (UNDER) EXPENDITURES	-	-	(10,303)	-	136,937
OTHER FINANCING SOURCES (USES):					
Proceeds from debt issuance	-	5,523,602	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(5,523,602)	-	-	-
Total other financing sources (uses)	-	-	-	-	-
CHANGES IN FUND BALANCES	-	-	(10,303)	-	136,937
FUND BALANCES:					
Beginning of year	-	218	1,124,582	13	(176,168)
End of year	\$ -	\$ 218	\$ 1,114,279	\$ 13	\$ (39,231)

(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, 2018

	<u>Capital Projects</u>	<u>Permanent</u>	Total Other Governmental Funds
	State-Local Partnership	Library Endowment	
REVENUES:			
Taxes	\$ -	\$ -	\$ 3,825,248
Fines and forfeitures	-	-	23,596
Use of money and property	936	378	42,797
Intergovernmental	-	-	2,633,882
Other revenues	-	-	212,056
Total revenues	<u>936</u>	<u>378</u>	<u>6,737,579</u>
EXPENDITURES:			
Current:			
Public safety	-	-	200,626
Transportation	-	-	1,406,926
Community development	-	-	460,671
Health	-	-	830,854
Culture and leisure	-	-	3,992,425
Capital outlay	-	-	1,063,195
Debt service:			
Principal	-	-	880,000
Interest and fiscal charges	-	-	72,438
Total expenditures	<u>-</u>	<u>-</u>	<u>8,907,135</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>936</u>	<u>378</u>	<u>(2,169,556)</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from debt issuance	-	-	5,523,602
Transfers in	-	-	1,554,169
Transfers out	-	-	(5,577,027)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,500,744</u>
CHANGES IN FUND BALANCES	936	378	(668,812)
FUND BALANCES:			
Beginning of year	126,597	51,095	4,665,705
End of year	<u>\$ 127,533</u>	<u>\$ 51,473</u>	<u>\$ 3,996,893</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Capital outlay	\$ 127,996	\$ 127,996	\$ 127,997	\$ (1)
Total expenditures	<u>127,996</u>	<u>127,996</u>	<u>127,997</u>	<u>(1)</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>(127,996)</u>	<u>(127,996)</u>	<u>(127,997)</u>	<u>(1)</u>
CHANGE IN FUND BALANCE				
	<u>\$ (127,996)</u>	<u>\$ (127,996)</u>	<u>(127,997)</u>	<u>\$ (1)</u>
FUND BALANCE:				
Beginning of year			<u>135,679</u>	
End of year			<u>\$ 7,682</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 818,190	\$ 818,190	\$ 811,787	\$ (6,403)
Intergovernmental	3,000	3,000	5,395	2,395
Total revenues	<u>821,190</u>	<u>821,190</u>	<u>817,182</u>	<u>(4,008)</u>
EXPENDITURES:				
Current:				
Culture and leisure	2,014,009	2,014,009	1,852,642	161,367
Total expenditures	<u>2,014,009</u>	<u>2,014,009</u>	<u>1,852,642</u>	<u>161,367</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,192,819)</u>	<u>(1,192,819)</u>	<u>(1,035,460)</u>	<u>157,359</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	876,641	876,641
Transfers out	-	-	(13,821)	(13,821)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>862,820</u>	<u>862,820</u>
CHANGE IN FUND BALANCE	<u>\$ (1,192,819)</u>	<u>\$ (1,192,819)</u>	<u>(172,640)</u>	<u>\$ 1,020,179</u>
FUND BALANCE:				
Beginning of year			<u>183,604</u>	
End of year			<u>\$ 10,964</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 953,399	\$ 953,399	\$ 945,939	\$ (7,460)
Intergovernmental	3,000	3,000	6,286	3,286
Other revenues	-	-	26	26
Total revenues	<u>956,399</u>	<u>956,399</u>	<u>952,251</u>	<u>(4,148)</u>
EXPENDITURES:				
Current:				
Health	13,580	13,580	12,680	900
Culture and leisure	1,507,631	1,507,631	1,403,361	104,270
Capital outlay	52,393	52,393	53,202	(809)
Total expenditures	<u>1,573,604</u>	<u>1,573,604</u>	<u>1,469,243</u>	<u>104,361</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(617,205)</u>	<u>(617,205)</u>	<u>(516,992)</u>	<u>100,213</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	414,940	414,940
Transfers out	-	-	(18,596)	(18,596)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>396,344</u>	<u>396,344</u>
CHANGE IN FUND BALANCE	<u>\$ (617,205)</u>	<u>\$ (617,205)</u>	<u>(120,648)</u>	<u>\$ 496,557</u>
FUND BALANCE:				
Beginning of year			<u>131,487</u>	
End of year			<u>\$ 10,839</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 100,000	\$ 100,000	\$ 106,284	\$ 6,284
Other revenues	36,500	36,500	48,144	11,644
Total revenues	<u>136,500</u>	<u>136,500</u>	<u>154,428</u>	<u>17,928</u>
EXPENDITURES:				
Current:				
Culture and leisure	100,561	100,561	87,836	12,725
Capital outlay	129,023	129,023	6,145	122,878
Total expenditures	<u>229,584</u>	<u>229,584</u>	<u>93,981</u>	<u>135,603</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(93,084)</u>	<u>(93,084)</u>	<u>60,447</u>	<u>153,531</u>
CHANGE IN FUND BALANCE	<u>\$ (93,084)</u>	<u>\$ (93,084)</u>	<u>60,447</u>	<u>\$ 153,531</u>
FUND BALANCE:				
Beginning of year			<u>499,709</u>	
End of year			<u>\$ 560,156</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,698,366	\$ 1,698,366	\$ 1,589,622	\$ (108,744)
Use of money and property	-	-	414	414
Total revenues	<u>1,698,366</u>	<u>1,698,366</u>	<u>1,590,036</u>	<u>(108,330)</u>
EXPENDITURES:				
Current:				
Transportation	1,460,915	1,460,915	1,406,926	53,989
Capital outlay	343,345	343,345	56,890	286,455
Total expenditures	<u>1,804,260</u>	<u>1,804,260</u>	<u>1,463,816</u>	<u>340,444</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(105,894)</u>	<u>(105,894)</u>	<u>126,220</u>	<u>232,114</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(12,364)	(12,364)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12,364)</u>	<u>(12,364)</u>
CHANGE IN FUND BALANCE	<u>\$ (105,894)</u>	<u>\$ (105,894)</u>	<u>113,856</u>	<u>\$ 219,750</u>
FUND BALANCE:				
Beginning of year			<u>25,356</u>	
End of year			<u>\$ 139,212</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
Current:				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>-</u>	<u>-</u>	<u>-</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>-</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 6,631	\$ 6,631
Intergovernmental	834,360	834,360	586,685	(247,675)
Total revenues	<u>834,360</u>	<u>834,360</u>	<u>593,316</u>	<u>(241,044)</u>
EXPENDITURES:				
Current:				
Community development	375,225	375,225	351,937	23,288
Culture and leisure	576	576	324	252
Debt Service:				
Principal	390,000	390,000	390,000	-
Interest and fiscal charges	68,559	68,559	68,559	-
Total expenditures	<u>834,360</u>	<u>834,360</u>	<u>810,820</u>	<u>23,540</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(217,504)</u>	<u>(217,504)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(217,504)</u>	<u>\$ (217,504)</u>
FUND BALANCE:				
Beginning of year			<u>52,864</u>	
End of year			<u>\$ (164,640)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 28,685	\$ 28,685
Intergovernmental	473,144	473,144	279,126	(194,018)
Total revenues	<u>473,144</u>	<u>473,144</u>	<u>307,811</u>	<u>(165,333)</u>
EXPENDITURES:				
Current:				
Community development	501,548	501,548	108,734	392,814
Culture and Leisure	338,365	338,365	254,065	84,300
Total expenditures	<u>839,913</u>	<u>839,913</u>	<u>362,799</u>	<u>477,114</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(366,769)</u>	<u>(366,769)</u>	<u>(54,988)</u>	<u>311,781</u>
CHANGE IN FUND BALANCE	<u>\$ (366,769)</u>	<u>\$ (366,769)</u>	<u>(54,988)</u>	<u>\$ 311,781</u>
FUND BALANCE:				
Beginning of year			<u>1,632,886</u>	
End of year			<u>\$ 1,577,898</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 70,000	\$ 70,000	\$ 23,596	\$ (46,404)
Use of money and property	1,000	1,000	4,855	3,855
Other revenues	-	-	53,031	53,031
Total revenues	<u>71,000</u>	<u>71,000</u>	<u>81,482</u>	<u>10,482</u>
EXPENDITURES:				
Current:				
Public safety	200,900	200,900	200,626	274
Total expenditures	<u>200,900</u>	<u>200,900</u>	<u>200,626</u>	<u>274</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(129,900)</u>	<u>(129,900)</u>	<u>(119,144)</u>	<u>10,756</u>
CHANGE IN FUND BALANCE	<u>\$ (129,900)</u>	<u>\$ (129,900)</u>	<u>(119,144)</u>	<u>\$ 10,756</u>
FUND BALANCE:				
Beginning of year			<u>597,517</u>	
End of year			<u>\$ 478,373</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 277,464	\$ 277,464	\$ 307,511	\$ 30,047
Other revenues	110,600	110,600	110,855	255
Total revenues	388,064	388,064	418,366	30,302
EXPENDITURES:				
Current:				
Health	806,886	806,886	818,174	11,288
Culture and Leisure	15,123	15,123	12,278	2,845
Total expenditures	822,009	822,009	830,452	(8,443)
REVENUES OVER (UNDER) EXPENDITURES	(433,945)	(433,945)	(412,086)	21,859
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	262,588	262,588
Transfers out	-	-	(8,644)	(8,644)
Total other financing sources (uses)	-	-	253,944	253,944
CHANGE IN FUND BALANCE	\$ (433,945)	\$ (433,945)	(158,142)	\$ 275,803
FUND BALANCE:				
Beginning of year			280,266	
End of year			<u>\$ 122,124</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</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>-</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 497,350	\$ 497,350	\$ 493,879	\$ (3,471)
Total revenues	<u>497,350</u>	<u>497,350</u>	<u>493,879</u>	<u>(3,471)</u>
EXPENDITURES:				
Current:				
Debt Service:				
Principal	490,000	490,000	490,000	-
Interest and fiscal charges	7,350	7,350	3,879	3,471
Total expenditures	<u>497,350</u>	<u>497,350</u>	<u>493,879</u>	<u>3,471</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from debt issuance	-	-	5,523,602	5,523,602
Transfers out	-	-	(5,523,602)	(5,523,602)
Total other financing sources (uses)	<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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 382,263	\$ 382,263	\$ 371,616	\$ (10,647)
Total revenues	<u>382,263</u>	<u>382,263</u>	<u>371,616</u>	<u>(10,647)</u>
EXPENDITURES:				
Current:				
Culture and Leisure	382,263	382,263	381,919	344
Total expenditures	<u>382,263</u>	<u>382,263</u>	<u>381,919</u>	<u>344</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(10,303)</u>	<u>(10,303)</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(10,303)</u>	<u>\$ (10,303)</u>
FUND BALANCE:				
Beginning of year			<u>1,124,582</u>	
End of year			<u>\$ 1,114,279</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, 2018

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
ASSETS				
Current assets:				
Cash and investments	\$ 227,916	\$ 13,145,341	\$ 1,070,993	\$ 635,768
Accounts receivable	-	71,951	16,738	-
Total current assets	<u>227,916</u>	<u>13,217,292</u>	<u>1,087,731</u>	<u>635,768</u>
Noncurrent assets:				
Restricted cash and investments with fiscal agents	10,334	-	-	-
Capital assets, net	1,197,732	-	481,543	-
Total noncurrent assets	<u>1,208,066</u>	<u>-</u>	<u>481,543</u>	<u>-</u>
Total assets	<u>1,435,982</u>	<u>13,217,292</u>	<u>1,569,274</u>	<u>635,768</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	275,959	118,884	184,641	-
Salaries payable	17,969	1,163	8,180	-
Interest payable	12,557	-	-	-
Capital leases payable - due within one year	124,463	-	-	-
Compensated absences - due within one year	47,673	3,301	40,758	-
Claims payable - due within one year	-	2,305,406	-	-
Total current liabilities	<u>478,621</u>	<u>2,428,754</u>	<u>233,579</u>	<u>-</u>
Noncurrent liabilities:				
Capital leases payable - due in more than one year	920,115	-	-	-
Claims payable - due within one year	-	7,089,594	-	-
Total noncurrent liabilities	<u>920,115</u>	<u>7,089,594</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,398,736</u>	<u>9,518,348</u>	<u>233,579</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	153,154	-	481,543	-
Restricted for debt service	10,334	-	-	-
Unrestricted (deficit)	(126,242)	3,698,944	854,152	635,768
Total net position	<u>\$ 37,246</u>	<u>\$ 3,698,944</u>	<u>\$ 1,335,695</u>	<u>\$ 635,768</u>

City of National City
Combining Statement of Net Position (Continued)
All Internal Service Funds
June 30, 2018

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
ASSETS				
Current assets:				
Cash and investments	\$ 14,623	\$ 401,812	\$ 1,661,066	\$ 17,157,519
Accounts receivable	-	-	-	88,689
Total current assets	<u>14,623</u>	<u>401,812</u>	<u>1,661,066</u>	<u>17,246,208</u>
Noncurrent assets:				
Restricted cash and investments with fiscal agents	-	-	-	10,334
Capital assets, net	-	-	4,388,768	6,068,043
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>4,388,768</u>	<u>6,078,377</u>
Total assets	<u>14,623</u>	<u>401,812</u>	<u>6,049,834</u>	<u>23,324,585</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	-	53,082	-	632,566
Salaries payable	-	7,242	-	34,554
Interest payable	-	-	-	12,557
Capital leases payable - due within one year	-	-	-	124,463
Compensated absences - due within one year	-	40,376	-	132,108
Claims payable - due within one year	-	-	-	2,305,406
Total current liabilities	<u>-</u>	<u>100,700</u>	<u>-</u>	<u>3,241,654</u>
Noncurrent liabilities:				
Capital leases payable - due in more than one year	-	-	-	920,115
Claims payable - due within one year	-	-	-	7,089,594
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,009,709</u>
Total liabilities	<u>-</u>	<u>100,700</u>	<u>-</u>	<u>11,251,363</u>
NET POSITION				
Net investment in capital assets	-	-	4,388,768	5,023,465
Restricted for debt service	-	-	-	10,334
Unrestricted (deficit)	14,623	301,112	1,661,066	7,039,423
Total net position	<u>\$ 14,623</u>	<u>\$ 301,112</u>	<u>\$ 6,049,834</u>	<u>\$ 12,073,222</u>

City of National City
Combining Statement of Revenues, Expenses, and Changes in Net Position
All Internal Service Funds
For the Year Ended June 30, 2018

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
OPERATING REVENUES:				
Charges for services	\$ 3,231,589	\$ 3,251,675	\$ 2,914,731	\$ -
Other	114	119,122	16,738	-
Total operating revenues	<u>3,231,703</u>	<u>3,370,797</u>	<u>2,931,469</u>	<u>-</u>
OPERATING EXPENSES:				
Operations and administration	933,631	2,408,117	821,174	-
Maintenance	2,236,209	246,920	1,610,995	-
Depreciation	150,750	-	161,504	-
Total operating expenses	<u>3,320,590</u>	<u>2,655,037</u>	<u>2,593,673</u>	<u>-</u>
Operating income (loss)	<u>(88,887)</u>	<u>715,760</u>	<u>337,796</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Interest expense	(40,212)	-	-	-
Total nonoperating revenues (expenses)	<u>(40,212)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before transfers	<u>(129,099)</u>	<u>715,760</u>	<u>337,796</u>	<u>-</u>
TRANSFERS:				
Transfers in	93,441	-	-	-
Transfers out	(13,988)	(1,171)	(7,689)	-
Total transfers	<u>79,453</u>	<u>(1,171)</u>	<u>(7,689)</u>	<u>-</u>
Changes in net position	<u>(49,646)</u>	<u>714,589</u>	<u>330,107</u>	<u>-</u>
NET POSITION:				
Beginning of year	86,892	2,984,355	1,005,588	635,768
End of year	<u>\$ 37,246</u>	<u>\$ 3,698,944</u>	<u>\$ 1,335,695</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, 2018

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 1,533,790	\$ 789,077	\$ 11,720,862
Other	-	7	13,279	149,260
Total operating revenues	<u>-</u>	<u>1,533,797</u>	<u>802,356</u>	<u>11,870,122</u>
OPERATING EXPENSES:				
Operations and administration	-	388,626	7,979	4,559,527
Maintenance	-	1,026,532	-	5,120,656
Depreciation	-	-	436,966	749,220
Total operating expenses	<u>-</u>	<u>1,415,158</u>	<u>444,945</u>	<u>10,429,403</u>
Operating income (loss)	<u>-</u>	<u>118,639</u>	<u>357,411</u>	<u>1,440,719</u>
NONOPERATING REVENUES (EXPENSES):				
Interest expense	-	-	-	(40,212)
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,212)</u>
Income (loss) before transfers	<u>-</u>	<u>118,639</u>	<u>357,411</u>	<u>1,400,507</u>
TRANSFERS:				
Transfers in	-	-	470,000	563,441
Transfers out	-	(7,036)	-	(29,884)
Total transfers	<u>-</u>	<u>(7,036)</u>	<u>470,000</u>	<u>533,557</u>
Changes in net position	<u>-</u>	<u>111,603</u>	<u>827,411</u>	<u>1,934,064</u>
NET POSITION:				
Beginning of year	14,623	189,509	5,222,423	10,139,158
End of year	<u>\$ 14,623</u>	<u>\$ 301,112</u>	<u>\$ 6,049,834</u>	<u>\$ 12,073,222</u>

City of National City
Combining Statement of Cash Flows
All Internal Service Funds
For the Year Ended June 30, 2018

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ 3,231,589	\$ 3,194,365	\$ 2,897,993	\$ -
Cash payments to suppliers and employees for goods and services	(3,283,333)	(2,736,540)	(2,564,772)	-
Other operating revenues	114	119,122	16,738	-
Net cash provided by (used in) operating activities	(51,630)	576,947	349,959	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	(130,724)	-	-	-
Acquisition of capital assets	-	-	(74,626)	-
Interest paid	(41,681)	-	-	-
Proceeds received from disposal of capital assets	-	-	-	-
Net cash (used in) capital and related financing activities	(172,405)	-	(74,626)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	93,441	-	-	-
Transfers (out)	(13,988)	(1,171)	(7,689)	-
Net cash provided by (used in) noncapital financing activities	79,453	(1,171)	(7,689)	-
Net change in cash and cash equivalents	(144,582)	575,776	267,644	-
CASH AND CASH EQUIVALENT:				
Beginning of year	382,832	12,569,565	803,349	635,768
End of year	<u>\$ 238,250</u>	<u>\$ 13,145,341</u>	<u>\$ 1,070,993</u>	<u>\$ 635,768</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 227,916	\$ 13,145,341	\$ 1,070,993	\$ 635,768
Restricted cash and investments with fiscal agents	10,334	-	-	-
Total cash and cash equivalents	<u>\$ 238,250</u>	<u>\$ 13,145,341</u>	<u>\$ 1,070,993</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, 2018

	Tele- communications Revolving	Motor Vehicle Services	Equipment Replacement Reserve	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from other funds	\$ -	\$ 1,533,790	\$ 789,077	\$ 11,646,814
Cash payments to suppliers and employees for goods and services	(5,337)	(1,425,428)	(65,765)	(10,081,175)
Other operating revenues	-	7	13,279	149,260
Net cash provided by (used in) operating activities	<u>(5,337)</u>	<u>108,369</u>	<u>736,591</u>	<u>1,714,899</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital lease	-	-	-	(130,724)
Acquisition of capital assets	-	(79,606)	(1,088,877)	(1,243,109)
Interest paid	-	-	-	(41,681)
Proceeds received from disposal of capital assets	-	79,606	(79,606)	-
Net cash (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(1,168,483)</u>	<u>(1,415,514)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	470,000	563,441
Transfers (out)	-	(7,036)	-	(29,884)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(7,036)</u>	<u>470,000</u>	<u>533,557</u>
Net change in cash and cash equivalents	<u>(5,337)</u>	<u>101,333</u>	<u>38,108</u>	<u>832,942</u>
CASH AND CASH EQUIVALENT:				
Beginning of year	19,960	300,479	1,622,958	16,334,911
End of year	<u>\$ 14,623</u>	<u>\$ 401,812</u>	<u>\$ 1,661,066</u>	<u>\$ 17,167,853</u>
RECONCILIATION TO STATEMENT OF NET POSITION:				
Cash and investments	\$ 14,623	\$ 401,812	\$ 1,661,066	\$ 17,157,519
Restricted cash and investments with fiscal agents	-	-	-	10,334
Total cash and cash equivalents	<u>\$ 14,623</u>	<u>\$ 401,812</u>	<u>\$ 1,661,066</u>	<u>\$ 17,167,853</u>

City of National City
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2018

	Facilities Maintenance	Liability Insurance	Information Systems Maintenance	Office Equipment Depreciation
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (88,887)	\$ 715,760	\$ 337,796	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	150,750	-	161,504	-
Changes in operating assets and liabilities:				
Accounts receivable	-	(57,310)	(16,738)	-
Prepays and deposits	-	-	34,444	-
Accounts payable	(134,127)	17,398	(182,829)	-
Salaries payable	5,769	125	1,339	-
Compensated absences	14,865	(23)	14,443	-
Claims payable	-	(99,003)	-	-
Total adjustments	<u>37,257</u>	<u>(138,813)</u>	<u>12,163</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ (51,630)</u>	<u>\$ 576,947</u>	<u>\$ 349,959</u>	<u>\$ -</u>

City of National City
Combining Statement of Cash Flows (Continued)
All Internal Service Funds
For the Year Ended June 30, 2018

	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)	\$ -	\$ 118,639	\$ 357,411	\$ 1,440,719
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	-	436,966	749,220
Changes in operating assets and liabilities:				
Accounts receivable	-	-	-	(74,048)
Prepays and deposits	-	-	-	34,444
Accounts payable	(5,337)	(5,339)	(57,786)	(368,020)
Salaries payable	-	1,028	-	8,261
Compensated absences	-	(5,959)	-	23,326
Claims payable	-	-	-	(99,003)
Total adjustments	(5,337)	(10,270)	379,180	274,180
Net cash provided by (used in) operating activities	\$ (5,337)	\$ 108,369	\$ 736,591	\$ 1,714,899



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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, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Cobra Insurance Fund</u>				
Assets:				
Cash and investments	\$ -	\$ 375,566	\$ (362,372)	\$ 13,194
Total assets	\$ -	\$ 375,566	\$ (362,372)	\$ 13,194
Liabilities:				
Vouchers payable	\$ -	\$ 375,566	\$ (362,372)	\$ 13,194
Total liabilities	\$ -	\$ 375,566	\$ (362,372)	\$ 13,194
<u>Miscellaneous Deposits</u>				
Assets:				
Cash and investments	\$ 1,373,127	\$ 400,447	\$ (285,457)	\$ 1,488,117
Total assets	\$ 1,373,127	\$ 400,447	\$ (285,457)	\$ 1,488,117
Liabilities:				
Vouchers payable	\$ 27,029	\$ 406,362	\$ (287,432)	\$ 145,959
Deposits payable	1,346,098	397,178	(401,118)	1,342,158
Total liabilities	\$ 1,373,127	\$ 803,540	\$ (688,550)	\$ 1,488,117
<u>Total - All Agency Funds</u>				
Assets:				
Cash and investments	\$ 1,373,127	\$ 776,013	\$ (647,829)	\$ 1,501,311
Total assets	\$ 1,373,127	\$ 776,013	\$ (647,829)	\$ 1,501,311
Liabilities:				
Vouchers payable	\$ 27,029	\$ 781,928	\$ (649,804)	\$ 159,153
Deposits payable	1,346,098	397,178	(401,118)	1,342,158
Total liabilities	\$ 1,373,127	\$ 1,179,106	\$ (1,050,922)	\$ 1,501,311



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STATISTICAL SECTION





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CITY OF NATIONAL CITY, CALIFORNIA
STATISTICAL SECTION
JUNE 30, 2018

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.	
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These schedules contain information to help readers understand and assess the City's local revenue sources.	
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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.	
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These schedules present information to help readers understand the City's operations and resources.	
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City of National City
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental Activities:					
Net Investment in					
Capital Assets	\$ 98,809,386	\$ 99,340,829	\$ 93,567,130	\$ 100,450,699	\$ 99,343,176
Restricted for:					
General Services ¹	-	-	-	-	-
Community Development	36,760,186	43,423,854	33,109,741	4,427,765	535,026
Public Safety	3,422,897	4,018,272	3,035,845	927,816	-
Transportation	2,730,410	1,694,415	1,604,977	3,894,025	-
Culture and Leisure/General Services	5,178,912	5,394,040	4,101,046	25,086,031	-
Housing	-	1,079,035	1,472,075	8,253,320	-
Debt Service	-	-	-	-	472,988
Capital projects	-	-	-	-	2,332,408
Unrestricted	8,481,142	7,832,285	13,523,659	24,828,920	71,462,265
Total governmental activities net position	\$ 107,290,528	\$ 162,782,730	\$ 150,414,473	\$ 167,868,576	\$ 174,145,863
Business-type Activities:					
Net Investment in					
Capital Assets	\$ 5,354,253	\$ 5,148,247	\$ 4,939,455	\$ 4,744,375	\$ 4,760,761
Restricted					
Community Development	-	-	-	-	-
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Culture and Leisure	-	-	-	-	-
Housing	2,101,803	1,524,392	1,631,621	-	-
Debt Service	-	-	-	-	1,953,838
Unrestricted	-	-	-	1,982,828	265,456
Total business-type activities net position	\$ 7,456,056	\$ 6,672,639	\$ 6,571,076	\$ 6,727,203	\$ 6,980,055
Primary Government:					
Net Investment in					
Capital Assets	104,163,639	104,489,076	98,506,585	105,195,074	104,103,937
Restricted	50,194,208	57,134,008	44,955,305	42,588,957	5,294,260
Unrestricted	8,481,142	7,832,285	13,523,659	26,811,748	71,727,721
Total primary government net position	\$ 162,838,989	\$ 169,455,369	\$ 156,985,549	\$ 174,595,779	\$ 181,125,918

¹ General Services category added in 2014

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental Activities:					
Net Investment in					
Capital Assets	\$ 108,881,192	\$ 120,377,947	\$ 134,444,245	\$ 140,128,868	\$ 141,748,074
Restricted for:					
General Services ¹	25,690,372	24,671,923	29,511,338	17,830,592	16,441,482
Community Development	4,522,562	5,348,413	3,448,959	1,413,792	283,394
Public Safety	-			1,566,498	1,472,665
Transportation	-			2,279,981	1,985,811
Culture and Leisure/General Services	-			-	-
Housing	-			8,450,433	8,980,034
Debt Service	1,691,931	1,676,222	1,845,117	1,753,076	1,681,688
Capital projects	2,769,086	2,193,169	942,285	840,156	721,171
Unrestricted	40,409,653	(34,896,708)	(26,157,042)	(31,330,173)	(33,783,858)
Total governmental activities net position	<u>\$ 183,964,796</u>	<u>\$ 119,370,966</u>	<u>\$ 144,034,902</u>	<u>\$ 142,933,223</u>	<u>\$ 139,530,461</u>
Business-type Activities:					
Net Investment in					
Capital Assets	\$ 4,725,523	\$ 4,926,410	\$ 4,905,110	\$ 4,995,791	\$ 5,003,945
Restricted					
Community Development	-	-	-	-	-
Public Safety	-	-	-	1,422,433	1,514,475
Transportation	-	-	-	-	-
Culture and Leisure	-	-	-	-	-
Housing	-	-	-	-	-
Debt Service	2,121,988	1,876,125	2,031,385	763,085	818,678
Unrestricted	4,502	98,698	99,478	(13,016)	22,571
Total business-type activities net position	<u>\$ 6,852,013</u>	<u>\$ 6,901,233</u>	<u>\$ 7,035,973</u>	<u>\$ 7,168,293</u>	<u>\$ 7,359,669</u>
Primary Government:					
Net Investment in					
Capital Assets	113,606,715	125,304,357	139,349,355	145,124,659	146,752,019
Restricted	36,795,939	35,765,852	37,779,084	36,320,046	33,899,398
Unrestricted	40,414,155	(34,798,010)	(26,057,564)	(31,343,189)	(33,761,287)
Total primary government net position	<u>\$ 190,816,809</u>	<u>\$ 126,272,199</u>	<u>\$ 151,070,875</u>	<u>\$ 150,101,516</u>	<u>\$ 146,890,130</u>

¹ General Services category added in 2014

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses:					
Governmental Activities:					
General government	\$ 5,224,693	\$ 6,774,769	\$ 6,813,807	\$ 5,858,519	\$ 443,592
Public safety	29,670,520	32,426,770	32,287,471	29,477,075	28,024,676
Transportation	7,735,716	2,966,635	3,642,820	4,399,470	3,061,647
Community development	17,049,437	17,679,675	19,204,057	13,959,966	11,991,339
Health	5,963,766	7,775,510	6,846,972	6,595,669	8,477,778
Culture and leisure	6,928,456	6,238,223	5,734,894	5,943,563	5,784,578
Interest and fiscal charges	2,525,568	2,524,121	4,091,247	5,082,341	633,338
Depreciation expense (unallocated)	-	-	-	-	4,423,669
Total governmental activities expenses	\$ 75,098,156	\$ 76,385,703	\$ 78,621,268	\$ 71,316,603	\$ 62,840,617
Business-type Activities:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	2,191,014	2,854,075	2,313,011	2,181,928	-
Kimball Towers	-	-	-	-	1,089,698
Morgan Towers	-	-	-	-	1,177,596
Total business-type activities expenses	\$ 2,191,014	\$ 2,854,075	\$ 2,313,011	\$ 2,181,928	\$ 2,267,294
Total primary government expenses	\$ 77,289,170	\$ 79,239,778	\$ 80,934,279	\$ 73,498,531	\$ 65,107,911
Program Revenue:					
Government Activities:					
Charges for services:					
General government	\$ 2,331,329	\$ 3,624,978	\$ 2,924,037	\$ 1,394,546	\$ 1,258,710
Public safety	1,820,369	1,976,414	2,564,953	3,767,099	3,018,064
Transportation	-	-	-	-	1,549,092
Community development	631,769	625,194	945,733	1,179,697	2,079,578
Health	7,355,009	7,258,317	7,418,448	6,984,746	7,414,151
Culture and leisure	420,314	771,433	216,746	282,197	246,880
Operating grants and contributions	20,674,207	21,051,606	16,763,058	19,261,931	14,732,996
Capital grants and contributions	-	-	-	1,312,296	1,006,059
Total governmental activities program revenue	\$ 33,232,997	\$ 35,307,942	\$ 30,832,975	\$ 34,182,512	\$ 31,305,530
Business-type Activities:					
Charges for services:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	2,041,477	2,063,715	2,208,044	2,334,863	-
Kimball Towers	-	-	-	-	1,073,082
Morgan Towers	-	-	-	-	1,241,253
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenue	\$ 2,041,477	\$ 2,063,715	\$ 2,208,044	\$ 2,334,863	\$ 2,314,335
Total primary government program revenue	\$ 35,274,474	\$ 37,371,657	\$ 33,041,019	\$ 36,517,375	\$ 33,619,865
Net Revenues (Expenses):					
Governmental activities	(41,865,159)	(41,077,761)	(47,788,293)	(37,134,091)	(31,535,087)
Business-type activities	(149,537)	(790,360)	(104,967)	152,935	47,041
Total Net Revenues (Expenses)	\$ (42,014,696)	\$ (41,868,121)	\$ (47,893,260)	\$ (36,981,156)	\$ (31,488,046)

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				
	2014	2015	2016	2017	2018
Expenses:					
Governmental Activities:					
General government	\$ 5,240,947	\$ 6,299,372	\$ 6,237,858	\$ 7,379,307	\$ 15,307,497
Public safety	29,045,583	31,522,488	31,293,361	34,007,632	39,597,743
Transportation	6,315,524	6,737,292	8,605,631	8,925,351	8,076,078
Community development	11,669,866	11,603,528	11,812,563	13,560,523	12,884,161
Health	7,026,857	7,416,697	7,499,719	8,102,830	7,467,338
Culture and leisure	6,712,036	6,349,578	7,188,896	8,129,529	8,521,220
Interest and fiscal charges	439,367	407,194	308,808	243,832	414,353
Depreciation expense (unallocated)	-	-	-	-	-
Total governmental activities expenses	\$ 66,450,180	\$ 70,336,149	\$ 72,946,836	\$ 80,349,004	\$ 92,268,390
Business-type Activities:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	-	-	-	-	-
Kimball Towers	1,356,385	1,251,377	1,160,095	1,166,521	1,187,232
Morgan Towers	1,130,218	1,078,546	1,113,885	1,141,607	1,102,742
Total business-type activities expenses	\$ 2,486,603	\$ 2,329,923	\$ 2,273,980	\$ 2,308,128	\$ 2,289,974
Total primary government expenses	\$ 68,936,783	\$ 72,666,072	\$ 75,220,816	\$ 82,657,132	\$ 94,558,364
Program Revenue:					
Government Activities:					
Charges for services:					
General government	\$ 2,371,861	\$ 3,101,468	\$ 5,081,812	\$ 2,697,690	\$ 2,543,350
Public safety	3,150,630	3,807,824	2,681,493	2,704,952	3,393,625
Transportation	2,195,535	1,863,599	1,344,988	1,218,156	1,640,930
Community development	2,994,274	3,260,501	1,908,755	2,105,289	3,320,354
Health	7,534,320	9,522,136	8,363,190	8,819,322	8,624,774
Culture and leisure	199,493	353,740	306,675	631,597	676,015
Operating grants and contributions	15,818,335	12,508,517	13,295,661	15,280,776	14,306,662
Capital grants and contributions	6,284,789	11,399,349	7,299,398	3,878,546	6,414,610
Total governmental activities program revenue	\$ 40,549,237	\$ 45,817,134	\$ 40,281,972	\$ 37,336,328	\$ 40,920,320
Business-type Activities:					
Charges for services:					
Transportation Development Act ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Community development commission	-	-	-	-	-
Kimball Towers	1,096,559	1,101,514	1,124,578	1,130,543	1,127,607
Morgan Towers	1,244,129	1,260,181	1,266,441	1,289,180	1,329,610
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenue	\$ 2,340,688	\$ 2,361,695	\$ 2,391,019	\$ 2,419,723	\$ 2,457,217
Total primary government program revenue	\$ 42,889,925	\$ 48,178,829	\$ 42,672,991	\$ 39,756,051	\$ 43,377,537
Net Revenues (Expenses):					
Governmental activities	(25,900,943)	(24,519,015)	(32,664,864)	(43,012,676)	(51,348,070)
Business-type activities	(145,915)	31,772	117,039	111,595	167,243
Total Net Revenues (Expenses)	\$ (26,046,858)	\$ (24,487,243)	\$ (32,547,825)	\$ (42,901,081)	\$ (51,180,827)

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				
	2009	2010	2011	2012	2013
General Revenue and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 15,827,505	\$ 9,983,799	\$ 14,184,279	\$ 11,373,533	\$ 4,724,959
Sales taxes ¹	20,700,283	18,872,987	21,731,925	22,864,669	23,757,635
Franchise taxes	1,737,134	1,941,081	1,949,759	1,852,996	1,602,891
Motor vehicle license	5,370,617	5,181,701	5,219,884	4,962,804	-
Transient occupancy taxes	630,049	725,901	838,255	887,820	5,154,530
Utilities tax	-	-	-	-	815,136
Investment earnings ¹	1,425,385	572,489	374,153	297,882	1,873,896
Other miscellaneous revenues	270,269	461,101	365,734	23,811	-
Rent	733,454	763,157	868,535	-	-
Transfers	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	151,879
Transfer to Successor Agency	-	-	-	-	-
Special items	-	-	-	-	-
Total governmental activities	<u>\$ 46,694,696</u>	<u>\$ 38,502,216</u>	<u>\$ 45,532,524</u>	<u>\$ 42,263,515</u>	<u>\$ 38,080,926</u>
Business-type Activities:					
Investment earnings	\$ 23,995	\$ 6,943	\$ 3,192	\$ 3,192	\$ 3,685
Other misc	-	-	-	-	14,776
Rent	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>\$ 23,995</u>	<u>\$ 6,943</u>	<u>\$ 3,192</u>	<u>\$ 3,192</u>	<u>\$ 18,461</u>
Total primary government	<u>\$ 46,718,691</u>	<u>\$ 38,509,159</u>	<u>\$ 45,535,716</u>	<u>\$ 42,266,707</u>	<u>\$ 38,099,387</u>
Changes in Net Position:					
Governmental activities	4,829,537	(2,575,545)	4,454,763	5,129,424	6,545,839
Business-type activities	(125,542)	(783,417)	(787,168)	156,127	65,502
Total Primary Government	<u>\$ 4,703,995</u>	<u>\$ (3,358,962)</u>	<u>\$ 3,667,595</u>	<u>\$ 5,285,551</u>	<u>\$ 6,611,341</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.

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
General Revenue and Other Changes in Net Position:					
Governmental Activities:					
Taxes:					
Property taxes	\$ 9,908,109	\$ 10,301,592	\$ 10,293,634	\$ 11,948,882	\$ 12,721,058
Sales taxes ¹	25,586,661	27,095,666	29,170,512	29,284,869	30,084,675
Franchise taxes	1,718,023	1,902,082	1,922,723	1,856,039	1,910,053
Motor vehicle license	27,056	-	-	-	-
Transient occupancy taxes	1,082,339	1,383,793	1,611,788	1,597,957	1,660,800
Utilities tax	825,388	818,820	867,488	886,455	711,635
Investment earnings ¹	459,019	304,655	553,184	361,077	836,038
Other miscellaneous revenues	-	-	1,864	-	21,049
Rent	-	-	-	-	-
Transfers	-	-	-	-	-
Gain (loss) on sale of assets	(268,224)	-	-	-	-
Transfer to Successor Agency	-	-	(826,577)	-	-
Special items	-	-	13,734,184	-	-
Total governmental activities	<u>\$ 39,338,371</u>	<u>\$ 41,806,608</u>	<u>\$ 57,328,800</u>	<u>\$ 45,935,279</u>	<u>\$ 47,945,308</u>
Business-type Activities:					
Investment earnings	\$ 2,520	\$ 2,579	\$ 3,678	\$ 5,621	\$ 9,390
Other misc	15,353	14,869	14,023	15,464	14,743
Rent	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u>\$ 17,873</u>	<u>\$ 17,448</u>	<u>\$ 17,701</u>	<u>\$ 21,085</u>	<u>\$ 24,133</u>
Total primary government	<u>\$ 39,356,244</u>	<u>\$ 41,824,056</u>	<u>\$ 57,346,501</u>	<u>\$ 45,956,364</u>	<u>\$ 47,969,441</u>
Changes in Net Position:					
Governmental activities	13,437,428	17,287,593	24,663,936	2,922,603	(3,402,762)
Business-type activities	(128,042)	49,220	134,740	132,320	191,376
Total Primary Government	<u>\$ 13,309,386</u>	<u>\$ 17,336,813</u>	<u>\$ 24,798,676</u>	<u>\$ 3,054,923</u>	<u>\$ (3,211,386)</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				
	2009	2010	2011	2012	2013
General Fund:					
Reserved ¹	\$ 1,164,034	\$ 1,126,408	\$ -	\$ -	\$ -
Unreserved (designated, undesignated) ¹	17,276,654	10,699,617	-	-	-
Nonspendable	-	-	-	-	10,162
Restricted	-	-	-	-	707,262
Committed	-	-	1,671,257	1,671,257	9,085,066
Assigned	-	-	4,829,800	5,536,697	6,787,396
Unassigned	-	-	7,059,792	10,708,984	6,995,075
Total general fund	<u>\$ 18,440,688</u>	<u>\$ 11,826,025</u>	<u>\$ 13,560,849</u>	<u>\$ 17,916,938</u>	<u>\$ 23,584,961</u>
All Other Governmental Funds:					
Reserved ¹	\$ 22,821,977	\$ 28,011,724	\$ -	\$ -	\$ -
Unreserved ¹					
Designated	18,774,518	25,433,482	-	-	-
Undesignated:					
Special revenue funds	19,853,304	15,651,538	-	-	-
Capital projects funds	4,428,286	(244,185)	-	-	-
Debt service funds	-	-	-	-	-
Nonspendable	-	-	-	-	8,164,235
Restricted	-	-	103,585,798	42,694,439	33,122,400
Committed	-	-	2,002,596	2,166,798	-
Assigned	-	-	-	-	740,177
Unassigned	-	-	(538,052)	485,332	24,729
Total all other governmental funds	<u>\$ 65,878,085</u>	<u>\$ 68,852,559</u>	<u>\$ 105,050,342</u>	<u>\$ 45,346,569</u>	<u>\$ 42,051,541</u>

¹ The City of National City implemented GASB 54 for the fiscal year ended June 30, 2011. The City has elected not to restate fund balance amounts for previous years.

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund:					
Reserved ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved (designated, undesignated) ¹	-	-	-	-	-
Nonspendable	4,952,830	4,963,916	10,766,098	9,963,816	9,966,729
Restricted	611,780	590,998	754,913	616,253	555,168
Committed	9,085,066	9,085,066	11,585,066	11,585,066	11,085,066
Assigned	15,042,191	16,065,736	14,792,381	14,325,683	15,772,642
Unassigned	7,797,176	10,266,365	12,166,732	11,903,272	12,731,293
Total general fund	\$ 37,489,043	\$ 40,972,081	\$ 50,065,190	\$ 48,394,090	\$ 50,110,898
All Other Governmental Funds:					
Reserved ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved ¹					
Designated	-	-	-	-	-
Undesignated:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Nonspendable	7,926,759	7,927,027	-	1,636,570	129,469
Restricted	31,713,774	31,005,844	36,333,305	32,015,860	30,928,607
Committed	-	-	-	-	-
Assigned	733,384	706,558	-	-	-
Unassigned	(8,165,223)	(5,368,938)	(821,959)	(985,588)	(1,910,674)
Total all other governmental funds	\$ 32,208,694	\$ 34,270,491	\$ 35,511,346	\$ 32,666,842	\$ 29,147,402

¹ The City of National City implemented GASB 54 for the fiscal year ended June 30, 2011. 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				
	2009	2010	2011	2012	2013
Revenues:					
Taxes ¹	\$ 47,448,811	\$ 44,435,811	\$ 46,981,938	\$ 42,797,241	\$ 38,837,279
Licenses and permits	742,616	555,717	772,326	837,532	1,225,571
Fines and forfeitures	1,303,006	1,454,328	1,574,031	1,873,119	1,044,422
Interest ¹ and rents	2,387,531	1,414,747	971,728	720,301	-
Use of money and property	-	-	-	-	768,612
Intergovernmental	21,575,928	22,200,569	17,498,972	19,427,220	15,803,886
Charges for services	8,371,734	9,064,198	9,161,970	8,482,536	10,080,029
Other revenues	1,926,494	3,465,296	2,166,456	2,025,862	757,913
Total revenues	\$ 83,756,120	\$ 82,590,666	\$ 79,127,421	\$ 76,163,811	\$ 68,517,712
Expenditures:					
Current:					
General government	\$ 4,559,601	\$ 6,517,068	\$ 6,595,278	\$ 5,650,734	\$ 5,349,464
Public safety	27,958,385	30,715,473	27,631,707	28,458,759	28,156,246
Transportation	3,079,647	2,118,325	1,945,357	1,667,437	2,957,941
Community development	18,029,047	21,840,082	17,752,422	13,657,581	10,529,246
Health	5,963,766	7,761,907	6,842,236	7,015,478	8,559,588
Culture and leisure	6,928,456	6,160,615	5,127,204	5,138,826	5,797,227
Capital outlay	14,450,567	5,501,888	6,468,842	2,839,897	3,749,471
Debt service:					
Principal	3,024,837	3,191,174	3,327,360	4,547,823	1,068,801
Interest and fiscal charges	2,689,608	2,535,113	2,456,640	4,560,865	547,580
Cost of issuance	-	-	439,442	-	-
Total expenditures	\$ 86,683,914	\$ 86,341,645	\$ 78,586,488	\$ 73,537,400	\$ 66,715,564
Excess (deficiency) of revenues over (under) expenditures	<u>(2,927,794)</u>	<u>(3,750,979)</u>	<u>540,933</u>	<u>2,626,411</u>	<u>1,802,148</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.					
Other Financing Sources (uses)					
Issuance of long-term debt	\$ -	\$ -	\$ 42,775,000	\$ -	\$ 4,885,000
Premium on debt issuance	-	-	-	-	25,678
Payment to bond escrow agent	-	-	(3,115,000)	-	(4,760,000)
Original discount on issuance	-	-	(1,056,085)	-	(150,678)
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	8,227,100	10,620,576	16,870,308	7,017,427	3,085,535
Transfers out	(8,642,100)	(10,917,436)	(16,196,104)	(6,738,538)	(2,514,688)
Transfers to Successor Agency	-	-	-	-	-
Total other financing sources (uses)	\$ (415,000)	\$ (296,860)	\$ 39,278,119	\$ 278,889	\$ 570,847
Extraordinary/Special Items	-	-	-	(59,950,984)	-
Net change in fund balances	\$ (3,342,794)	\$ (4,047,839)	\$ 39,819,052	\$ (57,045,684)	\$ 2,372,995
Debt services as a percentage of noncapital expenditures					
	7.91%	7.08%	8.02%	12.88%	2.57%

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues:					
Taxes ¹	\$ 41,386,311	\$ 43,573,589	\$ 45,474,959	\$ 47,058,901	\$ 48,968,671
Licenses and permits	1,099,929	1,567,617	1,122,139	1,280,675	1,879,379
Fines and forfeitures	1,111,961	885,722	646,370	642,972	663,205
Interest ¹ and rents	-	-	-	-	-
Use of money and property	1,122,149	1,073,543	1,417,606	1,035,112	1,393,733
Intergovernmental	23,571,850	26,791,254	21,381,584	20,051,795	22,671,850
Charges for services	9,531,741	10,024,879	10,734,789	11,721,905	11,010,813
Other revenues	1,651,370	4,387,660	3,925,718	2,552,556	2,675,725
Total revenues	\$ 79,475,311	\$ 88,304,264	\$ 84,703,165	\$ 84,343,916	\$ 89,263,376
Expenditures:					
Current:					
General government	\$ 5,062,227	\$ 5,403,805	\$ 6,986,812	\$ 5,673,456	\$ 8,755,798
Public safety	27,687,841	29,100,717	31,785,904	34,754,008	37,535,638
Transportation	3,673,470	3,941,747	4,546,976	4,687,611	4,731,634
Community development	11,235,322	11,173,792	11,752,502	12,909,844	16,801,816
Health	6,994,103	7,179,865	7,587,801	8,227,149	7,544,106
Culture and leisure	6,057,037	5,306,518	6,239,067	7,351,974	4,186,345
Capital outlay	20,361,948	17,176,753	16,737,745	12,938,379	14,560,697
Debt service:					
Principal	1,376,871	1,142,186	1,150,824	1,310,893	1,552,162
Interest and fiscal charges	477,061	427,209	364,723	243,329	387,857
Cost of issuance	-	-	-	-	-
Total expenditures	\$ 82,925,880	\$ 80,852,592	\$ 87,152,354	\$ 88,096,643	\$ 96,056,053
Excess (deficiency) of revenues over (under) expenditures	<u>(3,450,569)</u>	<u>7,451,672</u>	<u>(2,449,189)</u>	<u>(3,752,727)</u>	<u>(6,792,677)</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.					
Other Financing Sources (uses)					
Issuance of long-term debt	\$ -	\$ 554,604	\$ -	\$ -	\$ 5,523,602
Premium on debt issuance	-	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-
Original discount on issuance	-	-	-	-	-
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	5,131,249	1,765,336	4,903,988	2,932,166	6,913,968
Transfers out	(4,671,639)	(4,277,182)	(3,078,442)	(3,114,366)	(7,447,525)
Transfers to Successor Agency	-	-	(826,577)	-	-
Total other financing sources (uses)	\$ 7,511,804	\$ (1,957,242)	\$ 998,969	\$ (762,875)	\$ 4,990,045
Extraordinary/Special Items	-	-	11,784,182	-	-
Net change in fund balances	\$ 4,061,235	\$ 5,494,430	\$ 10,333,962	\$ (4,515,602)	\$ (1,802,632)
Debt services as a percentage of noncapital expenditures	2.96%	2.46%	2.15%	2.07%	2.38%

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				
	2009	2010	2011	2012	2013
Secured:					
Residential Property	\$ 1,727,050,075	\$ 1,486,019,671	\$ 1,438,117,757	\$ 1,482,008,218	\$ 1,503,553,951
Commercial Property	797,911,588	871,757,000	886,630,566	899,802,065	915,142,395
Industrial Property	276,149,692	288,230,654	282,442,202	275,585,085	370,755,962
Institutional Property	44,982,886	54,514,910	55,348,512	44,298,664	45,384,698
Irrigated Property	35,858	36,575	-	-	-
Recreational Property	14,655,682	26,509,839	26,677,054	27,127,749	29,056,094
Unknown	-	-	-	-	-
Vacant Land	92,409,693	93,470,678	96,674,219	58,383,925	57,090,009
Dry Farm	-	-	224,466	-	-
Total Secured	<u>\$ 2,953,195,474</u>	<u>\$ 2,820,539,327</u>	<u>\$ 2,786,114,776</u>	<u>\$ 2,787,205,706</u>	<u>\$ 2,920,983,109</u>
Unsecured	168,066,373	204,465,642	200,239,342	201,267,744	183,790,343
SBE Nonunitary	5,858,889	5,586,456	5,195,618	5,195,618	5,195,618
Total Taxable Assessed Value	<u><u>\$ 3,127,120,736</u></u>	<u><u>\$ 3,030,591,425</u></u>	<u><u>\$ 2,991,549,736</u></u>	<u><u>\$ 2,993,669,068</u></u>	<u><u>\$ 3,109,969,070</u></u>
Total Direct Tax Rate	0.57066	0.55977	0.54335	0.54734	0.54683

Note: Exempt values not included in totals.

Source: HdL, San Diego County Assessor 2017/18 Combined Tax Rolls

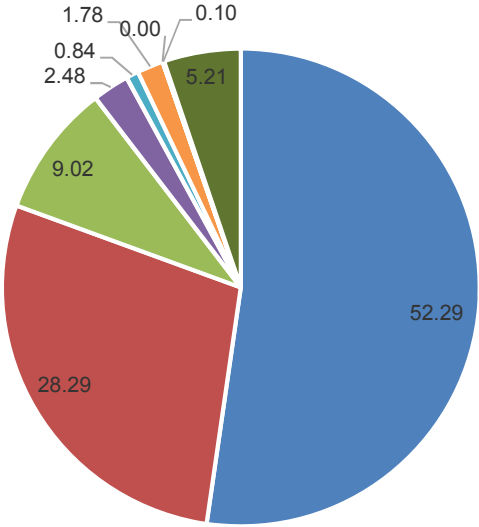
City of National City
Assessed Value and Actual Value of Taxable Property (Continued)
Last Ten Fiscal Years

Category	Fiscal Year				
	2014	2015	2016	2017	2018
Secured:					
Residential Property	\$ 1,547,773,659	\$ 1,665,406,317	\$ 1,717,835,128	\$ 1,805,981,573	\$ 2,005,909,205
Commercial Property	971,070,608	\$ 992,982,224	\$ 1,026,863,991	\$ 1,082,223,930	\$ 1,141,618,921
Industrial Property	372,617,155	\$ 360,527,549	\$ 345,186,211	\$ 351,325,363	\$ 366,288,263
Institutional Property	46,107,183	\$ 46,316,498	\$ 47,648,063	\$48,280,512	\$50,276,110
Irrigated Property	-	-	-	-	-
Recreational Property	25,828,782	\$ 25,827,429	\$ 24,799,504	\$ 28,998,288	\$ 30,262,982
Unknown	-	-	-	-	-
Vacant Land	61,320,039	\$ 60,685,749	\$ 66,017,188	\$ 66,452,827	\$ 69,545,186
Dry Farm	-	-	-	-	-
Total Secured	<u>\$ 3,024,717,426</u>	<u>\$ 3,151,745,766</u>	<u>\$ 3,228,350,085</u>	<u>\$ 3,383,262,493</u>	<u>\$ 3,663,900,667</u>
Unsecured	224,847,953	\$ 197,869,900	\$ 208,192,396	\$ 200,687,180	\$ 209,840,073
SBE Nonunitary	5,224,473	\$ 5,224,473	\$ 4,088,740	\$4,088,640	\$4,088,640
Total Taxable Assessed Value	<u><u>\$ 3,254,789,852</u></u>	<u><u>\$ 3,354,840,139</u></u>	<u><u>\$ 3,440,631,221</u></u>	<u><u>\$ 3,588,038,313</u></u>	<u><u>\$ 3,877,829,380</u></u>
Total Direct Tax Rate	0.24559	0.20747	0.20813	0.19685	0.19587

Note: Exempt values not included in totals.

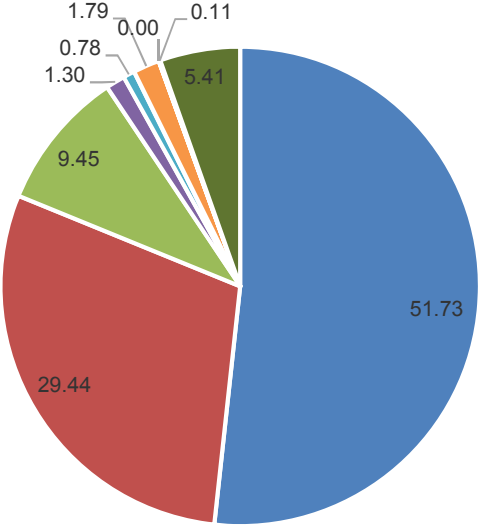
City of National City 2017/18 Use Category Summary (Percentages)

Assessed Value



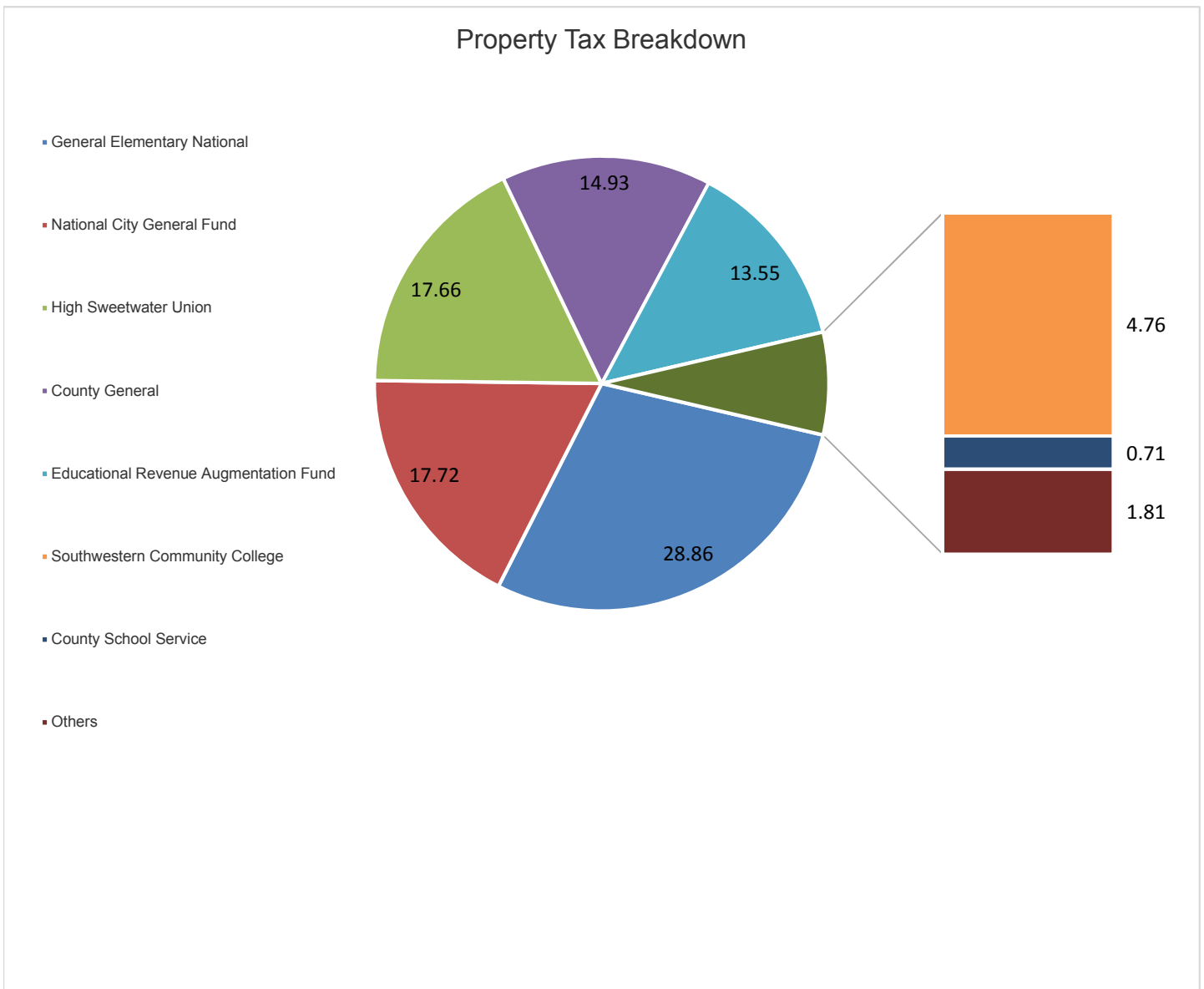
• Residential • Commercial • Industrial • Institutional • Recreational • Vacant • Exempt • SBE Nonunitary • Unsecured

Net Taxable Value



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

City of National City Property Tax Dollar Breakdown (Percentages)



Source: HdL, San Diego County Assessor 2017/18 Annual Tax Increment Tables

**City of National City
2017/18 Roll Summary
Taxable Property Values**

	<u>Secured</u>	<u>Nonunitary Utilities</u>	<u>Unsecured</u>
Parcels	9,761	7	1,555
TRAs	39	3	19
Values			
Land	\$ 1,644,801,119	\$ 4,088,640	\$ -
Improvements	2,205,411,693	-	73,536,492
Personal Property	4,115,721	-	138,430,463
Fixtures	-	-	-
Aircraft	-	-	-
Total Value	\$ 3,854,328,533	\$ 4,088,640	\$ 211,966,955
Exemptions			
Real Estate	\$ 190,427,866	\$ -	\$ 606,334
Personal Property	-	-	1,520,548
Fixture	-	-	-
Aircraft	-	-	-
Homeowners	28,786,800	-	154,000
Total Exemptions	\$ 190,427,866	\$ -	\$ 2,126,882
Total Net Value	\$ 3,663,900,667	\$ 4,088,640	\$ 209,840,073

Combined Values	Total
Total Values	\$ 4,070,384,128
Total Exemptions	\$ 192,554,748
Net Total Values	\$ 3,877,829,380
Net Aircraft Values	\$ -

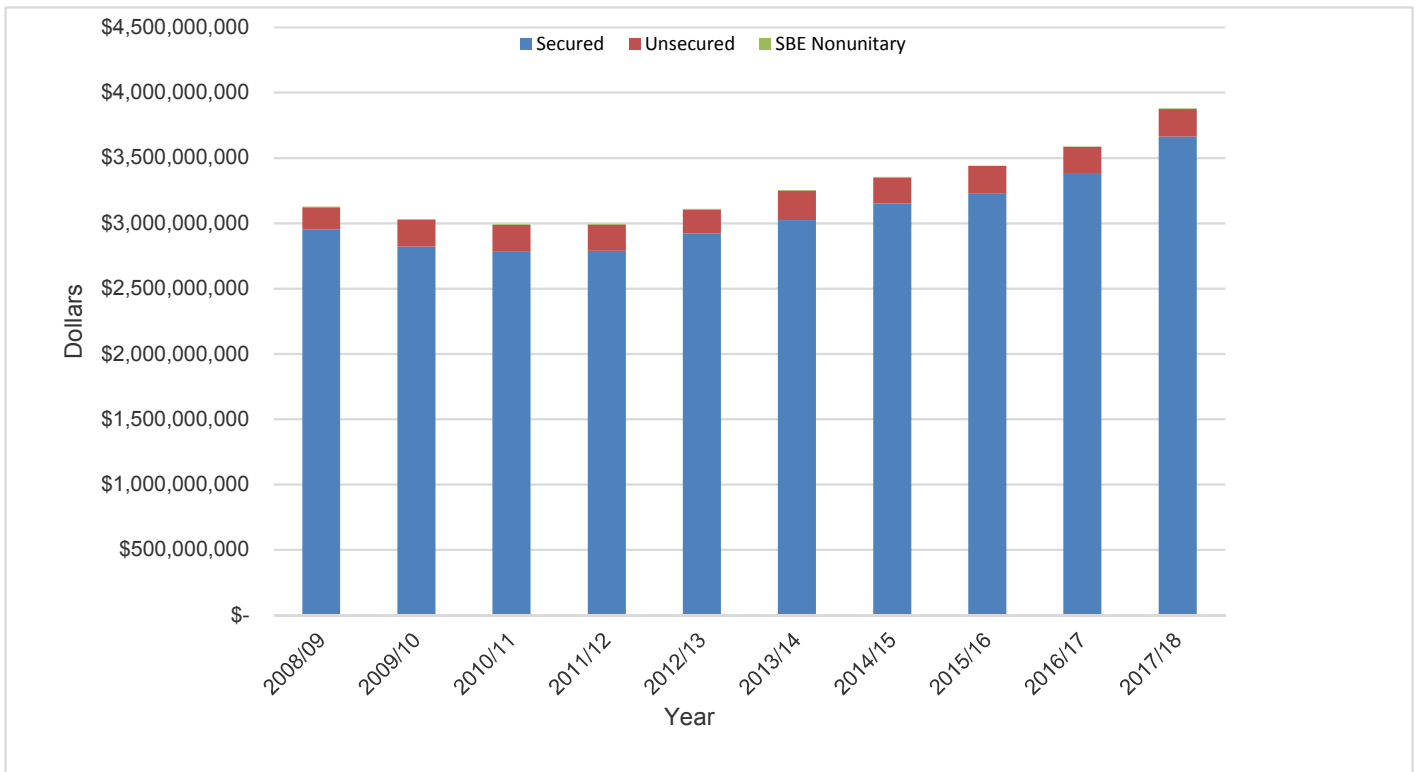
Notes: Total Exemptions does not include homeowner exemption.

Aircraft values and exemptions are reported separately.

Source: HdL, San Diego County Assessor 2017/18 Combined Tax Rolls

City of National City
Net Taxable Assessed Value History
2008/089- 2017/18

Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
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%
2017/18	\$ 3,663,900,667	\$ 209,840,073	\$ 4,088,640	\$ 3,877,829,380	8.08%



Source: HdL, San Diego County Assessor 2008/09-2017/18 Combined Tax Rolls

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

	Calendar Year				
	2009	2010	2011	2012	2013
Apparel Stores	\$ 110,810	\$ 120,759	\$ 129,870	\$ 133,977	\$ 134,008
General Merchandise	146,586	146,377	156,947	163,970	165,316
Food Stores	27,572	27,865	28,619	31,886	31,865
Eating and Drinking Places	114,705	121,704	126,315	132,912	138,668
Building Materials	36,605	28,742	28,809	30,059	32,490
Auto Dealers and Supplies	333,247	372,166	417,165	506,080	548,327
Service Stations	66,588	75,945	87,217	85,842	77,680
Other Retail Stores	154,854	141,441	148,291	155,451	165,755
All Other Outlets	202,615	248,235	246,672	262,154	294,424
Total	\$ 1,193,582	\$ 1,283,234	\$ 1,369,905	\$ 1,502,331	\$ 1,588,533

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 2018 not available as of the date of issuance of this report.

Source: State of California Board of Equalization and The HdL Companies

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

	Calendar Year				
	2014	2015	2016	2017	2018
Apparel Stores	\$ 134,775	\$ 135,071	\$ 143,770	\$ 146,797	NA
General Merchandise	171,124	177,381	176,341	\$ 175,008	NA
Food Stores	33,041	32,666	20,699	\$ 20,307	NA
Eating and Drinking Places	148,888	162,818	175,579	\$ 180,677	NA
Building Materials	38,070	55,753	67,094	\$ 90,198	NA
Auto Dealers and Supplies	581,390	622,925	636,361	\$ 609,082	NA
Service Stations	79,502	71,593	65,266	\$ 69,443	NA
Other Retail Stores	180,920	198,828	171,847	\$ 172,792	NA
All Other Outlets	299,890	335,514	350,104	\$ 361,666	NA
Total	\$ 1,667,600	\$ 1,792,549	\$ 1,807,061	\$ 1,827,987	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 2018 not available as of the date of issuance of this report.

Source: State of California Board of Equalization and The HdL Companies

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Current Year Tax Levy	\$ 3,119,018	\$ 3,133,984	\$ 3,118,154	\$ 3,207,237	\$ 3,348,632
Current Tax Collections	3,102,793	3,104,248	3,079,633	3,160,964	3,330,941
Percent of Levy Collected	99.48%	99.05%	98.76%	98.56%	99.47%
Delinquent Tax Receivable	16,472	16,863	17,417	19,334	19,089
Delinquent Tax Collections	2,886	1,864	2,717	1,995	1,781
Total Tax Collections	<u>\$ 3,105,679</u>	<u>\$ 3,106,112</u>	<u>\$ 3,082,350</u>	<u>\$ 3,162,959</u>	<u>\$ 3,332,721</u>
Percent of Total Tax Collections To Tax Levy	99.57%	99.11%	98.85%	98.62%	99.52%
Outstanding Delinquent Taxes	<u>\$ 29,810</u>	<u>\$ 44,735</u>	<u>\$ 53,222</u>	<u>\$ 63,612</u>	<u>\$ 34,999</u>
Percent of Delinquent Taxes To Tax Levy	0.96%	1.43%	1.71%	1.98%	1.05%

Source: San Diego County Property Tax Services. Tax/Revenue Accountability Report No. 13

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Current Year Tax Levy	\$ 3,099,715	\$ 3,240,544	\$ 3,205,191	\$ 3,335,753	\$ 3,619,238
Current Tax Collections	3,087,464	3,227,793	3,195,983	3,333,476	3,601,115
Percent of Levy Collected	99.60%	99.61%	99.71%	99.93%	99.50%
Delinquent Tax Receivable	19,203	19,758	17,764	16,226	10,737
Delinquent Tax Collections	1,542	1,312	1,564	1,465	2,008
Total Tax Collections	\$ 3,089,006	\$ 3,229,105	\$ 3,197,547	\$ 3,334,941	\$ 3,603,123
Percent of Total Tax Collections To Tax Levy	99.65%	99.65%	99.76%	99.98%	99.55%
Outstanding Delinquent Taxes	\$ 29,912	\$ 31,197	\$ 25,408	\$ 17,038	\$ 26,852
Percent of Delinquent Taxes To Tax Levy	0.96%	0.96%	0.79%	0.51%	0.74%

Source: San Diego County Property Tax Services. Tax/Revenue Accountability Report No. 13

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

Agency	Fiscal Year				
	2009	2010	2011	2012	2013
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000
Chula Vista Elementary	0.01762	0.02507	0.02611	0.02594	0.02526
Gen Bond National City-Prop N 11/04/14 Ser 2014A	0.00000	0.00000	0.00000	0.00000	0.00000
Metropolitan Water District	0.00430	0.00430	0.00370	0.00370	0.00350
National City Gen. Obligation Bonds 2002 Series A	0.01300	0.01270	0.01420	0.01370	0.01320
San Diego Community College Bond	0.01212	0.02482	0.02494	0.03740	0.03636
Southwestern Community College	0.01320	0.03442	0.03635	0.03308	0.03753
Sweetwater High Bond	0.04621	0.05580	0.05517	0.06079	0.05862
Total Direct & Overlapping² Tax Rates	1.10645	1.15711	1.16047	1.17461	1.17447
City's Share of 1% Levy Per Prop 13 ³	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate	0.01300	0.01270	0.01420	0.01370	0.01320
Redevelopment Authority Rate ⁴	1.00430	1.00430	1.00370	1.00370	0.00000
Total Direct Rate ⁵	0.57066	0.55977	0.54335	0.54734	0.54683

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.

Source: HdL, San Diego County Assessor 2008/09-2017/18 Tax Rate Tables

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

Agency	Fiscal Year				
	2014	2015	2016	2017	2018
Basic Levy ¹	1.00000	1.00000	1.00000	1.00000	1.00000
Chula Vista Elementary	0.04631	0.04753	0.04301	0.04323	0.03594
Gen Bond National City-Prop N 11/04/14 Ser 2014A	0.00000	0.00000	0.03055	0.02867	0.02629
Metropolitan Water District	0.00350	0.00350	0.00350	0.00350	0.00350
National City Gen. Obligation Bonds 2002 Series A	0.01190	0.00960	0.00920	0.00880	0.00790
San Diego Community College Bond	0.04760	0.04381	0.03939	0.03912	0.03447
Southwestern Community College	0.03675	0.03582	0.03961	0.03856	0.04981
Sweetwater High Bond	0.05823	0.05407	0.05169	0.05162	0.05156
Total Direct & Overlapping² Tax Rates	1.20429	1.19433	1.21695	1.21350	1.20947
City's Share of 1% Levy Per Prop 13 ³	0.17720	0.17720	0.17720	0.17720	0.17720
General Obligation Debt Rate	0.01190	0.00960	0.00920	0.00880	0.00880
Redevelopment Authority Rate ⁴	0.00000	0.00000	0.00000	0.00000	0.00000
Total Direct Rate ⁵	0.24559	0.20747	0.20813	0.19685	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.

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.

Source: HdL, San Diego County Assessor 2008/09-2017/18 Tax Rate Tables

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

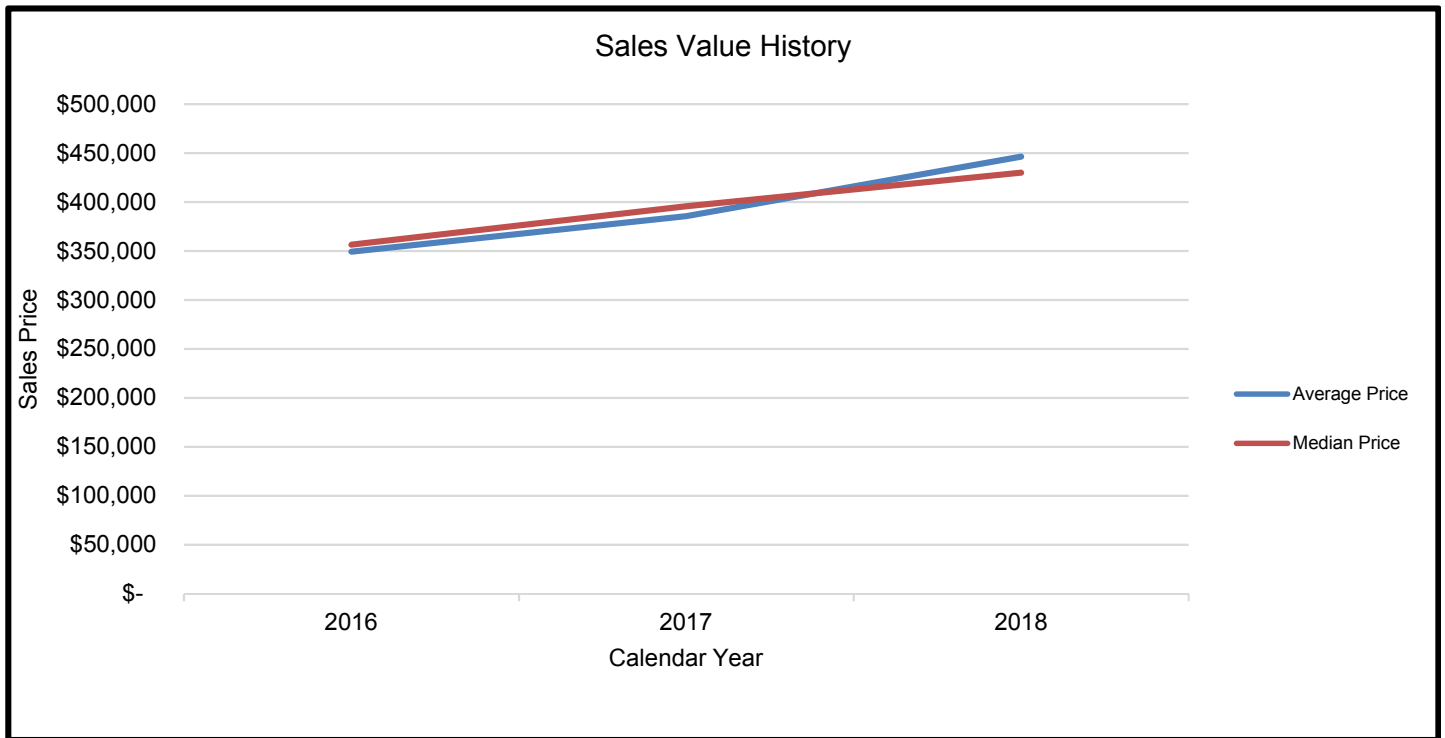
Taxpayer (Parcels)	2017/18			2008/09		
	Taxable Assessed Value (Secured and Unsecured)	Rank	Percentage of Net Assessed Value	Taxable Assessed Value (Secured and Unsecured)	Rank	Percentage of Net Assessed Value
	Plaza Bonita LLC (11)	\$ 262,152,413	1	6.76%	-	-
Pasha Automotive Services (6)	78,407,087	2	2.02%	-	-	-
P V H R LLC (2)	53,037,186	3	1.37%	-	-	-
National City Investment LP (4)	42,750,000	4	1.10%	-	-	-
Costco Wholesale Corporation (1)	41,537,988	5	1.07%	-	-	-
R O I C California LLC (7)	41,330,637	6	1.07%	-	-	-
Conrad Presbys Trust (4)	39,082,144	7	1.01%	-	-	-
MRT of National City-SNF (2)	34,440,620	8	0.89%	-	-	-
Fenton N C P LLC (16)	33,560,138	9	0.87%	-	-	-
MPT of Paradise Valley L P (30)	32,630,172	10	0.84%	-	-	-
Centermark Properties Inc. (7)	-	-	-	\$ 177,284,458	1	5.67%
MPT of Paradise Valley L P (35)	-	-	-	\$ 58,664,236	2	1.36%
Pasha Automotive Services (12)	-	-	-	40,645,465	3	1.30%
Costco Wholesale Corporation (1)	-	-	-	27,121,876	4	0.87%
Pacific Castle Bay Plaza (3)	-	-	-	26,010,000	5	0.83%
Plaza Bonita LLC (4)	-	-	-	25,794,914	6	0.82%
Wells Fargo Bank (4)	-	-	-	24,740,667	7	0.79%
Sweetwater Associates LP (22)	-	-	-	22,441,498	8	0.72%
Williams G W Company (2)	-	-	-	22,291,090	9	0.71%
Sweetwater Square LLC <LF> Aardema	-	-	-	19,203,278	10	0.61%
Top Ten Total	\$ 658,928,385		17.00%	\$ 444,197,482		13.68%
City Total	\$ 3,877,929,380 *			\$ 2,923,482,096 *		

* Value includes outer TRA's

Source: HdL, San Diego County Assessor 2008/09- 2017/18 Combined Tax Rolls and the SBE Non Unitary Tax Rolls

City of National City
Sales Value History
Single Family Residential Full Value Sales (1/1/2016-6/30/2018)

<u>Year</u>	<u>Full Value Sales</u>	<u>Average Price</u>	<u>Median Price</u>	<u>Median % Change</u>
2016	218	\$ 349,397	\$ 356,562	
2017	217	\$ 385,642	\$ 395,750	10.99
2018	91	\$ 446,495	\$ 430,000	8.65





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**City of National City
Top 25 Sales Tax Producers
For 2017-18 & 2008-09**

2017-18		2008-09	
Business Name	Business Category	Business Name	Business Category
Arco	Variety Stores	Arco	Service Stations
Arco AM PM	Service Stations	Arco	Service Stations
Frank Hyundai	New Motor Vehicle Dealers	Circuit City	Electronics/ Appliance Stores
Frank Subaru	New Motor Vehicle Dealers	Dixieline Lumber	Building Materials
Frank Toyota Scion	New Motor Vehicle Dealers	Frank Auto Pros	New Motor Vehicle Dealers
Honda Acura Mitsu Suzuki & Kia	New Motor Vehicle Dealers	Frank Auto Pros	New Motor Vehicle Dealers
JC Penny	Department Stores	Hason Associates	Contractors
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	Reliance Steel & Aluminum	Heavy Industrial
Ross	Family Apparel	Ron Baker Chevrolet	New Motor Vehicle Dealers
South Bay Volkswagen	New Motor Vehicle Dealers	Ross	Family Apparel
South County Buick GMC	New Motor Vehicle Dealers	South Bay Volkswagen	New Motor Vehicle Dealers
Target	Discount Dept Stores	Sweetwater Harley Davidson	Boats/Motorcycles
Univar	Drugs/Chemicals	Target	Discount Dept Stores
USA Gasoline	Service Stations	Three Wives	Service Stations
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 2017-18 total paid by top 25 accounts = 52.56

Percent of 2008-09 total paid by top 25 accounts = 52.67

* Firms listed alphabetically

Source: Hinderliter, de Llamas & Associates, State Board of Equalization

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental Activities:					
NCJPFA Lease Revenue Refunding Bond	\$ 3,605,000	\$ 3,280,000	\$ 3,115,000	\$ 2,715,000	\$ 2,300,000
Tax Allocation Bonds	39,680,000	37,455,000	74,590,000	71,115,000	-
General Obligation Bonds	5,440,000	5,285,000	5,120,000	4,945,000	4,846,073
2017 Clean Energy Bonds					
2017 Lease Revenue Bonds					
HUD 108 Bond 2003 A	5,975,000	5,750,000	5,505,000	5,245,000	4,965,000
Total Bonded Debt	\$ 54,700,000	\$ 51,770,000	\$ 88,330,000	\$ 84,020,000	\$ 12,111,073
Per Capita	\$ 1,069	\$ 964	\$ 896	\$ 1,498	\$ 1,428
Percent of Taxable Assessed Values #	1.75%	1.71%	2.95%	2.81%	0.39%
Other Governmental Activities Debt					
Capital Lease Payable	1,117,728	2,611,714	2,416,722	2,147,477	2,147,477
Business-Type Activities:					
Notes Payable-Deed of Trust	3,022,049	2,853,463	2,481,662	2,853,463	2,853,463
Total Primary Government	\$ 58,839,777	\$ 57,235,177	\$ 93,228,384	\$ 89,020,940	\$ 17,112,013
Percent of Personal Income	7.35%	7.27%	10.95%	9.54%	1.78%
Per Capita	\$ 1,045	\$ 1,009	\$ 1,613	\$ 1,510	\$ 291

In 2013, the Tax Allocation Bonds became a Fiduciary responsibility

Source: City of National City financial statements / notes to the financial statements

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental Activities:					
NCJPFA Lease Revenue Refunding Bond	\$ 1,870,000	\$ 1,425,000	\$ 965,000	\$ 490,000	\$ -
Tax Allocation Bonds	-	-	-	-	-
General Obligation Bonds	4,613,668	4,371,263	4,123,858	3,917,653	3,635,000
					1,800,000
					3,530,497
HUD 108 Bond 2003 A	4,450,000	4,140,000	3,805,000	3,440,000	3,050,000
Total Bonded Debt	\$ 10,933,668	\$ 9,936,263	\$ 8,893,858	\$ 7,847,653	\$ 12,015,497
Per Capita	\$ 204	\$ 185	\$ 164	\$ 145	\$ 126
Percent of Taxable Assessed Values	0.34%	0.30%	0.26%	0.22%	0.31%
Other Governmental Activities Debt					
Capital Lease Payable	1,571,831	1,948,686	1,723,764	1,494,160	1,264,425
Business-Type Activities:					
Notes Payable-Deed of Trust	1,576,533	1,311,137	1,027,967	725,833	403,464
Total Primary Government	\$ 14,082,032	\$ 13,196,086	\$ 11,645,589	\$ 10,067,646	\$ 13,683,386
Percent of Personal Income	1.43%	1.35%	1.14%	0.96%	1.27%
Per Capita	\$ 237	\$ 223	\$ 192	\$ 164	\$ 220

In 2013, the Tax Allocation Bonds became a Fiduciary responsibility

Source: City of National City financial statements / notes to the financial statements



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City of National City
Direct and Overlapping Debt
As of June 30, 2018

2016-2017 Assessed Valuation: \$3,877,829,380

	Total Debt 6/30/2018	% Applicable ¹	City's Share of 6/30/2018
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 60,600,000	0.142%	\$ 86,052
San Diego Community College District	1,326,815,303	0.002%	26,536
Southwestern Community College District	454,043,676	7.257%	32,949,950
Chula Vista City School District	44,495,000	1.457%	648,292
Chula Vista City School District School Facilities Improvement District No. 1	81,375,000	2.655%	2,160,506
National School District	25,755,000	93.996%	24,208,670
Sweetwater Union High School District	412,955,090	8.666%	35,786,688
Sweetwater Union High School District Community Facilities Districts	7,468,272	4.035-24.174	1,410,311
City Overlapping Tax and Assessment Debt Subtotal	2,413,507,341		97,277,005
City of National City	3,635,000	100%	3,635,000
City Tax and Assessment Debt Subtotal	3,635,000		3,635,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 2,417,142,341		\$ 100,912,005
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 273,220,000	0.783%	\$ 2,139,313
San Diego County Pension Obligation Bonds	558,525,000	0.783%	4,373,251
San Diego County Superintendent of Schools Obligations	10,785,000	0.783%	84,447
Southwestern Community College District General Fund Obligations	795,000	7.257%	57,693
Sweetwater Union High School District Certificates of Participation	41,745,000	8.666%	3,617,622
Chula Vista City School District Certificates of Participation	144,905,000	1.457%	2,111,266
City of National City General Fund Obligations	5,330,497	100.000%	5,330,497
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT	\$ 1,035,305,497		\$ 17,714,089
Overlapping Tax Increment Debt (Successor Agency)	\$ 48,543,000	100%	\$ 48,543,000
COMBINED TOTAL DEBT	\$ 3,452,447,838		\$ 118,626,094
Total Direct Debt			\$ 8,965,497
Total Overlapping Debt			158,203,597
Combined Total Debt ²			\$ 167,169,094

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$3,635,000)	0.09%
Total Direct and Overlapping Tax and Assessment Debt	2.60%
Total Direct Debt (\$8,965,497)	0.23%
Combined Total Debt	4.30%
<u>Ratios to Redevelopment Successor Agency Incremental Valuation</u>	
<u>(\$1,861,350,938):</u>	
Total Overlapping Tax Increment Debt	2.61%

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.

Source: MuniServices, LLC

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Assessed Valuation	\$ 3,127,120,736	\$ 3,030,591,425	\$ 2,991,549,736	\$ 2,993,669,068	\$ 3,109,969,070
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 781,780,184	\$ 757,647,856	\$ 747,887,434	\$ 748,417,267	\$ 777,492,268
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 117,267,028	\$ 113,647,178	\$ 112,183,115	\$ 112,262,590	\$ 116,623,840
Total Debt (due more than one year)	\$ 59,277,180	\$ 58,583,736	\$ 93,559,890	\$ 23,783,337	\$ 21,416,534
Less: Non Bonded Debt					
Claims Payable	(2,759,900)	(4,286,256)	(4,535,629)	(4,701,604)	(4,604,010)
Compensated Absences	(1,356,429)	(1,053,748)	(803,341)	(3,044,777)	(948,661)
Capitalized Lease Obligation	874,565	(2,423,051)	(2,037,295)	(2,059,274)	(1,571,831)
Notes Payable	(2,481,662)	(2,276,886)	(2,058,393)	(1,825,270)	(1,576,533)
Total Applicable to Limitation	<u>\$ 53,553,754</u>	<u>\$ 48,543,795</u>	<u>\$ 84,125,232</u>	<u>\$ 12,152,412</u>	<u>\$ 12,715,499</u>
Legal Debt Margin	<u>\$ 63,713,274</u>	<u>\$ 65,103,383</u>	<u>\$ 28,057,883</u>	<u>\$ 100,110,178</u>	<u>\$ 103,908,341</u>
Total debt applicable to the limit as a percentage of debt limit	46%	43%	75%	11%	11%

Source: City of National City financial statements / notes to the financial statements

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Assessed Valuation	\$ 3,254,789,852	\$ 3,354,840,139	\$ 3,440,631,221	\$ 3,588,038,313	\$ 3,877,829,380
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 813,697,463	\$ 838,710,035	\$ 860,157,805	\$ 897,009,578	\$ 969,457,345
Debt Limit Percentage	15%	15%	15%	15%	15%
Debt Limit	\$ 122,054,619	\$ 125,806,505	\$ 129,023,671	\$ 134,551,437	\$ 145,418,602
Total Debt (due more than one year)	\$ 20,857,367	\$ 20,579,839	\$ 19,496,761	\$ 19,090,044	\$ 22,603,785
Less: Non Bonded Debt					
Claims Payable	\$ (5,466,746)	\$ (5,580,594)	\$ (6,112,318)	\$ (6,416,518)	\$ (7,089,594)
Compensated Absences	\$ (1,421,472)	\$ (1,632,485)	\$ (1,821,032)	\$ (2,023,755)	\$ (1,372,764)
Capitalized Lease Obligation	\$ (1,362,172)	\$ (1,723,765)	\$ (1,494,160)	\$ (1,249,932)	\$ (1,001,185)
Notes Payable	\$ (1,311,137)	\$ (1,027,967)	\$ (725,833)	\$ (403,465)	
Total Applicable to Limitation	\$ 11,295,840	\$ 10,615,028	\$ 9,343,418	\$ 8,996,374	\$ 13,140,242
Legal Debt Margin	\$ 110,758,779	\$ 115,191,477	\$ 119,680,253	\$ 125,555,063	\$ 132,278,360
Total debt applicable to the limit as a percentage of debt limit	9%	8%	7%	7%	9%

Source: City of National City financial statements / notes to the financial statements

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenue					
Property Tax Gross Incremental Revenue	\$ 11,790,224	\$ 11,184,289	\$ 11,070,963	\$ 6,054,668	\$ 11,505,010
Debt Service Requirements					
Principal	\$ 2,140,000	\$ 2,225,000	\$ 2,525,000	\$ 3,955,000	\$ 4,120,000
Interest and Fiscal Charges	1,883,148	1,806,370	1,706,646	3,978,074	3,797,907
Pass-through Payments	1,553,258	7,395,921	2,613,680	-	-
	<u>\$ 5,576,406</u>	<u>\$ 11,427,291</u>	<u>\$ 6,845,326</u>	<u>\$ 7,933,074</u>	<u>\$ 7,917,907</u>
Debt Coverage	2.11	0.98	1.62	0.76	1.45

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenue					
Property Tax Gross Incremental Revenue	\$ 13,608,368	\$ 12,705,481	\$ 11,558,679	\$ 7,740,998	\$ 8,921,732
Debt Service Requirements					
Principal	\$ 4,290,000	\$ 5,230,000	\$ 2,070,000	\$ 2,220,000	\$ 3,163,000
Interest and Fiscal Charges	3,589,747	3,484,532	3,078,878	2,980,532	1,166,000
Pass-through Payments	-	-	-	-	-
	<u>\$ 7,879,747</u>	<u>\$ 8,714,532</u>	<u>\$ 5,148,878</u>	<u>\$ 5,200,532</u>	<u>\$ 4,329,000</u>
Debt Coverage	1.73	1.46	2.24	1.49	2.06

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



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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%)			
2008	56,063	1.8%	0.6%	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
2018	62,257	1.9%	1.7%	32.5	3.4	72.4%	14.2%	4.1%	\$1,078,906	\$17,329

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				
	2009	2010	2011	2012	2013
General Government					
City Clerk	3.16	3.16	3.16	3.00	3.00
City Manager	7.50	7.50	9.50	9.00	7.05
Risk Management	2.00	2.00	2.00	2.00	1.00
Management Information Systems	4.00	4.00	4.00	4.00	3.00
Finance	17.00	17.00	16.55	16.75	14.48
Purchasing	3.48	2.48	2.48	2.48	2.48
City Attorney	3.50	3.50	3.50	3.50	3.00
Human Resources	4.80	5.30	5.50	5.50	3.00
Community Development ¹	—	—	—	—	19.60
Planning	7.70	5.10	5.17	4.83	3.00
Building	4.00	4.40	4.33	4.33	3.00
Engineering	14.70	14.70	14.70	14.04	9.00
Redevelopment ¹	7.00	5.20	5.70	3.20	3.20
Advanced Planning / Economic Development ¹	2.40	2.75	2.75	—	—
Housing & Grants ^{1,4}	11.58	17.85	18.30	17.05	14.50
Neighborhood Services ¹	11.00	6.00	11.00	9.50	10.00
Public Works ²	35.30	36.30	36.30	36.96	41.00
Community Services ²	23.00	22.50	22.50	33.69	28.35
Nutrition Center	12.25	11.25	11.25	11.25	6.75
Library	31.18	28.51	60.07	59.31	56.47
Public Safety					
Police	139.36	139.36	134.36	135.38	124.38
Fire	48.25	48.25	48.25	48.25	42.00
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

³ National City Transit is no longer managed by the City and is now operated by Metropolitan Transit System

⁴ Housing & Grants was changed to Housing & Economic Development in 2018

Source: City of National City Annual Adopted Budgets

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

<u>Function/Program</u>	Fiscal Year				
	2014	2015	2016	2017	2018
General Government					
City Clerk	3.00	3.00	3.00	3.00	3.00
City Manager	8.00	8.00	8.00	8.00	7.00
Risk Management	1.00	1.00	1.00	1.00	1.00
Management Information Systems	3.00	3.50	4.00	4.00	4.00
Finance	14.48	14.77	15.77	14.29	14.29
Purchasing	2.48	1.48	1.48	1.48	1.48
City Attorney	3.50	4.00	3.50	4.00	4.00
Human Resources	3.00	3.00	5.00	5.00	4.00
Community Development ¹	19.34	15.01	—	—	—
Planning	3.00	3.00	4.00	4.00	5.00
Building	4.00	4.00	5.00	5.00	5.00
Engineering	10.00	11.00	13.00	13.00	13.00
Redevelopment ¹	3.20	0.00	0.00	0.00	0.00
Advanced Planning / Economic Development ¹	—	—	—	—	—
Housing & Economic Development ⁴	14.00	15.00	15.00	16.00	15.00
Neighborhood Services ^{1,4}	10.00	10.00	11.00	11.00	11.00
Public Works ²	42.00	45.00	45.00	46.50	46.50
Community Services ²	19.35	15.01	17.98	18.98	18.98
Nutrition Center	10.00	10.00	10.00	10.00	9.00
Library	56.30	20.35	21.35	21.85	21.85
Public Safety					
Police	125.38	129.50	129.50	126.98	126.98
Fire	43.00	43.00	47.00	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

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

⁴ Housing & Grants was changed to Housing & Economic Development in 2018

Source: City of National City Annual Adopted Budgets

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

<u>Function/Program</u>	Fiscal Year				
	2009	2010	2011	2012	2013
Police					
Physical Arrests	3,834	3,456	3,008	3,082	3,861
Parking Violations	4,956	9,843	12,157	10,406	9,704
Traffic Violations	3,154	3,491	2,325	3,384	3,811
Fire					
Emergency Responses	5,394	5,165	6,008	7,240	6,974
Fires Extinguished	118	140	79	136	155
Inspections	NA	NA	1,909	3,505	1,591
Other Public Works					
Street Resurfacing (miles)	17	25	5	0	0
Parks and Recreation					
Athletic Field Permits Issued	24	17	11	10	9
Community Center Admissions ¹	49,825	65,609	57,142	54,520	54,520
Library					
Volumes in Collection	200,516	207,100	212,175	213,177	241,921
Total Volumes Borrowed	316,075	285,527	243,055	252,356	247,608
Wastewater					
Average Daily Sewage Treatment (million gallons per day)	5.211	4.482	4.566	4.566	3.917

NA: Not available.

¹ Excludes Nutrition Center admissions.

Sources: Various City departments

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

Function/Program	Fiscal Year				
	2014	2015	2016	2017	2018
Police					
Physical Arrests	3,167	3,484	3,418	3,078	2,733
Parking Violations	11,283	7,434	8,659	7,958	8,693
Traffic Violations	2,158	1,801	1,561	1,563	1,772
Fire					
Emergency Responses	6,264	7,815	8,228	8,403	8,815
Fires Extinguished	149	121	141	125	138
Inspections	1,583	1,316	900	837	914
Other Public Works					
Street Resurfacing (miles)	0	2	0	0	2
Parks and Recreation					
Athletic Field Permits Issued	9	18	26	28	28
Community Center Admissions ¹	54,520	18,138	42,762	43,396	45,342
Library					
Volumes in Collection	246,299	238,114	233,109	231,683	233,086
Total Volumes Borrowed	215,955	189,145	129,762	111,271	110,023
Wastewater					
Average Daily Sewage Treatment (million gallons per day)	3.902	3.891	3.891	3.921	3.921

NA: Not available.

¹ Excludes Nutrition Center admissions.

Sources: Various City departments

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

<u>Function/Program</u>	Fiscal Year				
	2009	2010	2011	2012	2013
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	1,725	1,730	1,730	1,730	1,730
Traffic Signals	89	88	88	88	88
Parks and Recreation					
Acreage	84	84	84	84	84
Playgrounds	4	4	4	4	4
Baseball/Softball Diamonds	7	7	5	5	5
Soccer/Football Fields	3	3	1	1	1
Community Centers	5	5	5	5	5
Wastewater					
Sanitary Sewers (miles)	100	97	97	97	97
Storm Sewers (miles)	25.3	25.3	25.3	25.3	25.3
Treatment Capacity (million gallons per day)	4.48	7.10	7.10	7.10	7.10

NA: Not available.

Sources: Various City departments

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

<u>Function/Program</u>	Fiscal Year				
	2014	2015	2016	2017	2018
Police					
Stations	1	1	1	1	1
Zone Offices	1	1	1	0	0
Patrol Units	34	38	45	45	45
Fire Stations	2	2	2	2	2
Other Public Works					
Streets (miles)	101	101	101	108	108
Highways (miles)	6	6	6	9	9
Streetlights	1,730	1,730	1,730	1,995	1,995
Traffic Signals	74	74	75	74	80
Parks and Recreation					
Acreage	84	84	75	80	80
Playgrounds	4	4	5	5	5
Baseball/Softball Diamonds	5	5	5	5	5
Soccer/Football Fields	1	1	1	1	1
Community Centers	5	5	1	1	1
Wastewater					
Sanitary Sewers (miles)	97	97	97	104	104
Storm Sewers (miles)	45.0	45.0	45.0	96.0	96.0
Treatment Capacity (million gallons per day)	7.20	7.20	7.20	7.20	7.20

NA: Not available.

Sources: Various City departments



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of National City, California (the "City"), as of and for the year ended June 30, 2018, 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, 2018.

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*.

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

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

The PwC Group, LLP

San Diego, California
December 19, 2018