

Community Development Commission of the City of National City

National City, California

Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8

Financial Statements with Supplementary Information And Independent Auditors' Report

For the Year Ended June 30, 2017



Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8

Financial Statements
and Supplementary Information
For the Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Community Development
Commission of the City of National City
City of National City, California

We have audited the accompanying financial statements of the Morgan Towers Enterprise Fund, HUD Project No. 129-38013-PB-WAH-L8, of the Community Development Commission of the City of National City (the "Commission") as of June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's 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 an opinion 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 from 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Morgan Towers Enterprise Fund, HUD Project No. 129-38013-PB-WAH-L8, of the Commission, as of June 30, 2017, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

As discussed in Note 2, the financial statements of the Commission, are intended to present the financial position, the changes in financial position, and, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the Commission. They do not purport to, and do not present fairly the financial position of the City of National City, California as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis, that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information shown on pages 16 to 25 is presented for purposes of additional analysis as required by the Uniform Financial Reporting Standards issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards shown on page 39, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The above described supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

To the Board of Directors of the Community Development
Commission of the City of National City
City of National City, California
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Restriction of Use

Our report is intended solely for the information and use of the Board of Directors and management of the Community Development Commission of the City of National City and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

The Pen Group, LLP

San Diego, California
September 28, 2017

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FINANCIAL STATEMENTS

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Statement of Net Position
June 30, 2017

ASSETS	
Current assets:	
Cash and investments	\$ 13,464
Accounts receivable	442
Prepaid items and deposits	90,929
Total current assets	104,835
Noncurrent assets:	
Restricted deposits and funded reserves	718,436
Capital assets:	
Non-depreciable assets	212,568
Depreciable assets, net of accumulated depreciation	1,417,442
Total capital assets, net	1,630,010
Total noncurrent assets	2,348,446
Total assets	2,453,281
LIABILITIES AND NET POSITION	
Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	47,323
Salaries payable	8,889
Interest payable	3,932
Note payable - due within one year	322,368
Total current liabilities	382,512
Noncurrent liabilities:	
Tenant security deposit liability	44,649
Note payable - due in more than one year	403,465
Total noncurrent liabilities	448,114
Total liabilities	830,626
Net Position:	
Net investment in capital assets	904,177
Restricted:	
Debt service	718,436
Total restricted	718,436
Unrestricted	42
Total net position	\$ 1,622,655

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

OPERATING REVENUES:

Rental income	\$ 1,289,180
Other	7,695
Total operating revenues	1,296,875

OPERATING EXPENSES:

Operations and administration	512,100
Maintenance	456,859
Depreciation	113,538
Total operating expenses	1,082,497

OPERATING INCOME

214,378

NONOPERATING REVENUES (EXPENSES):

Interest income	2,154
Interest expense	(60,609)
Total nonoperating revenues (expenses)	(58,455)

CHANGES IN NET POSITION

155,923

NET POSITION:

Beginning of year	1,466,732
End of year	\$ 1,622,655

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Statement of Cash Flows
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,288,738
Cash payments to supplier and employees for goods and services	(958,476)
Other operating revenues	7,695
Net cash provided by operating activities	<u>337,957</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Mortgage principal payments	(302,135)
Net cash (used in) capital and related financing activities	<u>(302,135)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interest expense	(61,245)
Net cash (used in) noncapital financing activities	<u>(61,245)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net deposits to the reserve for replacement account	25,059
Interest income	2,154
Net cash provided by investing activities	<u>27,213</u>
Net change in cash and cash equivalents	1,790
CASH AND CASH EQUIVALENTS:	
Beginning of year	11,674
End of year	<u>\$ 13,464</u>

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY (USED IN) OPERATING ACTIVITIES:

Operating income (loss)	\$	214,378
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		113,538
Changes in operating assets and liabilities:		
Accounts receivable		(442)
Prepaid items and deposits		(2,346)
Accounts payable and accrued liabilities		11,591
Salaries payable		1,548
Tenant security deposit liability		(310)
Total adjustments		123,579
Net cash provided by (used in) operating activities	\$	337,957

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Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 1 – Description of Project

Morgan Towers is an apartment project owned and operated by the Community Development Commission of the City of National City (the “Commission”) for the purpose of providing housing for low-income elderly and disabled persons. The primary purpose of the Commission is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Commission is subject to the oversight responsibility of the City Council of the City of National City (the “City”), and accordingly, is a component unit of the City, although it is a separate legal entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Financial statements of the Commission 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 Commission’s accounting policies are described below.

The accompanying financial statements present only the Morgan Towers Enterprise Fund, HUD Project No. 129-38013-PB-WAH-L8 and are not intended to present the financial position of the Commission or the City of National City, and the results of its operations and the cash flows of its governmental or proprietary fund types.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value.

Assets Held in Trust/Reserve

In accordance with HUD requirements, Morgan Towers maintains the following restricted cash accounts:

Reserve for replacements of \$364,681 represents a monthly deposit of \$3,127, less current use for replacement, plus income earned thereon. The balance of this reserve will be used for the future replacement of property with HUD’s approval.

Residual receipts reserve of \$341,428 is an accumulation of surplus cash as calculated by HUD’s Computation of Surplus Cash, Distributions and Residual Receipts, which can only be expended with HUD’s approval.

Reserve for tenant security deposits of \$44,649 represents amounts collected from tenants which are generally returned to the tenants when they vacate the property. A corresponding liability of \$44,649 is included in the accompanying balance sheet.

Reserve for MIP and insurance impounds of \$3,397 and \$8,930, respectively, totaling \$12,327 represent amounts held for the future payment of property and mortgage insurance.

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Demand deposits were fully insured and/or collateralized with securities held by the pledging financial institutions in the Commission's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Commission'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 Commission's name.

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

Receivables

Tenant accounts receivable consist of amounts owed by individuals for rent rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts, if any.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid expenses.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The Commission policy has set the capitalization threshold for reporting capital assets at \$10,000, all of which must have an estimated useful life in excess of one year. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Building	50 years
Improvements and equipment	5 to 41 years

Rental Income

Rental revenues are subsidized with Federal government funds under a Section 8 contract with HUD.

Income Taxes

Neither the Project nor its government owner is subject to income taxes.

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Distributions

The Project's regulatory agreement with HUD stipulates, among other things, that the Project will not make distributions of assets or income to any of its officers or directors.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

In the financial statements, net position is categorized as follows:

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

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

Unrestricted – This component of net position is the amount of 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.

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

GASB Statement No. 73

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

GASB Statement No. 74

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which addresses reporting by postemployment benefits other than pensions (OPEB) plans that administer benefits on behalf of governments. This statement basically parallels GASB Statement 67 and replaces GASB Statement 43.

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
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Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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

GASB Statement No. 77

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

GASB Statement No. 78

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

GASB Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

GASB Statement No. 80

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

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Upcoming Governmental Accounting Standards Implementation

The Commission is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45.

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 is effective for the Commission's fiscal year ending June 30, 2018.

GASB Statement No. 82

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the Commission's fiscal year ending June 30, 2018.

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 83 (Continued)

Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the Commission's fiscal year ending June 30, 2019.

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 Commission's fiscal year ending June 30, 2020.

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 is effective for the Commission's fiscal year ending June 30, 2018.

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 is effective for the Commission's fiscal year ending June 30, 2018.

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Summary of Significant Accounting Policies (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 Commission's fiscal year ending June 30, 2020.

Note 3 – Cash and Investments

At June 30, 2017, cash and investments consisted of the following:

Cash and Cash Equivalents:	
Petty Cash	\$ 175
Union Bank Checking Account (General checking)	13,289
Total cash and cash equivalents	13,464
Assets Held in Trust/Reserve:	
Berkadia Commercial Mortgage (Tax and insurance impounds)	12,327
Berkadia Commercial Mortgage (Reserve for replacement)	364,681
Berkadia Commercial Mortgage (Residual receipts reserve)	341,428
Total assets held in trust/reserve	718,436
Total	\$ 731,900

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Capital Assets

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 212,568	\$ -	\$ -	\$ 212,568
Total capital assets, not being depreciated	212,568	-	-	212,568
Capital assets, being depreciated				
Building and improvements	7,213,900	-	-	7,213,900
Furniture and equipment	147,960	-	-	147,960
Total capital assets, being depreciated	7,361,860	-	-	7,361,860
Accumulated depreciation:				
Building and improvements	(5,682,920)	(113,538)	-	(5,796,458)
Furniture and equipment	(147,960)	-	-	(147,960)
Total accumulated depreciation	(5,830,880)	(113,538)	-	(5,944,418)
Total capital assets, being depreciated, net	1,530,980	(113,538)	-	1,417,442
Total capital assets, net	\$ 1,743,548	\$ (113,538)	\$ -	\$ 1,630,010

Depreciation expense for the year end June 30, 2017 was \$113,538.

Note 5 – Mortgage Payable

Balance July 1, 2016	Debt Issued	Debt Retired	Balance June 30, 2017	Classification	
				Due within One Year	Due in More Than One Year
\$ 1,027,967	\$ -	\$ (302,135)	\$ 725,832	\$ 322,368	\$ 403,464
\$ 1,027,967	\$ -	\$ (302,135)	\$ 725,832	\$ 322,368	\$ 403,464

A mortgage loan secured by the property is payable to Berkadia Mortgage. 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 unpaid principal portion of the note at June 30, 2017 was \$725,833. The annual debt service requirements for the mortgage payable outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 322,368	\$ 37,692	\$ 360,060
2019	343,958	16,097	360,055
2020	59,506	484	59,990
Total	\$ 725,832	\$ 54,273	\$ 780,105

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Tenant Security Deposits

Tenant security deposits are held at First Private Bank & Trust in an account insured by the Federal government that is in the name of the Project. At June 30, 2017, the account consisted of \$44,649 in cash.

Note 7 – Net Assets

Net assets are restricted and accounted for in accordance with criteria prescribed by HUD.

Note 8 – Management Fee

The Morgan Tower Enterprise Fund paid a management fee equal to 6.25% through August 31, 2014 and 6.5% thereafter of rental and laundry income to Falkenberg/Gilliam & Associates, Inc.

Note 9 – Contingent Liabilities

The Community Development Commission of the City of National City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

Note 10 – Concentrations

The Morgan Tower Enterprise Fund received approximately 60% of its revenues for the year ended June 30, 2017 through subsidies from the U.S. Department of Housing and Urban Development. Without this source of revenues, Morgan Tower Enterprise Fund would have difficulty operating its programs.

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**SUPPLEMENTARY DATA
REQUIRED BY HUD**

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Net Assets Data
June 30, 2017

ASSETS

Current assets:

1120	Cash - operations	\$	13,464
1130	Tenant accounts receivable		442
1260	Prepaid mortgage insurance		46,280
1100T	Total current assets		60,186

Deposits held in trust:

1191	Tenant security deposits		44,649
			44,649

Restricted deposits and funded reserves:

1310	Escrow deposits		12,327
1320	Reserve for replacements - Berkadia Mortgage		364,681
1340	Residual receipts reserve - Berkadia Mortgage		341,428
1300T	Total restricted deposits and funded reserves		718,436

Fixed assets:

1410	Land		212,568
1420	Building		5,488,048
1440	Building equipment		1,873,812
1400T	Total fixed assets		7,574,428
1495	Accumulated depreciation		(5,944,418)
1400N	Total fixed assets		1,630,010
1000T	Total assets		2,453,281

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Net Assets Data (Continued)
June 30, 2017

LIABILITIES AND NET ASSETS

Current liabilities:			
2110	Accounts payable - operations	\$	33,276
2120	Accrued wages payable		8,889
2123	Accrued management fee payable		14,047
2130	Accrued interest payable - first mortgage		3,932
2170	Mortgage payable - first mortgage (short term)		<u>322,368</u>
2122T	Total current liabilities		<u>382,512</u>
Deposits liabilities:			
2191	Tenant deposits held in trust		<u>44,649</u>
Long-term liabilities:			
2320	Mortgage payable - first mortgage		<u>403,465</u>
2300T	Total long-term liabilities		<u>403,465</u>
2000T	Total liabilities		<u>830,626</u>
Net assets:			
3131	Unrestricted net assets		<u>1,622,655</u>
3130	Total net assets		<u>1,622,655</u>
2033T	Total liabilities and net assets	\$	<u><u>2,453,281</u></u>

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Profit and Loss Data
For the Year Ended June 30, 2017

Revenue:

Rent revenue:

5120	Rent revenue	\$ 517,296
5121	Tenant assistance payments	775,533
5100T	Total rent revenue	<u>1,292,829</u>

Vacancies:

5220	Apartments	(3,649)
5200T	Total vacancies	<u>(3,649)</u>
5152N	Net rental revenue (rent revenue less vacancies)	<u>1,289,180</u>

Financial revenue:

5410	Financial revenue - project operations	6
5430	Revenue from investments - residual receipts	1,253
5440	Revenue from investments - reserve for replacement	895
5400T	Total financial revenue	<u>2,154</u>

Other revenue:

5910	Laundry revenue	7,675
5920	Tenant charges	20
5995	Miscellaneous income	-
5900T	Total other revenue	<u>7,695</u>
5000T	Total revenue	<u>1,299,029</u>

Expenses:

Administrative expenses:

6203	Conventions & Meetings	2,700
6210	Advertising	145
6250	Other rent expenses	387
6310	Office salaries	9,562
6311	Office expenses	8,768
6320	Management fee	84,158
6330	Manager salaries	73,142
6340	Legal Expense	257
6350	Audit expense	7,350
6351	Bookkeeping/accounting services	14,846
6390	Miscellaneous administrative expenses - service coordinator expense	14,897
6263T	Total administrative expenses	<u>216,212</u>

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Profit and Loss Data (Continued)
For the Year Ended June 30, 2017

Utilities expense:		
6450	Electric	\$ 52,228
6451	Water	49,012
6452	Gas	40,616
6453	Sewer	45,600
6400T	Total utilities expense	<u>187,456</u>
Operating and maintenance expenses:		
6510	Janitorial/maintenance payroll	140,559
6515	Supplies	48,600
6520	Contracts	138,424
6525	Garbage and trash removal	14,333
6530	Security contracts/payroll	42,773
6546	Heating/cooling repairs	67,427
6590	Miscellaneous expenses - Nutrition center expense	4,743
6500T	Total operating and maintenance expenses	<u>456,859</u>
Taxes and insurance:		
6711	Payroll taxes	17,730
6720	Property and liability insurance	43,235
6722	Workers' compensation	7,739
6723	Health insurance and employee benefits	39,318
6790	Miscellaneous licenses	410
6700T	Total taxes and insurance	<u>108,432</u>
Financial expenses:		
6820	Interest on mortgage payable	56,286
6850	Mortgage insurance premium	4,323
6800T	Total financial expenses	<u>60,609</u>
6000T	Total operating expenses before depreciation	<u>1,029,568</u>
5060T	Operating profit (loss) before depreciation	269,461
6600	Depreciation	113,538
5060N	Operating profit	155,923
3247	Change in unrestricted net assets from operations	155,923
3250	Change in total net assets from operations	<u><u>\$ 155,923</u></u>
Part II:		
S1000-010	Total first mortgage principal payments required during the audit period	<u>\$ 302,135</u>
S1000-020	The total of all monthly reserve for replacement deposits required during the audit period.	<u><u>\$ 37,524</u></u>

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Net Assets Data
For the Year Ended June 30, 2017

Equity data:		
S1100-060	Previous year unrestricted net assets	\$ 1,466,732
3247	Change in unrestricted net assets from operations	<u>155,923</u>
3131	Unrestricted net assets	<u>1,622,655</u>
S1100-050	Previous year total net assets	<u>1,466,732</u>
3250	Change in total net assets from operations	<u>155,923</u>
3130	Total net assets	<u><u>\$ 1,622,655</u></u>

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Cash Flows Data
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

S1200-010	Rental receipts	\$ 513,205
S1200-020	Interest receipts	2,154
S1200-030	Tenant assistance payments	783,228
S1200-040	Total receipts	<u>1,298,587</u>
S1200-110	Operating and maintenance	<u>(1,019,721)</u>
S1200-230	Total disbursements	<u>(1,019,721)</u>
S1200-240	Net cash provided by operating activities	<u>278,866</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

S1200-250	Net deposits to the reserve for replacement account	26,346
S1200-260	Net deposits to the residual receipts account	(1,253)
S1200-340	Other investing activities	(34)
S1200-350	Net cash provided by investing activities	<u>25,059</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

S1200-360	Mortgage principal payments	<u>(302,135)</u>
S1200-460	Net cash used in financing activities	<u>(302,135)</u>
S1200-470	Net increase in cash and cash equivalents	1,790

CASH AND CASH EQUIVALENTS:

S1200-480	Beginning of year	<u>11,674</u>
S1200T	End of year	<u>\$ 13,464</u>

RECONCILIATION OF OPERATING PROFIT TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

3250	Change in total net assets from operations	\$ 155,923
	Adjustments to reconcile operating profit to net cash provided by operating activities:	
6600	Depreciation and amortization	113,538
S1200-490	Tenant account receivable	(442)
S1200-520	Prepaid expenses	(2,346)
S1200-530	Deposits held in trust: Tenant security deposits	310
S1200-540	Accounts payable	5,411
S1200-560	Accrued liabilities	8,418
S1200-570	Accrued mortgage interest	(1,636)
S1200-580	Deposit liabilities: Tenant security deposits	(310)
	Total adjustments	<u>122,943</u>
S1200-610	Net cash provided by operating activities	<u>\$ 278,866</u>

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Schedule of Reserve for Replacements
For the Year Ended June 30, 2017

1320P	Balance, July 1, 2016	\$	391,027
1320DT	Total monthly deposits		37,524
1320WT	Approved withdrawals		(64,765)
1320INT	Interest on reserve for replacement accounts		895
5120	Balance, June 30, 2017 confirmed by mortgagee	<u>\$</u>	<u>364,681</u>
1320R	Deposits suspended or waived indicator?		No

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Schedule of Residual Receipts
For the Year Ended June 30, 2017

1340P	Balance, July 1, 2016	\$	340,175
1340INT	Interest on reserve for replacement accounts		<u>1,253</u>
1340	Balance, June 30, 2017	\$	<u><u>341,428</u></u>

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Computation of Surplus Cash, Distributions, and Residual Receipts
For the Year Ended June 30, 2017

S1300-010	Cash	\$ 58,113
S1300-040	Total cash	<u>58,113</u>
S1300-050	Accrued mortgage interest payable	3,932
S1300-075	Accounts payable (due within 30 days)	33,276
S1300-100	Accrued expenses (not escrowed)	22,452
2191	Tenant security deposits liability	<u>44,649</u>
S1300-140	Total current obligations	<u>104,309</u>
S1300-150	Surplus cash (deficiency)	<u>\$ (46,196)</u>
S1300-210	Deposit due residual receipts	-

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Schedule of Fixed Asset
For the Year Ended June 30, 2017

		Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
1410	Land	\$ 212,568	\$ -	\$ -	\$ 212,568
1420	Building and improvements	7,213,900	-	-	7,213,900
1440	Building equipment (portable)	147,960	-	-	147,960
	Total fixed assets	7,574,428	-	-	7,574,428
1495	Accumulated depreciation	(5,830,880)	(113,538)	-	(5,944,418)
1400N	Total net book value	\$ 1,743,548	\$ (113,538)	\$ -	\$ 1,630,010

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SINGLE AUDIT REPORTS

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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 *GOVERNMENTAL AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors of the Community Development
Commission of the City of National City
City of 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 Morgan Towers Enterprise Fund, HUD Project No. 129-38013-PB-WAH-L8, of the Community Development Commission of the City of National City ("Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated September 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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.

To the Board of Directors of the Community Development
Commission of the City of National City
City of National City, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

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
September 28, 2017



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**

Independent Auditors' Report

To the Board of Directors of the Community Development
Commission of the City of National City
City of National City, California

Report on Compliance for Each Major Federal Program

We have audited the Morgan Towers Enterprise Fund of the Community Development Commission of the City of National City (the "Commission")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2017. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

4365 Executive Drive, Suite 710, San Diego, California 92121

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www.pungroup.com

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

San Diego, California
September 28, 2017

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Program Title	CFDA Number	Grant Award Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Direct Program</i>			
Section 8 Project-Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation Program	14.182	CA 60006011	\$ 775,533
Section 8 Project-Based Cluster Subtotal			<u>775,533</u>
Mortgage Insurance - Rental Housing for the Elderly	14.138	129-38013-PB-WAH-L8	<u>1,027,968</u>
Total U.S. Department of Housing and Urban Development			<u>1,803,501</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,803,501</u></u>

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1 – Reporting Entity

The financial reporting entity consists of Morgan Towers is an apartment project owned and operated by the Community Development Commission of the City of National City (the “Commission”) for the purpose of providing housing for low-income elderly and disabled persons. The Commission is subject to the oversight responsibility of the City Council of the City of National City (the “City”), and accordingly, is a component unit of the City, although it is a separate legal entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The expenses included in the accompanying schedule were reported on the accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards (Schedule) only the expenditures incurred by the Morgan Towers Enterprise Fund that are subsidized under the federal program of federal agency providing financial assistance. For purposes of this schedule, financial assistance includes federal financial assistance received directly from a federal agency. Only the portion of program expenditures reimbursable with such federal funds are reported in the accompanying schedule.

Indirect Cost Rate

The Commission has not elected to use the 10-percent de minimus indirect rate as allowed under the Uniform Guidance.

Mortgage Payable

A mortgage loan secured by the property is payable to Berkadia Mortgage. 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 unpaid principal portion of the note at June 30, 2017 was \$725,833. The principal portion of long-term debt maturities is as follows:

Year Ended	Principal
2018	\$ 322,368
2019	343,958
2020	59,506
	\$ 725,832
Less current portion	(322,368)
Long-term portion	\$ 403,464

The note is insured by HUD and is secured by substantially all property and equipment included in the accompanying balance sheet.

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Types of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with section 200.516 of Uniform Guidance	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
14.182	Section 8 New Construction and Substantial Rehabilitation Program	\$ 775,533
	Total Expenditures of All Major Federal Programs	\$ 1,803,501
	Total Expenditures of Federal Awards	\$ 1,803,501
	Percentage of Total Expenditures of Federal Awards	43.00%

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee under section 200.520 of Uniform Guidance?	Yes

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No financial statement findings were noted for the year ended June 30, 2017.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No financial statement findings were noted for the year ended June 30, 2016.

Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section III – Federal Awards Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the City’s major programs for the year ended June 30, 2017.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No findings or questioned costs were noted on the City’s major programs for the year ended June 30, 2016.

**Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8**

**Certification of Officer
For the Year Ended June 30, 2017**

We hereby certify that we have examined the accompanying financial statements and supplementary information of the Morgan Towers Enterprise Fund and, to the best of my knowledge and belief, the same is complete and accurate.

Date: September 28, 2017

Community Development Commission –
Housing Authority of the City of National
City

By: 
Executive Director

**Community Development Commission of the City of National City
Morgan Towers Enterprise Fund
HUD Project No. 129-38013-PB-WAH-L8**

**Management Agent's Certification
For the Year Ended June 30, 2017**

We hereby certify that we have examined the accompanying financial statements and supplementary information of the Morgan Towers Enterprise Fund and, to the best of my knowledge and belief, the same is complete and accurate.

Date: September 28, 2017

Falkenberg/Gilliam & Associates, Inc.

By: *Samuel D. Lopez*
Rep for Managing Agent

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