



# CITY OF NEWPORT BEACH



## Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011





*Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2011*

*Prepared by the Administrative Services Department  
Tracy McCraner, Director*



The City of Newport Beach was incorporated September 1, 1906  
The present City Seal was adopted July 22, 1957

# INTRODUCTORY SECTION



**CITY OF NEWPORT BEACH**  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2011

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 (Unaudited)

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# CITY OF NEWPORT BEACH

December 22, 2011

Honorable Mayor and Members of the City Council,  
and Residents of the City of Newport Beach, California

The City Charter and California state law require the City of Newport Beach to issue annually a complete set of financial statements and that an independent firm of certified public accountants audit these statements in conformance with generally accepted auditing standards (GAAS). The Comprehensive Annual Financial Report (CAFR) of the City of Newport Beach for the year ended June 30, 2011, is hereby submitted.

The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This report reflects City management's representations concerning the finances of the City of Newport Beach. Responsibility for the accuracy and completeness of the data presented rests with the City. Management of the City is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and
- (2) the valuation of costs and benefits requires estimates and judgments by management.

We believe the information presented in this report is complete and accurate in all material respects, and that it is reported in a manner designed to fairly present the financial position and results of operations of the various activities of the City of Newport Beach.

The City of Newport Beach's financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of the audit was to provide reasonable assurance that the financial statements of the City of Newport Beach for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis:

- Evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

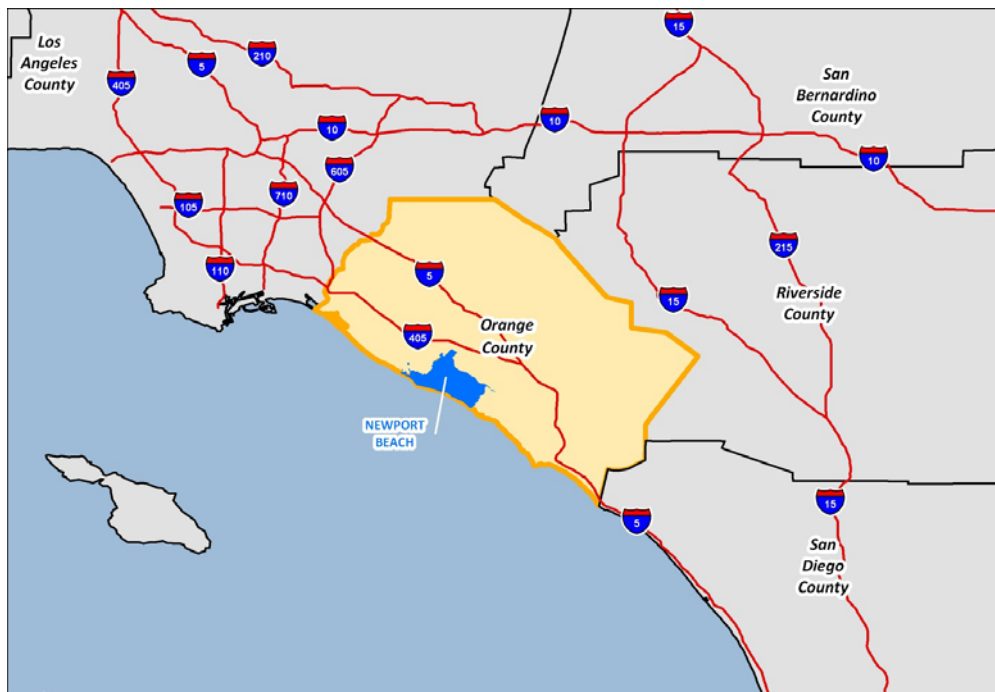
The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Newport Beach's financial statements for the year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

A narrative introduction, overview, and analysis accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Newport Beach MD&A can be found immediately following the report of the independent auditors and will provide further information regarding the format and content of this report.

## PROFILE OF THE CITY

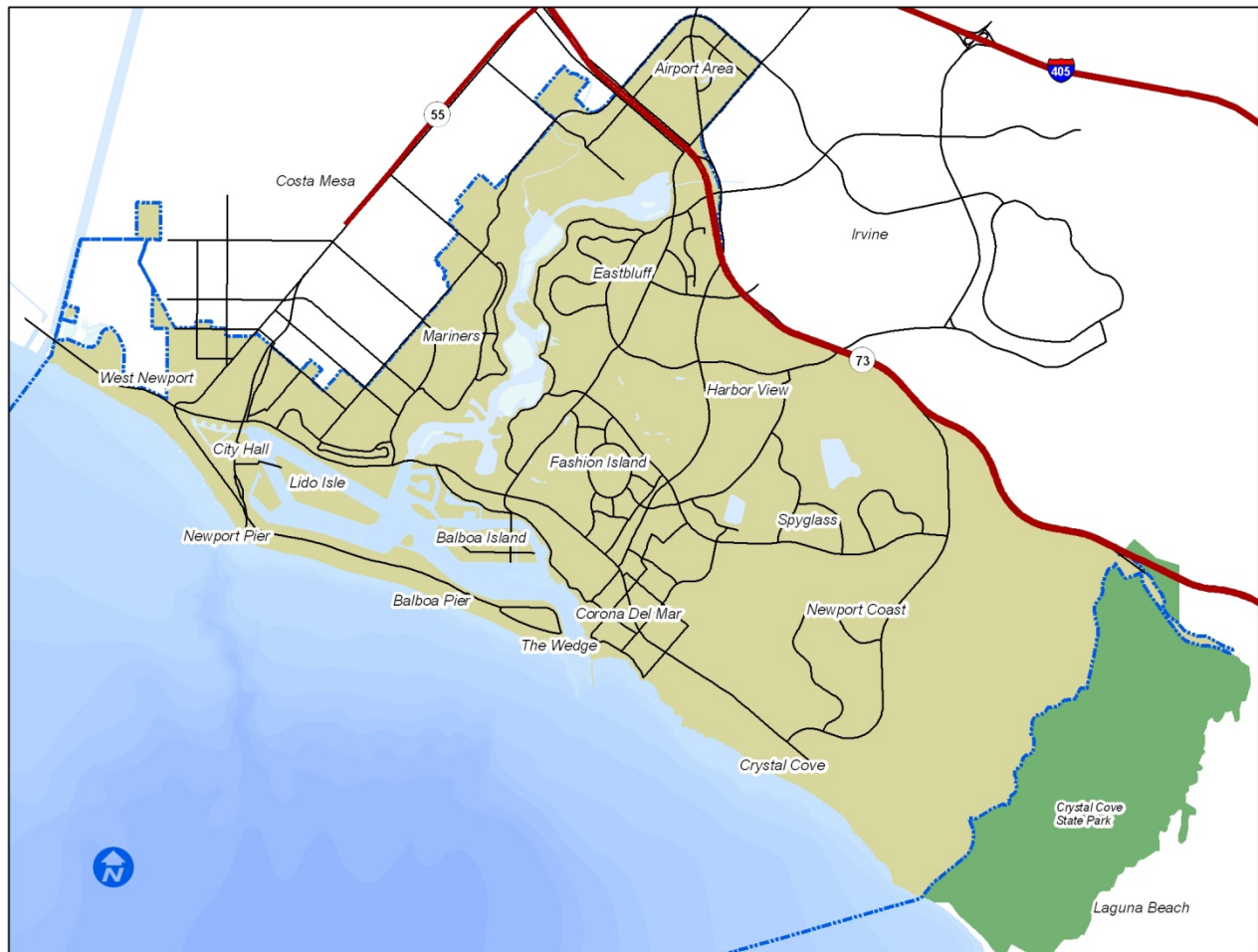
The City of Newport Beach is a community of about 85,000 people located in the central coastal Orange County, in the heart of Southern California, with Los Angeles County to the north and San Diego County to the south. There are currently 34 cities within the county offering one of the finest climates in the United States. Orange County is now the second largest county in California trailing only Los Angeles and surpassing San Diego and is the sixth largest county in the nation.

The general vicinity of Newport Beach and the County of Orange relative to the counties of Los Angeles, San Bernardino, Riverside and San Diego is illustrated on the map below:



Newport Beach is one of Southern California's most scenic and dynamic communities. It surrounds Newport Bay, well known for its picturesque islands and one of the greatest natural yacht harbors in the world, accommodating over 9,000 boats of all types docked within its 21-square mile harbor area. This bay area and the ten miles of ocean beach offer outstanding fishing, swimming, surfing, and aquatic sports activities. The city has a permanent population of 85,376 which typically grows to over 100,000 during the summer months, including 20,000 to 100,000 tourists daily. There are fine residential areas, modern shopping facilities, and a quality school system. A major campus of the University of California is located immediately adjacent to the city, and eight other colleges are within a 30-mile radius.

The following map illustrates the communities within Newport Beach; the bay, recreational harbor and beachfront topography; and the city's location relative to the bordering cities of Costa Mesa to the north, Irvine to the east and Laguna Beach to the south.



The City of Newport Beach was incorporated September 1, 1906. The City Charter was originally adopted in 1954 but has been updated and amended over time. The City operates under a Council-Manager form of government. Council Members are elected by district but voted on by the population as a whole, and serve four-year staggered terms. The governing council consists of the mayor and six other members and is responsible for

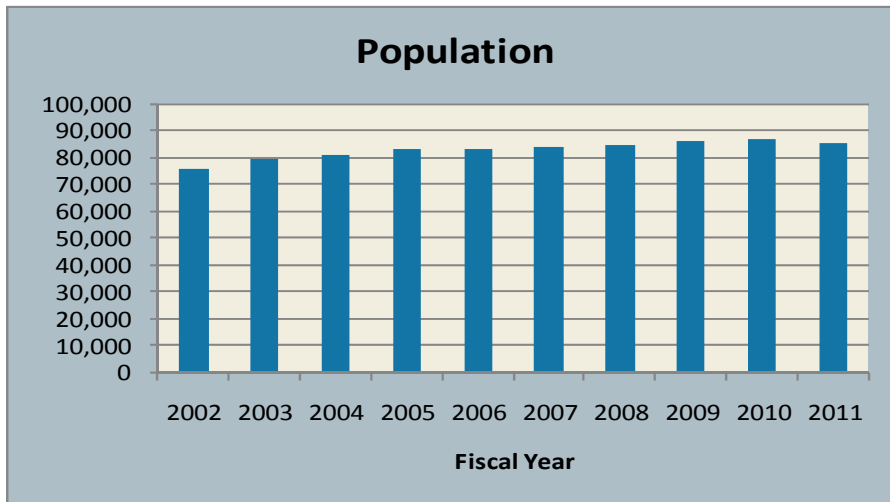
among other things, policy-making, passing local ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney, and City Clerk.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day to day operations of the City, and for appointing heads of departments. The City of Newport Beach is a full service city providing its residents and visitors with the following functional services: general governance, legal, financial, information technology, and administrative management; police, fire, paramedic, lifeguard, and emergency medical transport services; engineering, construction, and maintenance of public facilities, public streets, beaches, and parks; planning, zoning, and economic development services; building inspection, plan check, and code enforcement services; libraries and cultural and arts services; recreation and senior services; and water, wastewater collection, rubbish disposal, and street light utility services. The City provides water and sewer service to most areas within City limits (special districts provide these services to some areas), but it does not provide gas, electrical, cable television, or other utility service. Public elementary and secondary education to Newport Beach’s residents is provided by the Newport-Mesa Unified School District and the Laguna Beach Unified School District, which are separate government entities.

**Component Unit:** The City’s financial statements present the financial activity of the City of Newport Beach (the primary government) and the Newport Beach Public Facilities Corporation (a component unit of the City). The Corporation is blended into the City’s financial statements because of its operational and financial relationship with the City. Even though it is a legally separate organization, City elected officials continue to be accountable for fiscal matters of the Corporation. Additional information about the Newport Beach Public Facilities Corporation and the reporting entity in general can be found in Note 1a of the notes to the financial statements.

## DEMOGRAPHICS

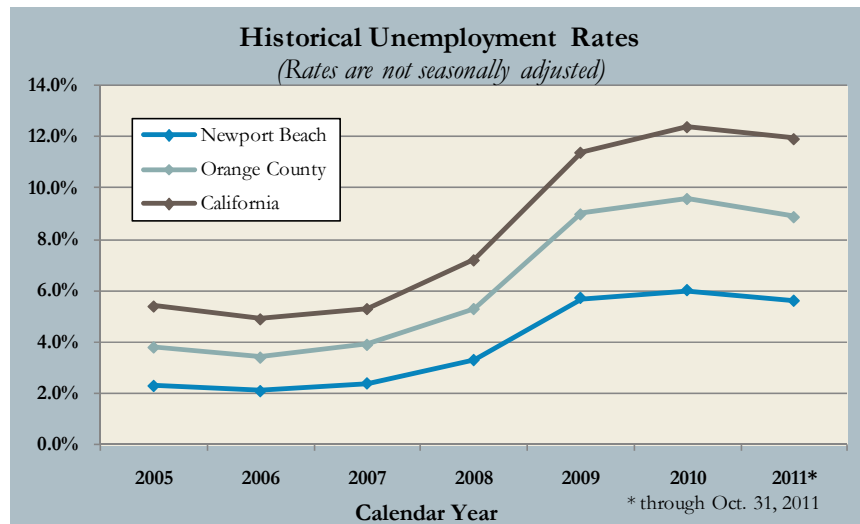
Reflective of a mature community, vacant land has become increasingly scarce and the City is relatively built-out. Currently at 85,376, population has been very stable as indicated by the chart below:



Indicative of an affluent community, the effective buying income and median Household income are higher in Newport Beach than other areas of the State and the U.S. overall. As illustrated by the table below, Newport Beach Median Household Income is nearly twice that of the U.S. Median Household Income.

2010 Median Household Income	
City of Newport Beach	\$97,140
Orange County	70,880
California	57,708
USA	50,046

The leading industries are that of a highly educated workforce including professional, scientific, health-care, finance, insurance, legal and other management. Consequently, unemployment in Newport Beach has been significantly lower than elsewhere as illustrated in the chart below:



More detailed information concerning the city’s demographics and statistics are contained within the Statistical Section of this report.

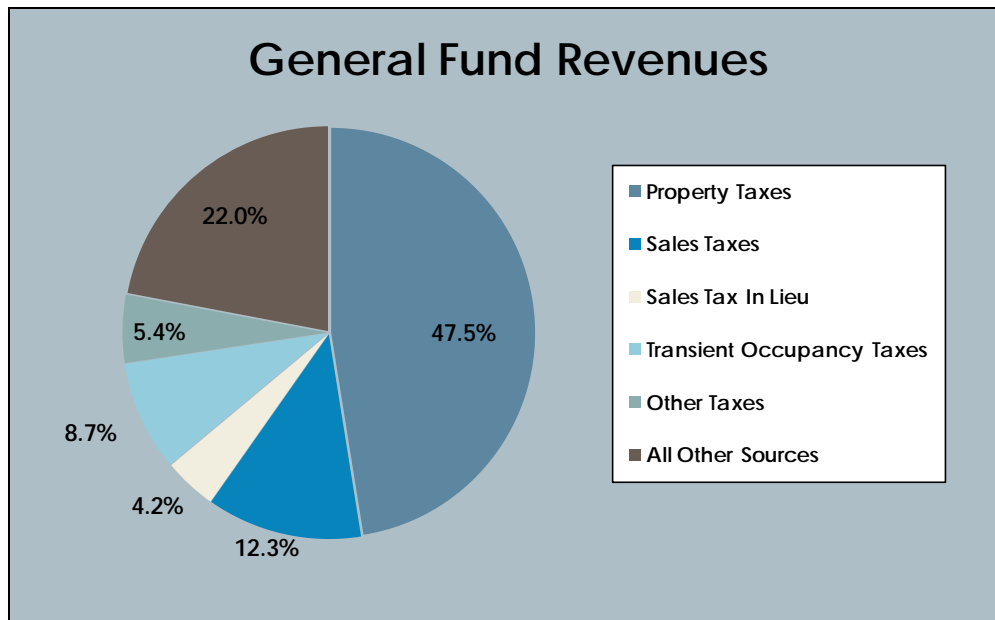
## LOCAL ECONOMY

In an increasingly interconnected world, global events have had a profound impact on the U.S. economy. Fiscal Year 2010-11 was plagued by global economic instability, a natural disaster in Japan, the European financial crisis, a sputtering US economy, debt ceiling drama and stubbornly high jobless rates. The net result was consistent consumer uncertainty and extraordinary volatility across all markets.

While not immune to the effects of the recession, Newport Beach continued to fare relatively well during the recession due in part to strong governance, disciplined fiscal decisions and a strong underlying tax base. Even though revenues maintained minimal-to-flat revenue growth rate, City management has maintained a focus on the City Council's priorities, including adhering to a 15-point Fiscal Sustainability Plan; strong revenue monitoring, analysis and reporting; and responsible, yet difficult, spending decisions.

### TOP THREE REVENUE SOURCES

General Fund revenues were approximately \$151 million during FY 2010-11. The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu, and Transient Occupancy Taxes (TOT), represent 72.7% of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees and other taxes represent nearly 78.1% of all General Fund revenues while only 21.9% is generated by other revenue sources.



### Property Taxes

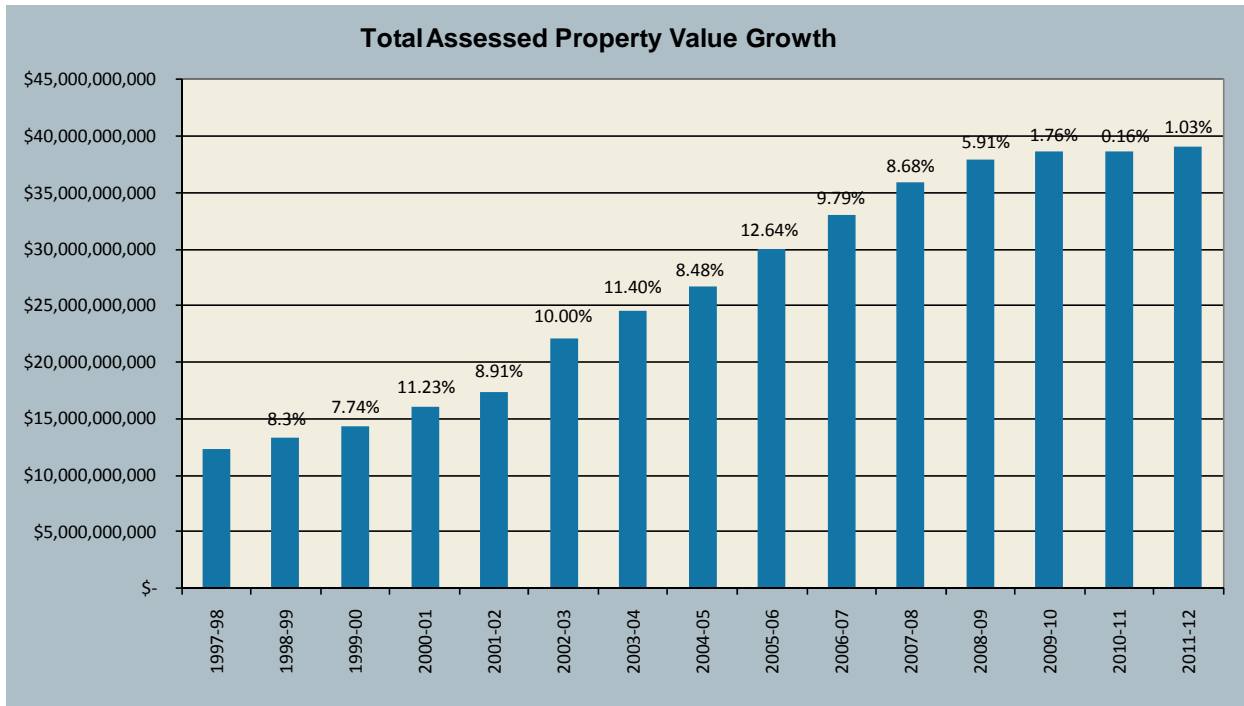
Property taxes are the number one source of revenue for the City of Newport Beach, representing almost half, 47.5%, of all General Fund revenues. Property values in Newport Beach have remained strong due to the limited supply of scenic coastal property, low crime rates, desirable climate, and the quality of community services and amenities in and around Newport Beach.

Consistent and vigorous demand for coastal property has allowed the City to enjoy long-term growth trends with its number one revenue source. Over a ten-year period, assessed valuation increased an average of 7% per annum and 5.6% over a twenty-year period. Since Californians passed Proposition 13 in 1978, assessed property value is reassessed



to market value only when the property changes ownership. Otherwise, the assessed value (AV) grows by no more than 2% per year. This practice creates a constant lag and buffer between assessed and market values, effectively insulating the tax base from more erratic market value gyrations.

While property tax growth rates have fallen sharply during the Great Recession, the City has experienced positive AV growth during each of the past 15 years as demonstrated by the chart below. This was even experienced during the recent Great Recession, many other cities experienced large decreases in their AV during 2008 through 2011.



The secured property tax valuation grew by 1.27% for FY 2011-12, reflecting a +.75% CPI adjustment, new construction in the Fashion Island area and net reassessments from property sales and/or assessment appeals. Unsecured property taxes (e.g. business equipment, boats and other personal property) decreased -4.31%. The net result is that the overall property tax levy, as of September 30, 2011, grew by +1.03%.

While the City’s FY 2011-12 AV growth is +1.03%, below long-term historical averages of 5%-7%, the City is encouraged that the housing market appears to have stabilized and that we have weathered the housing crisis maintaining positive growth during the recession.

Despite declines in the regional real estate market, sales data for the month of October 2011, demonstrates the relatively high property values throughout the residential communities. Median home sales prices in all areas of the city far exceed the County wide median sales price of \$405,000.

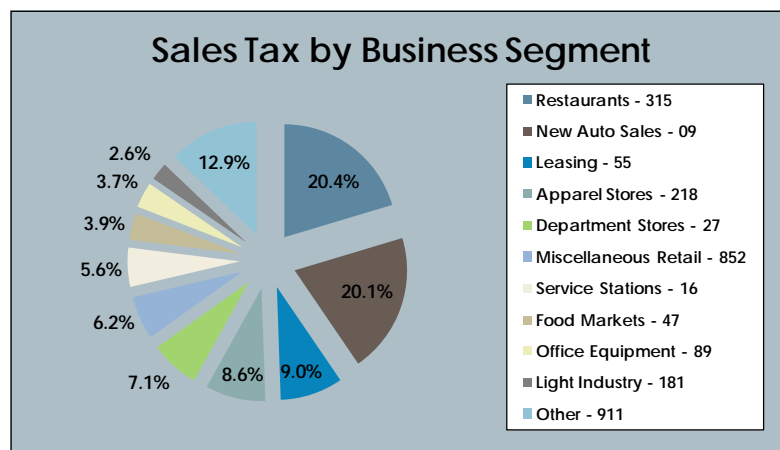
CITY OF NEWPORT BEACH Median Home Sales* Comparitive Month Ending October				
Newport Beach Zip Code	Median Sales Price 2010	Median Sales Price 2011	Number of Home Sales 2010	Number of Home Sales 2011
92625	\$ 1,550,000	\$ 1,375,000	19	9
92660	968,250	897,250	39	36
92661	1,737,500	912,500	6	2
92662	1,645,000	1,590,000	2	3
92663	1,300,000	650,000	19	22
92657	1,135,000	1,633,500	14	18
All Orange County	432,000	405,000	2,528	2,241

\* Source: DataQuick Information Systems

### Sales Taxes and Sales Taxes in Lieu

In March of 2004, voters approved Proposition 57 which allowed the State to enact revenue swapping procedures commonly referred to as the “Triple Flip.” In doing so, Sales Taxes were reallocated to cities in two separate revenue streams, “Sales Taxes” and “Sales Taxes in Lieu,” which impacted the timing and distribution method but did not impact the revenue category in total. Sales Taxes in total represent 16.5% of all General Fund revenues.

The City’s sales tax base is generated from a relatively diverse business community and is not dependent on any one merchant or industry. The following chart demonstrates the diversity of the City sales tax revenue. The largest segment, “Restaurants,” accounts for 20.4% of total sales taxes and is represented by 315 restaurants. The next largest segment, “New Auto Sales” accounts for 20.1% of total sales taxes and is represented by nine premier dealerships. The “Other” categorization accounts for another 12.9% and is represented by 911 businesses.



Sales Tax revenue continues to trend upward, finishing up nearly 6% over the previous Fiscal Year. While improving, this activity is still short of the heights of the previous economic expansion as a weak job market, economic uncertainty and high energy prices restrain consumer spending. Restaurants regained the top sales tax producing segment by posting a year-over-year (YOY) increase of 5.8% - barely inching out the New Auto Sales category which grew by 1.2% (YOY). While considerably less in overall sales taxes generated, department stores, service stations, office equipment and light industry segments all posted impressive double digit YOY increases this Fiscal Year. The Fiscal Year 2010-11 budget had built in a minimal growth factor for sales taxes due to the poor economy and high unemployment rate. However, at fiscal year-end Sales Tax revenues exceeded budget by approximately \$1 million.

### **Transient Occupancy Taxes (TOT)**

TOT accrues to the City at a rate of 10% of room charges (with 18% of this collection going to the local Destination Marketing Organization – *Visit Newport Beach* - to promote Newport Beach as a tourist destination). The City distinguishes its transient occupancy taxpayers in two broad property type categories, commercial and residential property. The commercial category is composed of approximately twenty (20) inns, motels, hotels and resorts and accounts for 89% of TOT revenues. The residential category is made up of some 700 short-term vacation rentals representing only 11% of TOT revenue. Together, they accounted for \$13.1 million in TOT revenue during FY 2010-11.

TOT increased nearly 15% over the prior year. Even though the economy did not show signs of marked improvement, the City's TOT revenues were up double digits throughout the entire year. While all hotels were up, the Pelican Hill Resort in the Newport Coast continued to outperform with its second full year of operations since opening at the height of the recession. The Pelican Hill Resort was named the #1 Resort in the United States by the readers of the luxury travel magazine, *Conde Nast Traveler*. As of the fiscal year end, actual TOT collections exceeded budget by \$1.5 million.

### **LONG TERM FINANCIAL PLANNING**

The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, revenue initiatives, competitive contracting, facility replacement planning and the like. These fiscal policies, such as the 15-point Fiscal Sustainability Plan mentioned earlier, can be found on the City's website in the City Council section under City Government at [www.newportbeachca.gov](http://www.newportbeachca.gov).

Generally, the Fiscal Sustainability Plan and the City's Charter and other policies and codes direct that the annual budget serves as the foundation for the City of Newport Beach's financial planning and control. It allows the City Council to prioritize City expenditures strategically aligned with core community values. Appropriations for operating expenditures shall be balanced in relation to current revenue sources and will not over-rely on one-time revenue sources or reserves. When significant uncertainty exists concerning revenue volatility and pending obligations (such as pension costs), the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, whenever circumstances

warrant. The City Council may authorize the use of Contingency Reserves (set at 15% of the General Fund Operating Budget) only during emergency situations as set forth by the Council Reserve Policy. The City Council holds a budget hearing and adopts a budget on or before June 30 each year, the close of the City's fiscal year.

## **FISCAL SUSTAINABILITY / FINANCIAL POLICIES**

The City has long taken a conservative approach to forecasting revenues, often assuming a "worst case scenario." This fiscal conservatism has created a stable financial base. As a result, even in a downturn, the City of Newport Beach is able to maintain its services at a high level, while reducing expenses to accommodate reduced revenues. The City's fiscal discipline has allowed it to prepare balanced budgets and save, both during prosperous and difficult economic periods.

### **Smarter, Faster, Smaller**

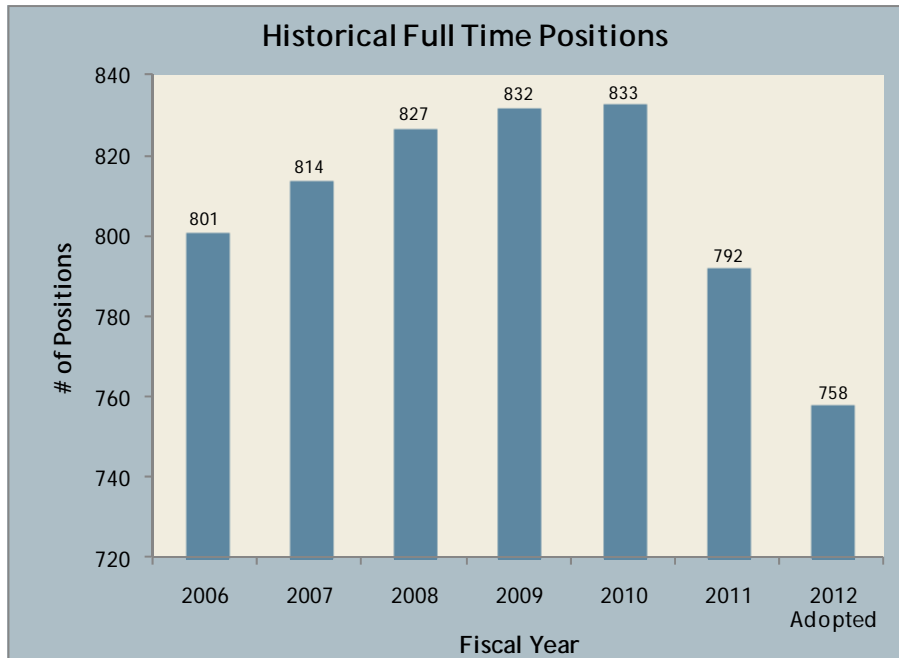
The City has been proactive in restructuring itself in a phased, thoughtful way by making strategic cuts in department operations. Our goal has been to carefully evolve into a more modern (and smarter, faster, smaller) local government that maintains quality services while being more efficient and effective at doing so.

As background, beginning in FY 2009-10, General Fund revenues were trending to come in at an approximately \$8 million deficit. As its first phase of restructuring, the City implemented an Early Retirement Incentive Program (ERIP) in December 2009 to reduce payroll without layoffs or "bumping". Fifty-one employees elected to participate in the program, thus reducing the deficit by \$1.8 million (half-year savings). The program has reduced annual payroll costs by \$3 million in the General Fund. [See Footnote 11 in the notes to the financial statements.]

Continuing in FY 2010-11, the City has taken additional measures to avoid budgetary impacts as a result of the sputtering economy. The City entered a second phase of its restructuring effort to affect additional long-term cost savings and improved efficiencies by outsourcing and eliminating some less useful programs. The outsourcing included Street Sweeping (saving \$0.5 million a year), airborne law enforcement operations (saving approximately \$0.3 million/year), parking meter operations and enforcement (saving approximately \$0.5 million in salary and benefit costs and potentially increasing existing City revenues), and some of our refuse collection and facility maintenance efforts

To mitigate the rising cost of pension plans, the City negotiated cost sharing agreements with its miscellaneous employee associations to contribute 8.0% of base pay to offset the PERS employee contribution. This saves the City approximately \$2.7 million per year, and in partnership with fire, lifeguards, and police associations, negotiated for public safety to contribute another \$0.8 million in annual pension expense, up from zero the year before. This represents a total of \$3.5 million in pension costs now paid by the employees.

Through a combination of an early retirement plan, attrition, outsourcing and lay-offs, the full-time work-force has been reduced nearly 10% as depicted in the next chart.



“Still not Done”

We have survived the recession, but it was not without hard choices and significant budget reductions. We have increased General Fund Reserves in keeping with our Fiscal Sustainability Plan, but as our City Manager has said, we continue to look forward. This includes tackling our rising pension costs, replacing outdated I.T. infrastructure, working with our neighbors to share services where appropriate, and looking for other opportunities to contract out City services where it makes fiscal and service-related sense to do so. Our City has made these hard choices with the support of our Council and we will continue to move forward to be a smaller, faster, smarter organization.

### **GENERAL FUND & FACILITIES REPLACEMENT (FINANCING)**

Overall General Fund revenues finished \$3.8 million, or 2.6%, higher than the prior year while expenditures finished \$5 million, or 4%, lower than the prior year. The net result would have produced a positive increase to the General Fund. However, the City had also planned, and budgeted, for a one-time transfer of \$31.3 million in General Fund – Committed Fund Balance to the Facilities Replacement Fund – Committed Fund Balance. The result of this transfer and the net of other transfers in and out, produced a decrease in General Fund Balance of \$19.4 million as illustrated in the following chart:

<b>General Fund Reserves</b>			
	<u>2010</u>	<u>2011</u>	<u>Change</u>
<b>Non-spendable:</b>			
Prepaid Items	\$ 932,148	\$ 328,851	\$ (603,297)
Inventories	238,274	231,641	(6,633)
Long-Term Loan Receivable	471,250	471,250	-
<b>Restricted</b>	1,692,533	1,681,333	(11,200)
<b>Committed:</b>			
Facilities Financing Plan *	27,500,000	31,300,000	3,800,000
Contingency Reserve	18,895,125	21,841,467	2,946,342
Recreation Reserves	443,522	452,448	8,926
Parking Reserves	235,506	238,876	3,370
Cable Franchise	1,356,143	1,360,385	4,242
Other Miscellaneous	3,399,369	3,726,726	327,357
<b>Assigned</b>	9,700,697	11,865,835	2,165,138
<b>Unassigned (Appropriations Reserve)</b>	17,293,299	20,570,033	3,276,734
Fund Balance Pre FFP Transfer	<u>\$ 82,157,866</u>	<u>\$ 94,068,845</u>	11,910,979
FFP Transfer Out*	<u>\$ -</u>	<u>\$ (31,300,000) *</u>	(31,300,000)
Ending General Fund Balance	<u>\$ 82,157,866</u>	<u>\$ 62,768,845</u>	<u>\$ (19,389,021)</u>

Other noteworthy events during FY 2010-11; the City Council approved increasing the City's General Fund Contingency Reserve to 15% from 12%; thereby increasing this committed fund balance reserve by almost \$3 million, and the City also increased its unassigned - appropriations reserve by more than \$3 million at a time when many cities needed to access reserves to meet annual operating expenditures and commitments.

### **Facilities Financing Plan (FFP) Commitment & Major Construction Initiatives**

The City takes long-term financial planning seriously and has developed several master replacement plans for its critical assets and infrastructure including major facilities, street pavement, water and sewer infrastructure, and City vehicles and heavy equipment. Council Policy F-28, approved in August 2009, establishes a long-term financing plan (FFP) for the replacement of all General Fund supported facilities (Civic Center, Fire Stations, Police Stations and Parks).

The FFP provides a consistent, level funding plan to minimize negative impacts on the General Fund in any given year, while also ensuring the City is able to maintain its high quality facilities. The City has been committing (reserving prior to Fiscal Year 2011) these funds in a Facilities Financing "Reserve" within the General Fund. With the financing of the Civic Center Project and completion of the OASIS Senior Center, the City transferred \$31.3 million to a separate fund that will be used to accumulate resources to pre-fund debt service or cash fund construction of projects on the Facilities Financing Plan, this will enhance the transparency of the FFP commitments and Council's intent, while not changing the nature of the Commitment.

Facilities Replacement Fund	
<b>Beginning Balance 7/1/10</b>	\$ -
<b>Revenues</b>	
Transfer In from General Fund	31,300,000
Interest Income	275,381
<b>Total Revenues</b>	<b>31,575,381</b>
<b>Expenditures</b>	
2010 Civic Center COPs Debt Service	(682,754)
OASIS Construction	(5,266,983)
<b>Total Expenditures</b>	<b>(5,949,737)</b>
<b>Ending Balance 6/30/11</b>	<b>25,625,644</b>

In 2010-11, \$5 million of the FFP commitment was used to cash fund the remaining balance of the completed OASIS Senior Center construction. After accounting for interest earnings and net debt service payments on the 2010 Civic Center COPs, the remaining Fiscal Year 2010-11 Facilities Replacement fund balance was \$25.6 million. The balance of the Facilities Replacement fund has grown to more than \$33.5 million after a major developer contribution dedicated to the facilities plan was received during our current Fiscal Year 2011-12.

*Special Note: The FFP was the winner of the prestigious "Helen Putnam Award – Internal Administration category" from the League of California Cities in 2008.*

### **Major Initiative: 2010 Civic Center Certificates of Participation (COPs) Issued**

In November 2010, the City entered the capital markets issuing nearly \$126.7 million of Certificates of Participation (COPs), made up of \$20.1 million in 2010A Certificates of Tax Exempt bonds and \$106.6 million in 2010B Certificates of federally taxable direct pay Build America Bonds (BABS). All three rating agencies (S&P, Fitch and Moody's) gave the City of Newport Beach an "AAA" underlying City rating, making it one of only five California cities and the first Orange County city to receive this triple award from all three rating agencies.

The Civic Center COPs were very well received by both the tax-exempt and taxable markets. General investor sentiment cited several reasons for the strong demand: the City's top ratings and well known name, the City's solid credit story, the lease structure and project, as well as a long history of conservative fiscal management and policies. A portion of the proceeds was used to refinance the City's 1998 outstanding Library COPs. Construction proceeds of \$123 million will be used to make construction progress payments so that progress already made on the Civic Center site can continue and remain on schedule for the anticipated completion in late 2012.

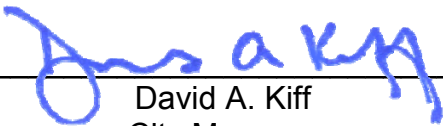
## AWARDS AND ACKNOWLEDGMENTS

**Awards:** The City has prepared a comprehensive annual financial report for the past 19 years. The City has received awards for excellence in financial reporting each of those years.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport Beach for its CAFR for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

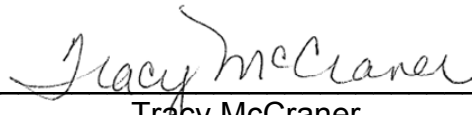
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

**Acknowledgments:** Preparation of this report was accomplished through the efficient and dedicated services of virtually everyone in the City's Accounting Division and the Graphics and Print Services unit. In addition, members of the Finance Department would like to thank the City Manager, and the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. We would also like to thank our auditors, White Nelson Diehl Evans LLP, for their time and assistance in the preparation of the report. This report was completely prepared and published by City employees.



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David A. Kiff  
City Manager



---

Tracy McCraner  
Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Newport Beach  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



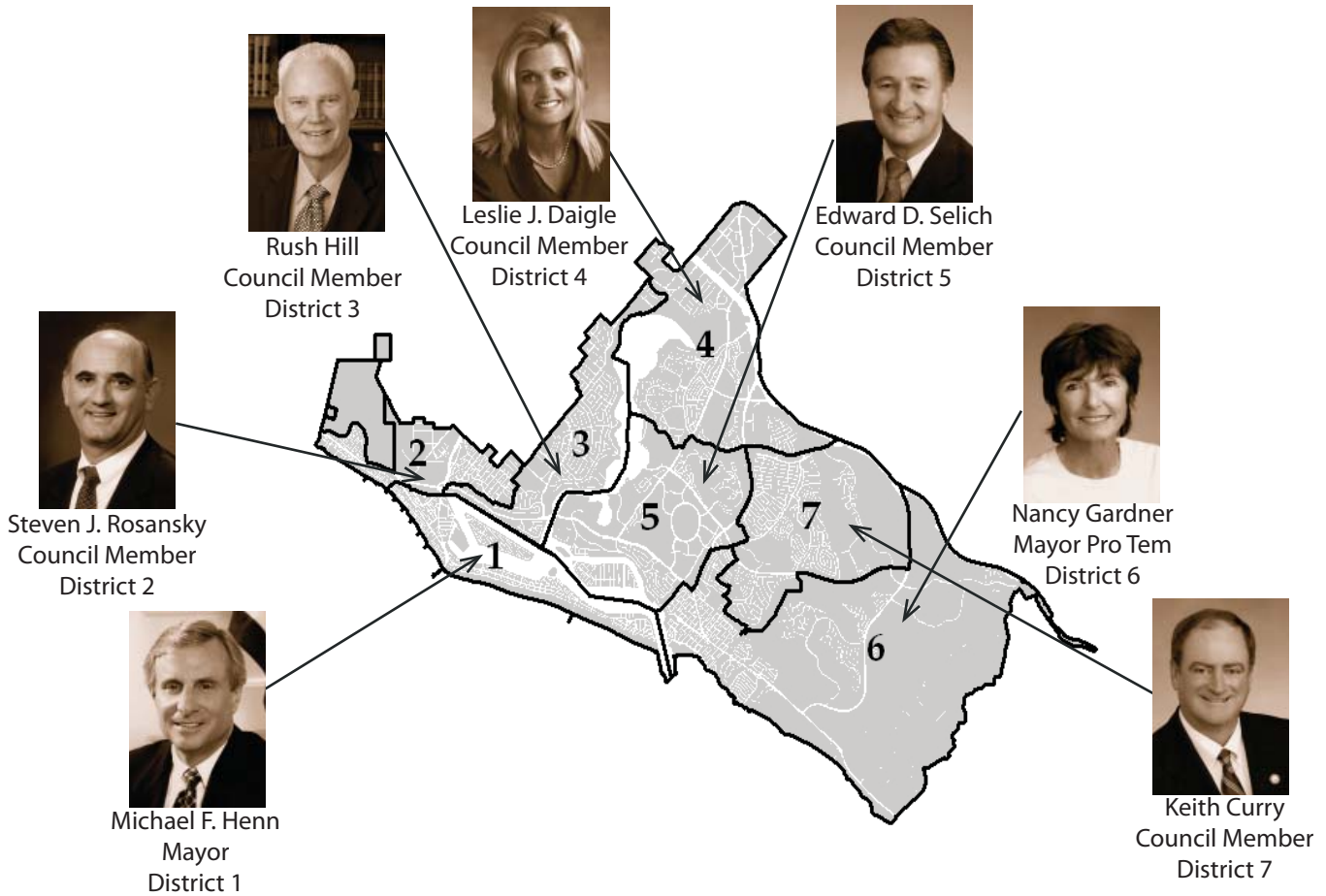
*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director

# Newport Beach City Officials



City Attorney  
David R. Hunt

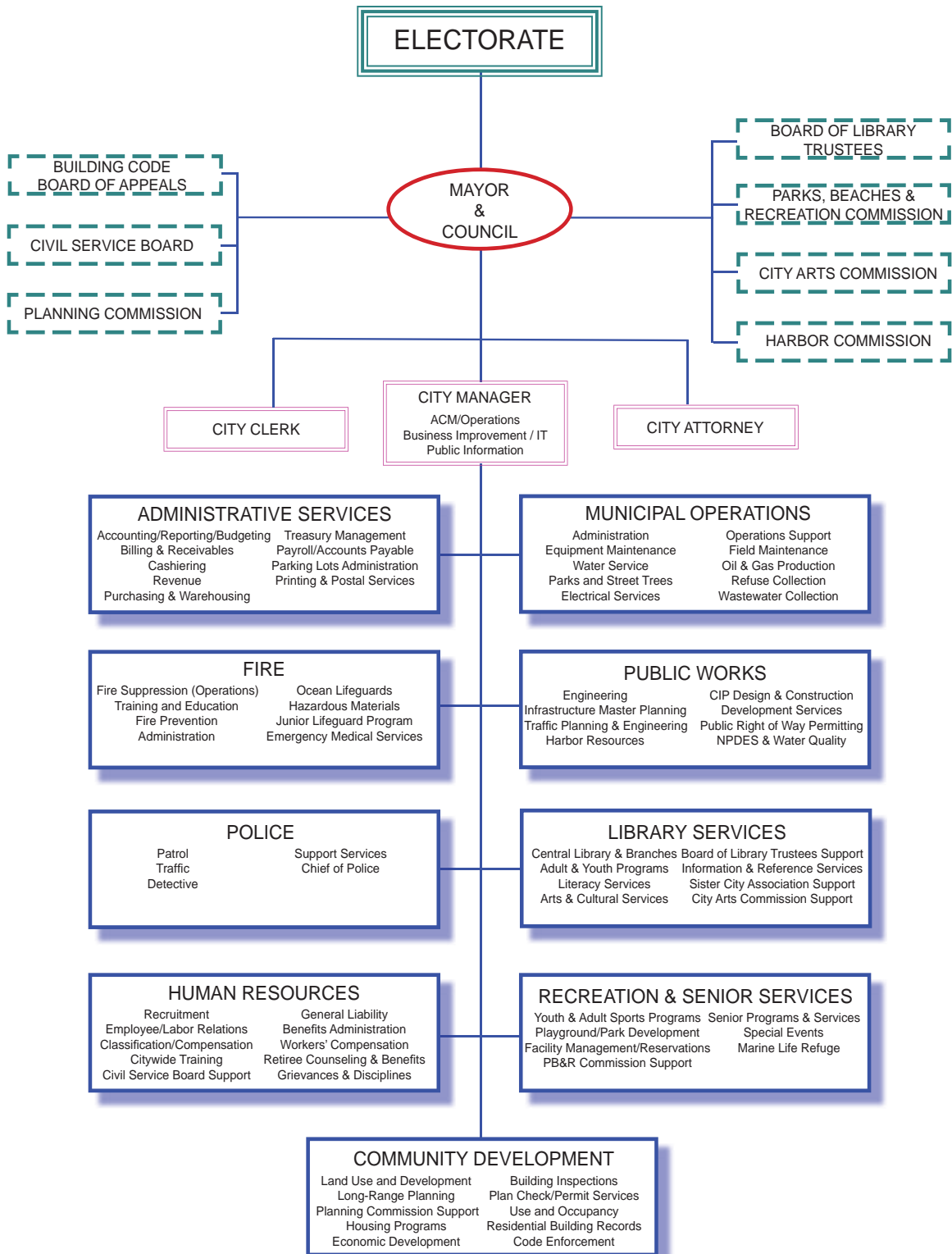


City Manager  
Dave Kiff




City Clerk  
Leilani Brown

- Dana M. Smith .....Assistant City Manager
- Tracy M. McCraner.....Finance Director/Treasurer
- Kimberly Brandt .....Community Development Director
- Mike Morgan ..... Interim Fire Chief
- Terri L. Cassidy ..... Human Resources Director
- Cynthia Cowell .....Library Services Director
- Mark Harmon .....Municipal Operations Director
- Jay Johnson ..... Police Chief
- Steve Badum ..... Public Works Director
- Laura Detweiler.....Recreation & Senior Services Director



  
ELECTED OFFICIALS

  
COUNCIL APPOINTED BOARDS & COMMISSIONS

  
COUNCIL APPOINTED POSITIONS

  
CITY DEPARTMENTS

Fiscal Year 2010-2011

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# FINANCIAL SECTION

INDEPENDENT  
AUDITORS' REPORT

FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Newport Beach  
Newport Beach, California

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 Newport Beach, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Newport Beach, California's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Newport Beach, California's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above 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 of Newport Beach, California, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable of the City of Newport Beach, California, and the respective budgetary comparison information for the General and Tide and Submerged Land major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1n and 17, the City of Newport Beach, California has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2011 on our consideration of the City of Newport Beach, California's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents as required supplementary information, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport Beach, California's basic financial statements as a whole. The introductory section, supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements. The 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

*White Nelson Dierl Evans LLP*

December 20, 2011  
Irvine, California



# FINANCIAL SECTION

MANAGEMENT'S  
DISCUSSION AND ANALYSIS

FINANCIAL SECTION



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2011. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the comprehensive annual financial report contains the following information: *Independent Auditors' Report, Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and the *Supplementary Information* section, an optional section that presents combining and budgetary schedules for individual non-major funds. The *Basic Financial Statements* are comprised of three components: 1) *Government-wide Financial Statements*, 2) *Fund Financial Statements* and, 3) *Notes to the Financial Statements*. Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

### BASIC FINANCIAL STATEMENTS

**Government-wide Financial Statements** – The Government-wide Financial Statements use the economic resources measurement focus and basis of accounting which is similar to the accounting standard used by private sector companies. The government-wide financial statements are intended to provide a "Big Picture" view of the City. With the economic resources measurement focus and basis of accounting, changes in net assets are recognized as soon as the event occurs regardless of the timing of related cash flows.

The Statement of Net Assets includes all of the City's assets (including non-spendable assets like streets, roads, and land rights) and liabilities (including long-term liabilities that may be paid over twenty or so more years). All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Government-wide Financial Statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, one should also consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The Government-wide Financial Statements of the City are divided into two categories:

**Governmental Activities** – This statement depicts the extent to which programs are self-supporting and the net amount provided by property taxes and other

general revenues. Most of the City's basic services are included in this category, such as the public safety, public works, community development, community services and general administration. Taxes and other general revenues finance most of these activities.

**Business-type Activities** – The City accounts for its Water and Wastewater utilities as business enterprises. The City charges fees to customers to recover the cost of providing Water and Wastewater services.

**Fund Financial Statements** – Funds are accounting devices that the City uses to track and control resources intended for specific purposes. The Fund Financial Statements provide more detailed information about the City's most significant funds (major funds) but not the City as a whole. Some funds are required by State and Federal law or by bond covenants. Other funds are utilized simply to control and manage resources intended for particular purposes.

Fund Financial Statements have a short-term focus measuring inflows of current spendable assets. The resulting net difference between current financial assets and current financial liabilities otherwise known as fund balance (or net working capital in the private sector) is a measure of the City's ability to finance activities in the near term.

The City utilizes three broad categories of funds:

**Governmental Funds** – Unlike Government-wide Financial Statements, Governmental Fund Financial Statements utilize the financial resources measurement focus and thus concentrate 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. Consequently, the Governmental Fund Financial Statements provide a detailed short-term view that helps a reader determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. Also included in the Governmental Funds are Permanent Funds. These funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support City programs.

**Proprietary Funds** – Services for which the City charges customers a fee are generally reported in Proprietary Funds (Enterprise Funds and Internal Service Funds). Like the Government-wide Financial Statements, these funds provide both long and short-term financial information utilizing the economic resources measurement focus. The City's Enterprise Funds (Water and Wastewater Funds) are individual funds represented in the combined presentation of Business-type Activities in the Government-wide Financial Statements. The individual fund presentation provides more detailed information about each business segment, its operating statements, and statements of cash flow. The City also uses Internal Service Funds that are utilized to report and allocate the cost of certain centrally managed and operated activities (e.g. fleet maintenance, risk management, retiree insurance, etc.). Because the Internal Service Funds primarily serve the

government, they are reported with Governmental Activities rather than the Business-type Activities in the Government-wide Financial Statements.

**Fiduciary Funds** – The City utilizes Fiduciary Funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All of the City’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City’s Government-wide Financial Statements because the City cannot use these assets to finance its operations.

**Notes to the Financial Statements** – The financial statements also include the Notes to the Financial Statements that provide important narrative details about the information contained in the financial statements. Information contained in the Notes to the Financial Statements is critical to a reader’s full understanding of the Government-wide and Fund Financial Statements.

**Supplementary Information** – In addition to the required elements of the Basic Financial Statements, we have also included a Supplementary Information section, which includes budgetary and combining schedules that provide additional details about the City’s non-major Governmental Funds, Internal Service Funds, and Fiduciary Funds.

## ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Net Asset Discussion** - As shown in Figure 1, Current assets and long-term liabilities increased approximately \$125 million during the year primarily due to a \$126.7 million issuance of Certificates of Participation (COPs) to fund the construction of a new Civic Center, park and parking structure. The financing, included a \$1.2 million bond premium and approximately \$4 million of refunding proceeds for the 1998 Library COPs and is discussed further in Note (6) of the Notes to the Financial Statements.

**Figure 1**  
**Net Assets**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 175,006	\$ 298,131	\$ 12,257	\$ 12,999	\$ 187,263	\$ 311,130
Capital assets	2,101,052	2,126,458	108,450	108,976	2,209,502	2,235,434
Total assets	2,276,058	2,424,589	120,707	121,975	2,396,765	2,546,564
Other liabilities	19,094	28,675	2,084	3,556	21,178	32,231
Long-term liabilities outstanding	51,766	177,070	-	-	51,766	177,070
Total liabilities	70,860	205,745	2,084	3,556	72,944	209,301
Net assets						
Invested in capital assets, net of debt	2,084,912	2,087,403	108,450	108,976	2,193,362	2,196,379
Restricted	34,237	63,940	-	-	34,237	63,940
Unrestricted	86,049	67,501	10,174	9,443	96,223	76,944
Total net assets	\$ 2,205,198	\$ 2,218,844	\$118,624	\$ 118,419	\$ 2,323,822	\$ 2,337,263

Capital assets increased \$25.9 million primarily due to work-in-progress to date on the new Civic Center project.

The City's combined net assets for the year ended June 30, 2011, were \$2.337 billion, increasing \$13.4 million (0.6%) over the prior year. Net assets can serve as an important indicator of whether the City's overall financial condition is improving or deteriorating over time. The increase in the current year is attributable to modest revenue growth and various cost saving efforts including departmental restructuring, outsourcing, pension cost sharing agreements and an early retirement incentive plan implemented midway through the prior year.

- Invested in Capital Assets reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. At \$2.196 billion, they represent the largest component of net assets (94.0%). The City's investment in capital assets do not represent a financial resource and consequently are not readily available for funding current obligations.
- Restricted Assets totaled \$63.9 million and increased nearly \$29.7 million reflecting a \$31.3 million transfer of unrestricted net assets to the Facilities Replacement Fund, where the funds will be used to accumulate resources to cash fund and or finance projects in the City's Facilities Financing Plan.
- The remaining balance of net assets \$76.9 million or (3.3%) are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets decreased \$18.5 million as a net result of transferring \$31.3 million from the General Fund to a Capital Projects Fund a restricted net asset purpose.

## Governmental Activities

Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. The Statement of Activities is intended illustrate how the cost of governmental activities are financed and determine the annual change in net assets.

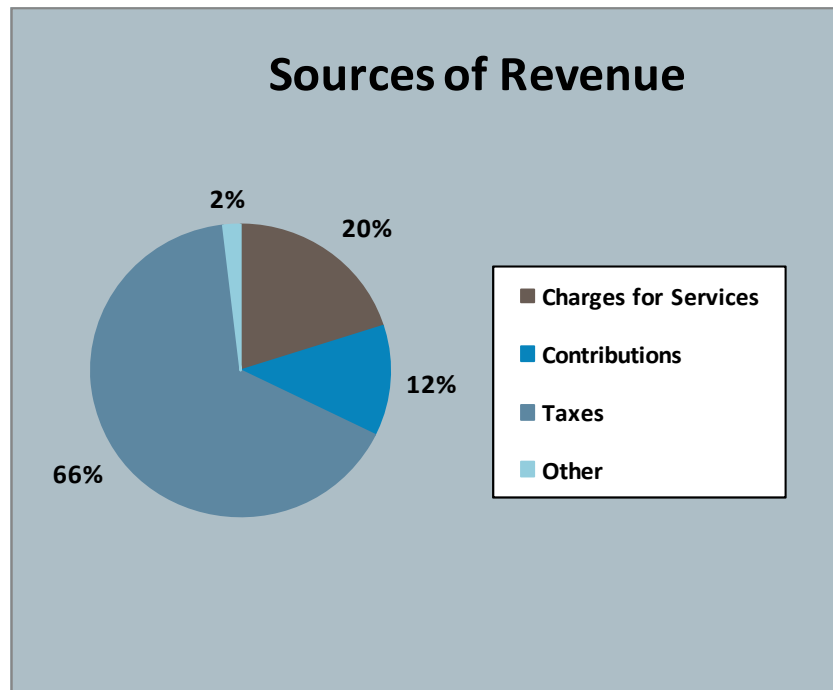
**Figure 2**  
**Changes in Net Assets**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 37,789	\$ 35,910	\$ 20,781	\$ 23,445	\$ 58,570	\$ 59,355
Operating grants and capital contributions	15,678	10,710	-	-	15,678	10,710
Capital grants and contributions	12,350	11,101	-	-	12,350	11,101
General Revenues:						
Taxes:						
Property taxes	72,000	71,630	-	-	72,000	71,630
Sales tax	17,441	18,455	-	-	17,441	18,455
Sales tax in-lieu	4,540	6,284	-	-	4,540	6,284
Transient occupancy taxes	11,401	13,083	-	-	11,401	13,083
Other taxes	7,943	8,048	-	-	7,943	8,048
Intergovernmental (Unrestricted):						
Motor Vehicle License Tax	315	403	-	-	315	403
Investment related income	1,414	735	229	112	1,643	847
Miscellaneous	1,820	2,602	-	-	1,820	2,602
Total revenues	182,691	178,961	21,010	23,557	203,701	202,518
Expenses:						
General government	17,083	15,857	-	-	17,083	15,857
Public safety	79,403	78,128	-	-	79,403	78,128
Public works	55,445	40,341	-	-	55,445	40,341
Community development	10,082	8,638	-	-	10,082	8,638
Community services	17,232	17,272	-	-	17,232	17,272
Interest	373	5,079	-	-	373	5,079
Water	-	-	18,733	19,825	18,733	19,825
Wastewater	-	-	3,599	3,937	3,599	3,937
Total expenses	179,618	165,315	22,332	23,762	201,950	189,077
Increase (decrease) in net assets	3,073	13,646	(1,322)	(205)	1,751	13,441
Net asset at beginning of year	2,202,125	2,205,198	119,946	118,624	2,322,071	2,323,822
Net assets at end of year	\$2,205,198	\$ 2,218,844	\$118,624	\$ 118,419	\$2,323,822	\$2,337,263

## Revenue Discussion

Figure 3 illustrates how the \$178.9 million in revenue was derived. As shown, \$35.9 million or 20% of the revenues were recovered by those who directly benefited from the programs as a Charge for Service. Another \$21.8 million or 12% of the revenues were generated by contributions and grants received from governmental organizations, developers, and property owners for both capital and operating activities. The remaining \$121.2 million or 68% represented general revenues of the City including taxes, intergovernmental transfers and other miscellaneous revenues.

**Figure 3**  
**Governmental Activities Revenue Sources**  
**Year Ended June 30, 2011**



As illustrated in Figure 2, operating grants and capital contributions declined \$5 million due to fewer public safety grants and a one-time development impact contribution received in the prior fiscal year.

In spite of the poor economy, property tax assessed valuation growth has remained positive for the past fifteen years averaging in excess of 7% annually during this same time period. However, the current trend is below average. Assessed property values



increased only 0.16% in the current year versus 1.76% in the prior year. In total, property tax collections, including unsecured property and prior year collections amounted to \$71.6 million, decreasing \$369,355 or 0.5% in the current year. This was a net result of a .6% increase in secured property tax revenues and a nearly 5.2% increase in unsecured property taxes and a 31.7% decrease in prior year collections, penalties and interest.

At nearly \$24.7 million, sales taxes, including sales tax-in-lieu, represent the second largest individual revenue source for the City. Excluding an anomaly in the sales tax-in-lieu, Sales taxes increased 5.6% over the prior year driven by solid improvements in the restaurant, department store and service station sectors. Sales taxes in-lieu appeared to increase 38% over the prior year. However, most of this increase is attributable to the State withholding \$1.2 million in FY 2009-10 due to an overpayment in FY 2008-09

At \$13.1 million, Transient occupancy taxes increased by \$1.7 million or 14.8% from the prior year, due predominantly to a second full year operations of a new luxury resort, Pelican Hills, that opened at the height of the recession.

### **Expenses Associated with Governmental Activities**

The City is a full service city providing residents and visitors with the following functional services:

General Government is comprised of six departments (City Council, City Clerk, City Manager, City Attorney, Human Resources, and Finance Department) providing general governance, executive management, legal services, records management, risk management, finance, accounting, and information technology services.

Public Safety is comprised of two departments (Police and Fire) providing general law enforcement, fire suppression and prevention services, paramedic and medical transport services, disaster preparedness, and ocean lifeguard services.

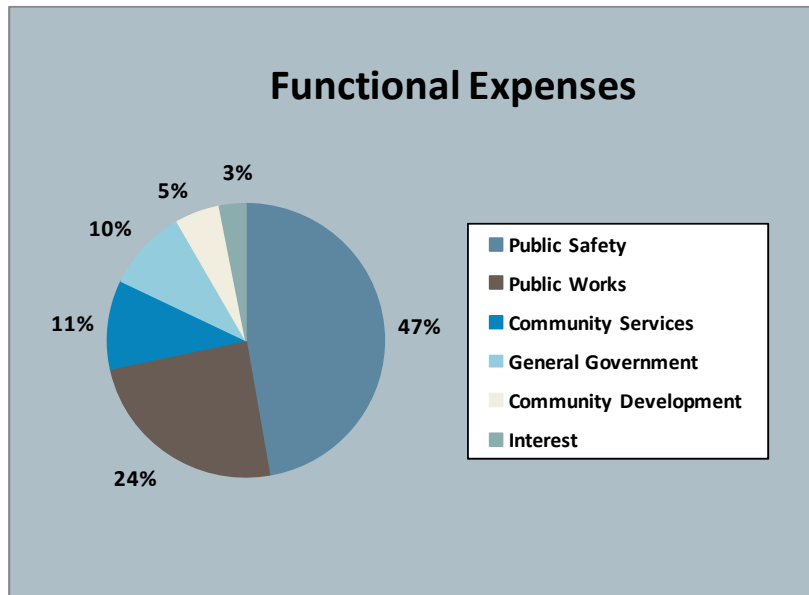
Public Works is comprised of two departments (Public Works and General Services) providing engineering, construction and maintenance of public streets, highways, buildings, beaches, parks, and related infrastructure; as well as traffic engineering, street lighting, and trash disposal services.

Community Development is comprised of two departments (Planning and Building) that provide planning and zoning services, economic development services, and building plan check and code enforcement services.

Community Services is comprised of two departments (Library Services and Recreation & Senior Services) providing library services, cultural and arts programs, recreation services, and senior social and transportation services.

Business Enterprise Operations are overseen by one department (Utilities) providing water and wastewater services.

**Figure 4**  
**Government wide Functional Expenses**  
**Year Ended June 30, 2011**



- As illustrated in Figure 2, the current year, expenses for all governmental activities totaled \$165.3 million.
- Overall, a decrease of \$14.3 million (8.0%) from the prior year, which can be attributed to the following factors:
  - General Government expenses decreased \$1.2 million (7.2%) when compared to the prior year due to the City Manager’s commitment to our Fiscal Sustainability Plan by which Department Heads have implemented structural changes through budget cuts, outsourcing, shared services and reorganization.
  - Public Safety expenses are down \$1.3 million (1.6%) in the current year. The decrease is due to the City Manager’s commitment to our Fiscal Sustainability Plan by which Department Heads have implemented structural changes through budget cuts, outsourcing, shared services and reorganization
  - Public Works expenses were down \$15.1 million (27.2%) when compared to prior year. While some of this decrease is due in part to reorganization efforts, the primary reason for the dramatic decrease is

related to certain studies and periodic maintenance projects that were expensed to public works in the prior year including certain traffic studies, harbor dredging and undergrounding utility improvements that didn't result in capitalized assets of the City.

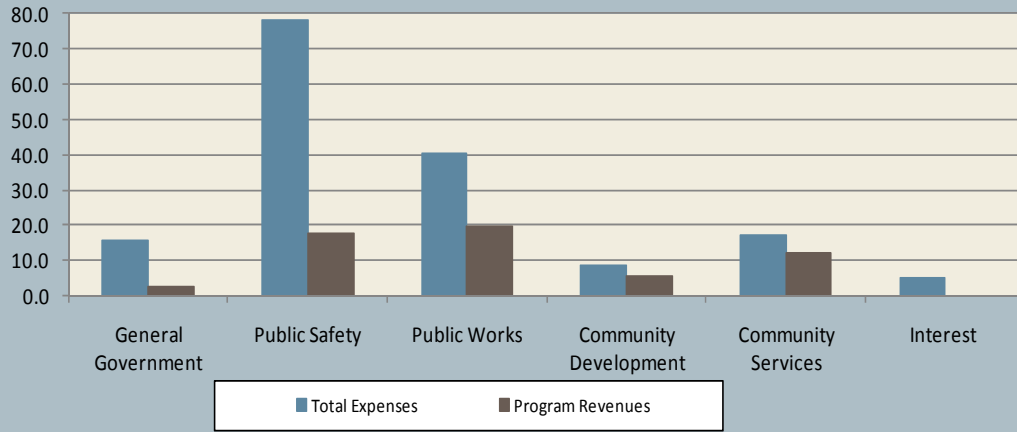
- Community Development expenses decreased \$1.4 million (14.3%) in the current year, due to the City Manager's commitment to our Fiscal Sustainability Plan by which Department Heads have implemented structural changes through budget cuts, outsourcing, shared services and reorganization.
- Interest expenses increased \$4.7 million (1261.7%) when compared to the prior year due the \$126.7 million in Civic Center COPs issued in FY 2011.

As illustrated in figures 5 and 6, the total illustrates the net cost of each service. The net cost represents the extent to which governmental activities are subsidized by taxes and other general revenues of the City.

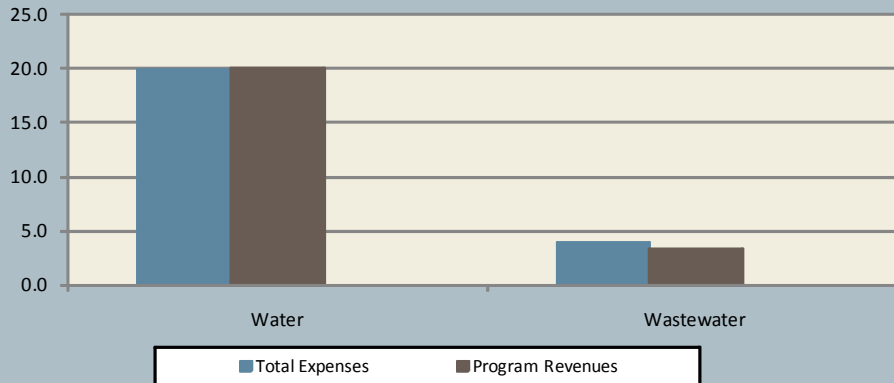
**Figure 5**  
**Governmental Activities**  
**(in thousands)**

	2010		2011	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 17,083	\$ (14,078)	\$ 15,857	\$ (13,135)
Public safety	79,403	(61,456)	78,128	(60,650)
Public works	55,445	(27,170)	40,341	(20,529)
Community development	10,082	(5,276)	8,638	(2,994)
Community services	17,232	(5,449)	17,272	(5,208)
Interest	373	(373)	5,079	(5,079)
	<u>\$ 179,618</u>	<u>\$ (113,801)</u>	<u>\$ 165,315</u>	<u>\$ (107,594)</u>

**Figure 6**  
**Program Expenses and Revenue - Governmental Activities**  
**Year Ended June 30, 2011**  
**(in millions)**



**Figure 7**  
**Program Expense & Revenue - Business-type Activities**  
**Year Ended June 30, 2011**  
**(in millions)**



Major Business-type Activities in the current fiscal year included the following:

#### Water

Of the \$19.8 million in water related expenses, \$8.2 million (41.2%) is for the purchase of water, \$3.8 million (18.9%) covers employee related costs, \$4.5 million (22.6%) is for maintenance, supplies, and depreciation of the water system, \$1.8 million (9.2%) is for professional services, and the remaining \$1.5 million (7.5%) is collectively attributable to other miscellaneous expenses.

#### Wastewater

Of the \$3.9 million in wastewater related expenses, \$2.1 million (52.6%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.4 million (36.0%) is for employee related costs, and the remaining 456,136 (11.6%) is attributable to professional services and other miscellaneous expenses.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**Governmental Funds** – Utilizing the financial resources measurement focus, the City's Governmental Funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements and may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**Fund Balance** – As of the end of the current fiscal year, the City's Governmental Funds reported combined fund balances of \$223.7 million, an increase of \$113.5 million from the prior year. The General Fund represented \$62.8 million or 28.1% of the combined fund balances of the Governmental Funds.

**Nonspendable Fund Balance** – The City has \$6.9 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$6.9 million nonspendable fund balance, \$1.6 million is for prepaid items, \$231,641 is for inventories, \$471,250 is for long-term loan receivable and \$4.6 million is for permanent endowments.

**Restricted Fund Balance** – The City has \$38.1 million in fund balance classified as restricted to indicate that it has an externally imposed restriction on how the money may be spent. Of the \$38.1 million restricted fund balance, \$1.5 million is for Affordable Housing, \$134,760 is for Hoag, \$139,134 is for the Upper Newport Bay restoration, \$1.5 million is restricted for the Civic Center COP, \$27.7 million is restricted for various special revenue funds, \$5.7 million is restricted for various capital projects and \$1.4 million of earnings are restricted for permanent funds.

**Committed Fund Balance** – The City has \$143.5 million in fund balance classified as committed to indicate that the City Council committed how the money will be spent. Of the \$143.5 million committed fund balance, \$21.8 million is committed to contingency reserves, \$5.8 million is committed to the General Fund, \$360,000 is committed to the Tide and Submerged Land Fund, \$25.6 million is committed to the Facilities Replacement Fund, \$89.1 million is committed to the City Hall Improvements Fund and \$797,479 is committed to Capital Project Funds.

**Assigned Fund Balance** – The City has \$17.5 million in fund balance classified as assigned to indicate that the City manager has an assigned purpose or intent for how the money should be spent. Of the \$17.5 million assigned fund balance, \$11.9 million is assigned in the General Fund, \$5.4 million is assigned in the Tide and Submerged Land Fund and \$243,294 is assigned in Capital Project Funds.

**Unassigned Fund Balance** – The remaining \$17.6 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted.

- Overall General Fund Revenues finished 2.6% higher than the prior year while expenditures finished 4.1% lower. The net result is General Fund income before transfers and other financing sources and uses increased by nearly \$5 million. General Fund expenditures were reduced by almost \$7 million under budget. This was due to the City Manager's task to Department Director's to right-size each department as it should look by FY 2012-13. The General Fund ended the year with a \$62.8 million fund balance, a net decrease of \$19.4 million after transferring \$48.8 million to other funds, \$17.4 million represented a routine transfer to subsidize the operations of the Tide and Submerged Land Fund and a planned \$31.3 million transfer from the General Fund to the Facilities Replacement Fund.
- The activities of the Tide and Submerged Land Fund are routinely subsidized by the General Fund. At year end, the General Fund transferred sufficient resources (\$17.4 million) to subsidize for the maintenance and operation of the Tide and Submerged Land fund. The Tide and Submerged Land Fund ended the current year with \$5.9 million in fund balance which represented project encumbrances and commitments.

The Facilities Financing Fund Council Policy F-28, approved in August 2009, establishes a long-term financing plan (FFP) for the replacement of all General Fund supported facilities (Civic Center, Fire Stations, Police Stations and Parks). The FFP provides a consistent, level funding plan to minimize negative impacts on the General Fund in any given year, while also ensuring the City is able to maintain its high quality facilities. The City has been committing (reserving prior to Fiscal Year 2011) these funds in a Facilities Financing "Reserve" within the General Fund. With the financing of the Civic Center Project and completion of

the OASIS Senior Center, the City transferred \$31.3 million to a separate fund that will be used to accumulate resources to pre-fund debt service or cash fund construction of projects on the Facilities Financing Plan, this will enhance the transparency of the FFP commitments and Council's intent, while not changing the nature of the Commitment. In 2010-11, \$5 million was used to cash fund the remaining balance of the completed OASIS Senior Center construction. After accounting for interest earnings and net debt service payments on the 2010 Civic Center COPs, the remaining Fiscal Year 2010-11 FFP fund balance was \$25.5 million.

**Proprietary Funds** – The City's Proprietary Funds (Enterprise and Internal Service Funds) presented in the Fund Financial Statements section basically provide the same type of information in the Government-wide Financial Statements, but include individual segment information.

Enterprise Fund results for the year included the following:

Net Assets in the Water Fund increased \$430,583. Wastewater Fund net assets decreased by \$559,711 due to increasing energy, supply and systems maintenance costs.

Major Internal Service Fund activity in the current fiscal year included the following:

Net assets in the Internal Service Funds decreased \$828,630 in the current year. The City prefunds the cash portion of the City's OPEB obligation in a prefunding trust. However, the primary reason that Internal Service net assets decreased is that an implied subsidy expense accrual is required per GASB 45 and the City chooses to fund the implied subsidy component of the net OPEB cost on a pay-as-you-go basis. See Note (12) in the Notes to the Financial Statements for further information.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### Changes to Original Budget

Final budgeted revenues for the General Fund increased \$321,420 from the original budget during the year ended June 30, 2011. Significant factors contributing to this fluctuation are highlighted as follows:

Final budgeted intergovernmental revenues increased \$301,497 from the original budget due to increase in public safety grants.

Final budgeted expenditures for the General Fund decreased \$17.7 million from the original budget during the year ended June 30, 2011. Significant factors contributing to this fluctuation are highlighted as follows:

- Public safety and public works functions were decreased by \$16.1 million and \$2.4 million respectively. This budget reduction was primarily due City Manager's commitment to our Fiscal Sustainability Plan by which Department Heads have implemented structural changes through budget cuts, outsourcing, shared services and reorganization.
- Budgeted expenditures for community services increased \$496,096 primarily due to an increase in estimated expenditure appropriations for the acceptance of a check from the Newport Public Library Foundation to cover operating costs.
- During the current year, final transfers out budgeted for the General Fund varied from the original budget by approximately \$21.0 million primarily due to the expenditure allocation to the Tidelands Fund.

#### Variance with Final Budget

Actual revenues were \$4.2 million above final budgeted revenues for the year ended June 30, 2011 due to the continued moderate growth in the economy. Significant factors contributing to this favorable variance are summarized as follows:

- A \$1.0 million favorable variance was realized due to higher than expected property taxes revenues.
- Higher than expected sales tax and sales tax-in-lieu of \$1.0 million due to a continued moderate growth in the economy.
- Transient Occupancy tax revenues were higher than expected by \$1.5 million due to the continued moderate growth in economy.
- Charges for services were higher than expected at a little over \$0.9 million due to plan check fees, police emergency response fees, police jail booking fees and paramedic fees.

Actual General Fund expenditures of \$121.7 million were significantly less than final budgetary estimates of \$130.9 million. Significant factors contributing to this \$9.3 million surplus are summarized as follows:

- A \$1.6 million surplus was realized from capital improvement projects completed below budget.
- A total of \$7.8 million in favorable variances was realized in Public Safety, Public Works, Community Services, Community Development and General Government due to City Manager's commitment to our Fiscal Sustainability Plan by which Department Heads have implemented structural changes through budget cuts, outsourcing, shared services and reorganization



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2011, amounts to \$2.24 billion (net of accumulated depreciation). This investment is comprised of a broad range of capital assets including land, buildings, machinery and equipment, park facilities, road improvements, storm drains, piers, oil wells, sound walls and bridges. The total net increase (including additions and deletions) of \$25.9 million represents a 1.2% increase over last year. The \$25.9 million net increase is the result of additions of \$28.9 million, and deletions of \$3.0 million.

**Figure 8**  
**Capital Assets at Year End**  
(net of depreciation, in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 1,819,673	\$ 1,820,832	\$ 2,016	\$ 2,016	\$ 1,821,689	\$ 1,822,848
Structures	54,663	53,654	83	561	54,746	54,215
Equipment	7,836	8,503	83	78	7,919	8,581
Infrastructure	191,656	188,550	105,585	103,489	297,241	292,039
Work in progress	27,224	54,919	683	2,832	27,907	57,751
<b>Totals</b>	<b>\$ 2,101,052</b>	<b>\$ 2,126,458</b>	<b>\$ 108,450</b>	<b>\$ 108,976</b>	<b>\$ 2,209,502</b>	<b>\$ 2,235,434</b>

Major capital asset events during the current fiscal year included the following:

- The City capitalized \$28.9 million in capital assets in both the Governmental and Business Type Activities in the current year. Of the \$28.9 million, \$27.2 million paid for through current year expenses was primarily for work in progress and the remaining \$1.7 million represents additions from work in progress started in previous years.
- Of the \$28.1 million capitalized as governmental assets in the current year, the Civic Center Project contributed to the vast majority of the work in progress additions and \$1.4 million to infrastructure additions.
- The \$797,294 capitalized in the current year as business-type assets represented majority in additions to work in progress .

Additional information on the City's capital assets can be found in Note (5) of the Notes to the Financial Statements.

## Long-term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$138.2 million for all governmental activities.

**Figure 9**  
**Outstanding Debt at Year-End**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Certificates of participation	\$ 3,990	\$ 126,660	\$ -	\$ -	\$ 3,990	\$ 126,660
Bond premium	-	1,085	-	-	-	1,085
Note payable	933	738	-	-	933	738
Pre-annexation agreement	8,400	7,200	-	-	8,400	7,200
CDBG Loan	1,883	1,788	-	-	1,883	1,788
Purchase Installment Agreement	1,500	750	-	-	1,500	750
<b>Totals</b>	<b>\$ 16,706</b>	<b>\$ 138,221</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,706</b>	<b>\$ 138,221</b>

The City's total debt increased \$121.5 million during the current fiscal year. The increase is primarily due to the addition of \$126.7 million of Certificates of Participation, and \$1.2 million in bond premium related to the Civic Center Project. The proceeds of the financings were used to finance the construction of a new Civic Center Complex including, a parking structure and park. Approximately \$4 million was used to refund 1998 Library COPs. Additional information on the City's long-term debt obligation can be found in Note (6) of the Notes to the Financial Statements.

## FACTORS AFFECTING NEXT YEAR'S BUDGET

- The 2011-12 secured property tax levy grew by +1.27% reflecting a +.75% CPI adjustment, due to new construction and net reassessments from property sales and or assessment appeals. Unsecured property taxes (e.g. business equipment and boats) decreased -4.31%. The net result is that the overall property tax levy, as of September 30, 2011, grew by +1.03% compared to fiscal year 2010-11 as follows:

Property Tax Assessed Valuation (AV)				
	2011-2012	2010-2011	Change in AV	% Change
Secured	37,550,412,836	37,080,217,275	470,195,561	1.27%
Unsecured	1,556,752,313	1,626,947,910	(70,195,597)	-4.31%
<b>Total AV</b>	<b>39,107,165,149</b>	<b>38,707,165,185</b>	<b>399,999,964</b>	<b>1.03%</b>

- The City Manager's core budget principles that were utilized to construct the 2011-12 budget include:

Our Budget Principles
<ol style="list-style-type: none"> <li>1. Adhere of 2010's Fiscal Sustainability Plan.</li> <li>2. Use the next 18 months to thoughtfully and deliberately change the way local governments does business.</li> <li>3. Our City's long-term success depends upon our investment in infrastructure (streets, parks, facilities).</li> <li>4. There are things we should not be doing.</li> <li>5. Pension costs need to be addressed comprehensively and cooperatively.</li> <li>6. Public Safety is paramount - but we need to be open to better ways of delivery of public safety services.</li> </ol>

- Pension Costs for both Miscellaneous and Public Safety to increase to \$29 million by FY 2014, an estimated \$8 million increase. However, next year's budget will reflect successful negotiations with both groups for increased pension cost sharing by all employees of approximately \$3.5 million.
- Continued departmental restructuring and adhering to our Fiscal Sustainability Plan. The General Fund only; All departments including Public Safety reduced budgets for a structural decrease of approximately \$8 million in the next year.
- Increased investment in our infrastructure such as streets and roads. An increase of \$1 million in FY 2012 growing by \$5 million in two years.
- Eliminate forty full time equivalent positions from personnel budget, resulting in a smaller more efficient organization.
- The continued, yet modest growth in the economy resulted in a 1% estimated growth in Property Taxes of \$700K; a 5 % growth rate in Sales Taxes of almost \$1 million and a 10% growth rate in Transient Occupancy Taxes of almost \$ 1.5 million.
- STATUS OF LABOR CONTRACTS - Safety Bargaining Unit labor contracts including Police, Police Management, Fire, Fire Management and Lifeguard expire on December 31, 2011. Labor contracts with all other miscellaneous

employee bargaining units expire on June 30, 2012. The impact on the 2011-12 and 2012-13 budget is unknown.

- **STATE BUDGET** - One year ago, the state faced ongoing budget imbalances of around \$20 billion per year. By making difficult budgetary decisions, including the trigger cuts, the State has strengthened its fiscal condition significantly. However, per the Legislative Analyst's Office (LAO) November 2011 forecast, the State will still face a \$3 billion shortfall in 2011-12 and a \$10 billion shortfall in 2012-13.

Under the provisions of the budget 2011-12 budget package, this revenue shortfall will translate into \$2 billion of trigger cuts to state programs. While the Legislature has already cut State library funding as part of the FY 2011-12 budget agreement, the trigger cuts will essentially eliminate all remaining state funding for the California Library Services Act, the State Literacy program, and the Public Library Foundation. These programs help fund services like local library transfer fees and funding for adult literacy programs. The cuts will not only eliminate all State funding for local library programs but also jeopardize federal funding for the Braille and Talking Book library programs.

The net reduction in State Library funding to the City is approximately \$300,000 which has already been factored into the City's 2011-12 budget. Although it is not currently known how the State will deal with its 2012-13 Budget challenge, the Governor has until January 10<sup>th</sup> to introduce the exact details.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, 3300 Newport Boulevard, Newport Beach, CA 92663-3884, (949) 644-3126. The City's Budgets, Comprehensive Annual Financial Reports as well as other City financial information can be found on the City's website at: [www.NewportBeachCA.gov/financialinfo](http://www.NewportBeachCA.gov/financialinfo).

# FINANCIAL SECTION

GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

FINANCIAL SECTION



**CITY OF NEWPORT BEACH**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments (note 4)	\$ 166,718,279	\$ 7,994,308	\$ 174,712,587
Receivables:			
Accounts	7,668,533	5,162,958	12,831,491
Notes	471,250	-	471,250
Interest	768,757	-	768,757
Intergovernmental receivables	7,542,209	-	7,542,209
Cash with fiscal agent (note 4)	107,696,716	-	107,696,716
Internal balances	158,714	(158,714)	-
Inventory	536,627	-	536,627
Investment in joint ventures (note 15)	2,528,033	-	2,528,033
Prepaid items	2,855,042	-	2,855,042
Deferred charges	1,187,048	-	1,187,048
Capital assets, (note 5):			
Non-depreciable	1,875,750,430	4,848,408	1,880,598,838
Depreciable	410,393,539	159,017,345	569,410,884
Accumulated depreciation	(159,686,080)	(54,889,294)	(214,575,374)
<b>Total assets</b>	<b>2,424,589,097</b>	<b>121,975,011</b>	<b>2,546,564,108</b>
<b>Liabilities:</b>			
Accounts payable	11,905,297	3,311,178	15,216,475
Accrued salaries and benefits	4,438,845	185,230	4,624,075
Accrued interest payable	4,037,373	-	4,037,373
Deposits payable	2,110,129	59,156	2,169,285
Unearned revenue	6,183,506	-	6,183,506
Noncurrent liabilities (note 6):			
Due within one year	11,359,316	-	11,359,316
Due in more than one year	165,710,430	-	165,710,430
<b>Total liabilities</b>	<b>205,744,896</b>	<b>3,555,564</b>	<b>209,300,460</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,087,403,003	108,976,459	2,196,379,462
Restricted for:			
Public safety	1,037,903	-	1,037,903
Public works	52,955,530	-	52,955,530
Community services	3,607,847	-	3,607,847
Community Development	305,948	-	305,948
Permanent Funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,403,273	-	1,403,273
Unrestricted	67,500,916	9,442,988	76,943,904
<b>Total net assets</b>	<b>\$ 2,218,844,201</b>	<b>\$ 118,419,447</b>	<b>\$ 2,337,263,648</b>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Statement of Activities**  
**Year Ended June 30, 2011**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Total Program Revenues</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Primary government:					
Governmental activities:					
General government	\$ 15,857,397	\$ 2,722,527	\$ -	\$ -	\$ 2,722,527
Public safety	78,128,006	15,686,314	1,791,929	-	17,478,243
Public works	40,341,323	2,938,315	7,641,295	9,233,015	19,812,625
Community development	8,637,525	5,599,737	43,500	-	5,643,237
Community services	17,272,374	8,962,818	1,233,542	1,868,224	12,064,584
Interest on long-term debt	5,078,881	-	-	-	-
Total governmental activities	165,315,506	35,909,711	10,710,266	11,101,239	57,721,216
Business-type activities:					
Water	19,824,996	20,097,227	-	-	20,097,227
Wastewater	3,936,949	3,348,433	-	-	3,348,433
Total business-type activities	23,761,945	23,445,660	-	-	23,445,660
Total primary government	\$ 189,077,451	\$ 59,355,371	\$ 10,710,266	\$ 11,101,239	\$ 81,166,876

General revenues:

Taxes:

- Property tax
- Sales tax
- Sales tax in-lieu
- Transient occupancy tax
- Business license tax
- Franchise tax
- Other taxes

Intergovernmental (Unrestricted):

- Motor vehicle license tax
- Investment income
- Net increase in fair value of investments
- Other

Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to basic financial statements



**Net (Expense) Revenue and Changes in Net Assets**  
**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (13,134,870)	\$ -	\$ (13,134,870)
(60,649,763)	-	(60,649,763)
(20,528,698)	-	(20,528,698)
(2,994,288)	-	(2,994,288)
(5,207,790)	-	(5,207,790)
(5,078,881)	-	(5,078,881)
<u>(107,594,290)</u>	<u>-</u>	<u>(107,594,290)</u>
-	272,231	272,231
-	(588,516)	(588,516)
-	(316,285)	(316,285)
<u>\$ (107,594,290)</u>	<u>\$ (316,285)</u>	<u>\$ (107,910,575)</u>
71,630,345	-	71,630,345
18,455,181	-	18,455,181
6,284,266	-	6,284,266
13,082,451	-	13,082,451
4,090,634	-	4,090,634
3,730,819	-	3,730,819
226,257	-	226,257
403,042	-	403,042
366,081	52,996	419,077
369,235	58,977	428,212
2,601,538	-	2,601,538
<u>121,239,849</u>	<u>111,973</u>	<u>121,351,822</u>
13,645,559	(204,312)	13,441,247
<u>2,205,198,642</u>	<u>118,623,759</u>	<u>2,323,822,401</u>
<u>\$ 2,218,844,201</u>	<u>\$ 118,419,447</u>	<u>\$ 2,337,263,648</u>

See accompanying notes to basic financial statements

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# FINANCIAL SECTION

FUND  
FINANCIAL STATEMENTS  
GOVERNMENTAL FUNDS

FINANCIAL SECTION

# GOVERNMENTAL FUNDS

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## Major Funds

The **General Fund** is used to account for fiscal resources which are dedicated to governmental operations of the City, and not required to be accounted for in another fund.

The **Tide and Submerged Land Fund** is a Special Revenue Fund used to account for all revenues and expenditures related to the operation of the City's tidelands, including beaches and marinas.

The **Facilities Replacement Fund** is used to account for the receipt and expenditure of funds for the replacement of facilities.

The **City Hall Improvement Fund** is used to account for the design and construction of a new Civic Center Complex.

The **Civic Center COP Fund** is used to account for debt service transactions related to the Certificates of Participation issued to finance the construction of the Civic Center.

## Non-major Funds

Non-major governmental funds are those governmental funds which do not meet the criteria of a major fund. For reporting purposes in this section, they are combined together as Other Governmental Funds.

**CITY OF NEWPORT BEACH**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2011**

<b>Assets</b>	<b>General</b>	<b>Tide and Submerged Land</b>	<b>Facilities Replacement</b>	<b>City Hall Improvements</b>	<b>Civic Center COP</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
Cash and investments (note 4)	\$ 54,982,198	\$ 6,328,807	\$ 20,143,831	\$ 75,000	\$ -	\$ 42,757,036	\$ 124,286,872
Receivables:							
Accounts	4,735,243	670,691	-	-	-	854,945	6,260,879
Notes	471,250	-	-	-	-	-	471,250
Interest	768,757	-	-	-	-	-	768,757
Intergovernmental receivables	4,904,193	-	-	-	-	2,638,016	7,542,209
Cash with fiscal agent (note 4)	-	-	-	99,165,945	6,971,983	1,558,788	107,696,716
Due from other funds (note 13)	9,340,106	-	5,481,813	-	-	-	14,821,919
Prepaid items	328,851	-	-	1,082,795	-	185,658	1,597,304
Inventory	231,641	-	-	-	-	-	231,641
<b>Total assets</b>	<b>\$ 75,762,239</b>	<b>\$ 6,999,498</b>	<b>\$ 25,625,644</b>	<b>\$ 100,323,740</b>	<b>\$ 6,971,983</b>	<b>\$ 47,994,443</b>	<b>\$ 263,677,547</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 4,433,493	\$ 930,604	\$ -	\$ 5,147,794	\$ 1,500	\$ 944,088	\$ 11,457,479
Accrued payroll	4,376,329	18,912	-	-	-	-	4,395,241
Deposits payable	1,949,545	160,584	-	-	-	-	2,110,129
Unearned revenue	1,978,327	-	-	-	-	4,205,179	6,183,506
Unavailable revenue	255,700	-	-	-	-	2,193,350	2,449,050
Due to other funds (note 13)	-	-	-	4,952,930	5,481,813	2,965,678	13,400,421
<b>Total liabilities</b>	<b>12,993,394</b>	<b>1,110,100</b>	<b>-</b>	<b>10,100,724</b>	<b>5,483,313</b>	<b>10,308,295</b>	<b>39,995,826</b>
Fund balances:							
Nonspendable:							
Prepaid items	328,851	-	-	1,082,795	-	185,658	1,597,304
Inventories	231,641	-	-	-	-	-	231,641
Long-Term Loan Receivable	471,250	-	-	-	-	-	471,250
Permanent Endowment	-	-	-	-	-	4,629,781	4,629,781
Restricted:							
Affordable housing	1,546,573	-	-	-	-	-	1,546,573
Hoag	134,760	-	-	-	-	-	134,760
Upper Newport Bay Restoration	-	139,134	-	-	-	-	139,134
Other	-	-	-	-	1,488,670	34,818,038	36,306,708
Committed:							
Contingency Reserve	21,841,467	-	-	-	-	-	21,841,467
Other	5,778,435	360,000	25,625,644	89,140,221	-	797,479	121,701,779
Assigned:	11,865,835	5,390,264	-	-	-	243,294	17,499,393
Unassigned:	20,570,033	-	-	-	-	(2,988,102)	17,581,931
<b>Total fund balances</b>	<b>62,768,845</b>	<b>5,889,398</b>	<b>25,625,644</b>	<b>90,223,016</b>	<b>1,488,670</b>	<b>37,686,148</b>	<b>223,681,721</b>
<b>Total liabilities and and fund balances</b>	<b>\$ 75,762,239</b>	<b>\$ 6,999,498</b>	<b>\$ 25,625,644</b>	<b>\$ 100,323,740</b>	<b>\$ 6,971,983</b>	<b>\$ 47,994,443</b>	<b>\$ 263,677,547</b>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2011**

Fund balances of governmental funds	\$	223,681,721
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of accumulated depreciation have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.		2,119,520,844
Bond issue costs have not been amortized and deferred in the governmental funds and must be added to the statement of net assets.		1,187,048
Long term debt that have not been reported in the governmental fund activity. Amounts exclude long-term debt activity from internal service funds which have been added below:		
Certificates of participation payable		(126,660,000)
Premium payable		(1,084,977)
Note payable		(737,854)
Pre-annexation agreement		(7,200,000)
CDBG loan		(1,788,000)
Purchase Agreement Payable		(750,000)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(4,037,373)
Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds.		2,449,050
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The assets (including capital assets) and liabilities of the internal service funds must be added to the statement of net assets.		11,576,995
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.		2,528,033
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.		158,714
Net assets of governmental activities	\$	2,218,844,201

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2011**

	<u>General</u>	<u>Tide and Submerged Land</u>	<u>Facilities Replacement</u>	<u>City Hall Improvements</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Revenues</b>							
Taxes and assessments:							
Property tax	\$ 71,630,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,630,345
Sales tax	18,455,181	-	-	-	-	-	18,455,181
Sales tax in-lieu	6,284,266	-	-	-	-	-	6,284,266
Transient occupancy tax	13,082,451	-	-	-	-	-	13,082,451
Other taxes	8,076,293	-	-	-	-	455,229	8,531,522
Intergovernmental	2,306,209	-	-	-	1,485,906	7,675,356	11,467,471
Licenses and permits	3,234,996	1,485,375	-	-	-	478,615	5,198,986
Charges for services	15,134,529	151,284	-	-	-	-	15,285,813
Fines and forfeitures	3,542,294	2,935	-	-	-	-	3,545,229
Investment income	366,081	38,321	130,335	209,315	11,287	290,253	1,045,592
Net increase in fair value of investments	369,235	42,646	145,046	-	-	325,390	882,317
Property income	6,798,036	8,740,351	-	-	-	-	15,538,387
Donations	172,149	-	-	-	-	1,617,924	1,790,073
Other	1,283,259	-	-	-	-	3,808,268	5,091,527
<b>Total revenues</b>	<u>150,735,324</u>	<u>10,460,912</u>	<u>275,381</u>	<u>209,315</u>	<u>1,497,193</u>	<u>14,651,035</u>	<u>177,829,160</u>
<b>Expenditures</b>							
Current:							
General government	14,934,808	489,926	-	-	-	-	15,424,734
Public safety	57,177,787	17,452,950	-	-	-	316,436	74,947,173
Public works	24,669,717	3,544,245	-	-	-	3,228,114	31,442,076
Community development	7,644,104	-	-	-	-	786,709	8,430,813
Community services	14,215,086	1,446,925	-	-	-	-	15,662,011
Capital outlay	2,085,096	1,269,870	-	22,499,977	-	11,790,939	37,645,882
Debt service (note 6):							
Principal	750,000	195,080	-	-	3,990,000	1,295,000	6,230,080
Interest and fiscal charges	211,139	41,982	-	29,356	792,790	104,345	1,179,612
Issuance of debt costs	-	-	-	1,219,071	-	-	1,219,071
<b>Total expenditures</b>	<u>121,687,737</u>	<u>24,440,978</u>	<u>-</u>	<u>23,748,404</u>	<u>4,782,790</u>	<u>17,521,543</u>	<u>192,181,452</u>
Excess (deficiency) of revenues over expenditures	<u>29,047,587</u>	<u>(13,980,066)</u>	<u>275,381</u>	<u>(23,539,089)</u>	<u>(3,285,597)</u>	<u>(2,870,508)</u>	<u>(14,352,292)</u>
<b>Other financing sources (uses)</b>							
Transfers in (note 14)	331,088	17,435,299	31,300,000	-	4,208,612	5,488,621	58,763,620
Transfers out (note 14)	(48,767,696)	-	(5,949,737)	(3,525,858)	-	(520,329)	(58,763,620)
Issuance of debt	-	-	-	126,660,000	-	-	126,660,000
Issuance of debt premium	-	-	-	1,155,300	-	-	1,155,300
<b>Total other financing sources (uses)</b>	<u>(48,436,608)</u>	<u>17,435,299</u>	<u>25,350,263</u>	<u>124,289,442</u>	<u>4,208,612</u>	<u>4,968,292</u>	<u>127,815,300</u>
<b>Net change in fund balances</b>	<u>(19,389,021)</u>	<u>3,455,233</u>	<u>25,625,644</u>	<u>100,750,353</u>	<u>923,015</u>	<u>2,097,784</u>	<u>113,463,008</u>
Fund balances, beginning	<u>82,157,866</u>	<u>2,434,165</u>	<u>-</u>	<u>(10,527,337)</u>	<u>565,655</u>	<u>35,588,364</u>	<u>110,218,713</u>
<b>Fund balances, ending</b>	<u>\$ 62,768,845</u>	<u>\$ 5,889,398</u>	<u>\$ 25,625,644</u>	<u>\$ 90,223,016</u>	<u>\$ 1,488,670</u>	<u>\$ 37,686,148</u>	<u>\$ 223,681,721</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year ended June 30, 2011**

Net change in fund balances - total governmental funds	\$ 113,463,008
Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the statement of activities because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	24,818,449
Payment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	6,230,080
Issuance of debt costs	1,219,072
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds :	
Amortization of issuance costs	(32,024)
Issuance of debt	(126,660,000)
Issuance of debt premium	(1,155,300)
Premium on bonds are recognized as revenues in the period received, however, in the Statement of Net Assets, it is amortized over the life of the bond.	70,323
Accrued Interest for debt service. This is the net change in accrued interest for the current period.	(3,937,569)
Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds. This is the net change in unearned revenue for the current period.	633,376
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported in the statement of activities.	(828,630)
Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities.	(250,410)
Internal balance created by the consolidation of internal service funds activities related to enterprise funds is reflected as a reduction of revenues in the statement of activities.	75,184
Change in net assets of governmental activities	<u>\$ 13,645,559</u>

See accompanying notes to basic financial statements



**CITY OF NEWPORT BEACH**  
**General Fund**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues</b>				
Taxes and assessments:				
Property	\$ 70,642,839	\$ 70,642,839	\$ 71,630,345	\$ 987,506
Sales	17,374,734	17,374,734	18,455,181	1,080,447
Sales tax in-lieu	6,392,273	6,392,273	6,284,266	(108,007)
Transient occupancy	11,555,034	11,555,034	13,082,451	1,527,417
Other taxes	8,410,800	8,410,800	8,076,293	(334,507)
Intergovernmental	1,897,825	2,199,322	2,306,209	106,887
Licenses and permits	2,663,975	2,663,975	3,234,996	571,021
Charges for services	13,949,718	14,184,905	15,134,529	949,624
Fines and forfeitures	3,651,000	3,651,000	3,542,294	(108,706)
Investment income	1,050,000	1,050,000	366,081	(683,919)
Net increase in fair value of investments	-	-	369,235	369,235
Property income	8,163,907	7,289,346	6,798,036	(491,310)
Donations	50,000	264,927	172,149	(92,778)
Other	383,050	827,420	1,283,259	455,839
	<u>146,185,155</u>	<u>146,506,575</u>	<u>150,735,324</u>	<u>4,228,749</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
General government:				
City council	1,053,886	1,157,154	1,138,753	18,401
City clerk	493,978	501,377	453,521	47,856
City attorney	2,358,728	2,657,045	2,724,204	1,430,468
City manager	1,792,348	1,457,765	1,226,577	(5,768,882)
Administrative services	7,839,781	7,691,257	7,226,647	464,610
Human resources	2,326,746	2,358,431	2,165,106	193,325
Total General government	<u>15,865,467</u>	<u>15,823,029</u>	<u>14,934,808</u>	<u>(3,614,222)</u>
Public safety:				
Police	42,751,592	41,000,126	38,773,831	2,226,295
Fire	34,164,977	19,780,823	18,403,956	1,376,867
Total Public safety	<u>76,916,569</u>	<u>60,780,949</u>	<u>57,177,787</u>	<u>3,603,162</u>
Public works:				
General services	22,117,466	19,715,246	18,178,721	1,536,525
Public works	5,714,119	5,732,987	5,320,926	412,061
Utilities	1,336,290	1,346,771	1,170,070	176,701
Total Public works	<u>29,167,875</u>	<u>26,795,004</u>	<u>24,669,717</u>	<u>2,125,287</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**General Fund**  
**Budgetary Comparison Statement**  
(continued)

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Community development:				
Planning	3,303,298	3,286,618	2,870,470	416,148
Building	4,237,602	4,356,217	4,256,871	99,346
Code and Water Quality Enforcement	667,205	669,219	516,763	152,456
Total Community development	<u>8,208,105</u>	<u>8,312,054</u>	<u>7,644,104</u>	<u>667,950</u>
Community services:				
Parking Operations	-	2,830	410,695	(407,865)
Library Services	6,630,608	6,946,994	6,568,089	378,905
Recreation and senior services	7,646,569	7,823,449	7,236,302	587,147
Total Community services	<u>14,277,177</u>	<u>14,773,273</u>	<u>14,215,086</u>	<u>558,187</u>
Capital outlay	<u>3,414,035</u>	<u>3,675,468</u>	<u>2,085,096</u>	<u>1,590,372</u>
Debt service:				
Principal	750,000	750,000	750,000	-
Interest and Fiscal Charges	30,000	30,000	211,139	(181,139)
Total Debt Service	<u>780,000</u>	<u>780,000</u>	<u>961,139</u>	<u>(181,139)</u>
Total expenditures	<u>148,629,228</u>	<u>130,939,777</u>	<u>121,687,737</u>	<u>9,252,040</u>
Excess (deficiency) of revenues over expenditures	<u>(2,444,073)</u>	<u>15,566,798</u>	<u>29,047,587</u>	<u>13,480,789</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	331,088	331,088
Transfers out	<u>(33,428,000)</u>	<u>(54,493,299)</u>	<u>(48,767,696)</u>	<u>5,725,603</u>
Total other financing sources (uses)	<u>(33,428,000)</u>	<u>(54,493,299)</u>	<u>(48,436,608)</u>	<u>6,056,691</u>
Net change in fund balance	(35,872,073)	(38,926,501)	(19,389,021)	19,537,480
Fund balance, beginning	<u>82,157,866</u>	<u>82,157,866</u>	<u>82,157,866</u>	<u>-</u>
Fund balance, ending	<u>\$ 46,285,793</u>	<u>\$ 43,231,365</u>	<u>\$ 62,768,845</u>	<u>\$ 19,537,480</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Tide and Submerged Land**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Licenses and permits	1,370,000	1,370,000	1,485,375	115,375
Charges for services	62,000	62,000	151,284	89,284
Fines and forfeitures	500	500	2,935	2,435
Investment income	75,000	80,967	38,321	(42,646)
Net increase in fair value of investments	-	-	42,646	42,646
Property income	8,506,752	9,595,318	8,740,351	(854,967)
<b>Total revenues</b>	<b>10,014,252</b>	<b>11,108,785</b>	<b>10,460,912</b>	<b>(647,873)</b>
<b>Expenditures</b>				
General government	-	489,926	489,926	-
Public safety	-	17,452,950	17,452,950	-
Public works	838,620	3,707,463	3,544,245	163,218
Community services	2,235,438	1,900,842	1,446,925	453,917
Community development	-	-	-	-
Capital outlay	6,162,270	6,868,084	1,269,870	5,598,214
Debt service:				
Principal	195,080	195,080	195,080	-
Interest and fiscal charges	41,982	41,982	41,982	-
<b>Total expenditures</b>	<b>9,473,390</b>	<b>30,656,327</b>	<b>24,440,978</b>	<b>6,215,349</b>
Excess (deficiency) of revenues over expenditures	540,862	(19,547,542)	(13,980,066)	5,567,476
<b>Other financing sources (uses)</b>				
Transfers in	-	17,435,299	17,435,299	-
Transfers out	(2,051,460)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(2,051,460)</b>	<b>17,435,299</b>	<b>17,435,299</b>	<b>-</b>
Net change in fund balance	(1,510,598)	(2,112,243)	3,455,233	5,567,476
Fund balance, beginning	2,434,165	2,434,165	2,434,165	-
Fund balance, ending	<u>\$ 923,567</u>	<u>\$ 321,922</u>	<u>\$ 5,889,398</u>	<u>\$ 5,567,476</u>

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# FINANCIAL SECTION

FUND

FINANCIAL STATEMENTS

PROPRIETARY FUNDS

FINANCIAL SECTION

# PROPRIETARY FUNDS

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## **Business-type Activities**

The ***Water Fund*** is a Major Fund used to account for the operations of the City's water utility, a self-supporting activity which is entirely financed through user charges.

The ***Wastewater Fund*** is a Major Fund used to account for the operations of the City's wastewater system, a self-supporting activity which is entirely financed through user charges.

## **Governmental Activities**

The ***Internal Service Funds*** are used to allocate the cost of providing goods and services by one department to other departments on a cost reimbursement basis.

**CITY OF NEWPORT BEACH**  
**Proprietary Fund**  
**Statement of Net Assets**  
**June 30, 2011**

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 6,346,050	\$ 1,648,258	\$ 7,994,308	\$ 42,431,407
Receivables:				
Accounts	4,486,753	676,205	5,162,958	1,407,654
Inventories	-	-	-	304,986
Prepaid items	-	-	-	1,257,738
Total current assets	10,832,803	2,324,463	13,157,266	45,401,785
Non-current assets:				
Capital assets (note 5):				
Land	2,016,450	-	2,016,450	-
Structures	688,396	-	688,396	-
Equipment	187,432	-	187,432	23,482,455
Infrastructure	115,516,129	42,625,388	158,141,517	-
Work in progress	441,280	2,390,678	2,831,958	-
Less accumulated depreciation	(40,674,927)	(14,214,367)	(54,889,294)	(16,545,410)
Total capital assets (net of accumulated depreciation)	78,174,760	30,801,699	108,976,459	6,937,045
Total noncurrent assets	78,174,760	30,801,699	108,976,459	6,937,045
Total assets	89,007,563	33,126,162	122,133,725	52,338,830
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,670,810	640,368	3,311,178	447,818
Accrued payroll	135,296	49,934	185,230	43,604
Deposits payable	59,132	24	59,156	-
Due to General fund (note 13)	-	-	-	1,421,498
Workers' compensation - current	-	-	-	3,284,036
General liability - current	-	-	-	1,079,277
Compensated absences - current	-	-	-	1,969,425
Early retirement incentive program - current	-	-	-	960,396
Total current liabilities	2,865,238	690,326	3,555,564	9,206,054
Non-current liabilities (note 6):				
Workers' compensation	-	-	-	11,335,964
General liability	-	-	-	2,878,854
Compensated absences	-	-	-	6,936,171
Early retirement incentive program - current	-	-	-	1,920,792
Net OPEB obligation	-	-	-	8,484,000
Total noncurrent liabilities	-	-	-	31,555,781
Total liabilities	2,865,238	690,326	3,555,564	40,761,835
<b>Net Assets</b>				
Invested in capital assets, net of related debt	78,174,760	30,801,699	108,976,459	6,937,045
Unrestricted	7,967,565	1,634,137	9,601,702	4,639,950
Total Net Assets	\$ 86,142,325	\$ 32,435,836	\$ 118,578,161	\$ 11,576,995
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(158,714)	
Net assets of business-type activities			\$ 118,419,447	

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Proprietary Fund**  
**Statement of Revenues,**  
**Expenses and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
	<u>Water</u>	<u>Wastewater</u>		
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 19,950,208	\$ -	\$ 19,950,208	-
Charges for services	-	-	-	16,177,529
Sewer service and connection fees	-	3,323,017	3,323,017	-
Retiree Reimbursements	-	-	-	1,298,064
Employee Contributions	-	-	-	272,746
Other	147,019	25,416	172,435	285,237
Total operating revenues	<u>20,097,227</u>	<u>3,348,433</u>	<u>23,445,660</u>	<u>18,033,576</u>
Operating expenses:				
Purchase of water	8,171,227	-	8,171,227	-
Salaries and benefits	3,753,693	1,418,968	5,172,661	1,366,397
Depreciation	1,547,342	566,602	2,113,944	1,820,267
Professional services	1,820,194	333,651	2,153,845	22,749
Maintenance and supplies	1,864,816	714,288	2,579,104	358,010
System maintenance	1,077,645	791,255	1,868,900	-
Fleet parts and supplies	-	-	-	467,924
Workers' compensation	-	-	-	5,229,876
Claims and judgments	-	-	-	1,872,592
Compensated absences	-	-	-	2,155,738
Early retirement incentive program	-	-	-	392,147
OPEB ARC - Cash subsidy	-	-	-	2,128,000
OPEB ARC - Implied subsidy	-	-	-	2,502,000
Other	1,485,609	122,485	1,608,094	1,220,261
Total operating expenses	<u>19,720,526</u>	<u>3,947,249</u>	<u>23,667,775</u>	<u>19,535,961</u>
Operating income (loss)	<u>376,701</u>	<u>(598,816)</u>	<u>(222,115)</u>	<u>(1,502,385)</u>
Nonoperating revenues (expenses):				
Investment income	34,488	18,508	52,996	299,166
Net increase in fair value of investments	38,380	20,597	58,977	332,935
(Loss) on removal of capital assets	(18,986)	-	(18,986)	41,654
Total nonoperating revenues	<u>53,882</u>	<u>39,105</u>	<u>92,987</u>	<u>673,755</u>
Income (loss) before transfers	430,583	(559,711)	(129,128)	(828,630)
Transfers in (note 14)	-	-	-	1,298,405
Transfers out (note 14)	-	-	-	(1,298,405)
Change in net assets	430,583	(559,711)	(129,128)	(828,630)
Net assets, beginning of year	85,711,742	32,995,547		12,405,625
Net assets, end of year	<u>\$ 86,142,325</u>	<u>\$ 32,435,836</u>		<u>\$ 11,576,995</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(75,184)	
Change in net assets of business-type activities			<u>\$ (204,312)</u>	

See accompanying notes to basic financial statements



**CITY OF NEWPORT BEACH**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Year ended June 30, 2011**

	<u>Enterprise Funds</u>			<b>Governmental Activities Internal Service Funds</b>
	<u>Water</u>	<u>Wastewater</u>	<b>Total Enterprise Funds</b>	
Cash flows from operating activities:				
Cash received from customers or user departments	\$ 19,238,164	\$ 3,306,964	\$ 22,545,128	\$ 17,690,137
Cash payments to employees for services	(3,730,256)	(1,407,911)	(5,138,167)	(7,504,994)
Cash payments to suppliers for goods and services	(11,979,234)	(1,352,295)	(13,331,529)	(7,732,387)
Cash received (payments made) for other operating activities	(1,338,590)	(97,069)	(1,435,659)	366,907
Net cash provided by operating activities	<u>2,190,084</u>	<u>449,689</u>	<u>2,639,773</u>	<u>2,819,663</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	1,899,508
Cash paid to other funds	-	-	-	(1,298,405)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>601,103</u>
Cash flows from capital related financing activities:				
Acquisition of capital assets	(496,855)	(2,162,687)	(2,659,542)	(2,564,020)
Net cash (used) for capital related financing activities	<u>(496,855)</u>	<u>(2,162,687)</u>	<u>(2,659,542)</u>	<u>(2,365,554)</u>
Cash flows from investing activities:				
Interest on investments	72,868	39,105	111,973	632,101
Net cash provided by investing activities	<u>72,868</u>	<u>39,105</u>	<u>111,973</u>	<u>632,101</u>
Net increase (decrease) in cash and cash equivalents	1,766,097	(1,673,893)	92,204	1,687,313
Cash and cash equivalents, beginning	<u>4,579,953</u>	<u>3,322,151</u>	<u>7,902,104</u>	<u>40,744,094</u>
Cash and cash equivalents, ending	<u>\$ 6,346,050</u>	<u>\$ 1,648,258</u>	<u>\$ 7,994,308</u>	<u>\$ 42,431,407</u>
Reconciliation of cash equivalents to the statement of net assets				
Cash and investments reported on statement of net assets	<u>\$ 6,346,050</u>	<u>\$ 1,648,258</u>	<u>\$ 7,994,308</u>	<u>42,431,407</u>
Cash and cash equivalents	<u>\$ 6,346,050</u>	<u>\$ 1,648,258</u>	<u>\$ 7,994,308</u>	<u>\$ 42,431,407</u>
Reconciliation of operating income to net cash used for operating activities:				
Operating income (loss)	<u>\$ 376,701</u>	<u>\$ (598,816)</u>	<u>\$ (222,115)</u>	<u>\$ (1,502,385)</u>
Adjustments to reconcile operating income to net cash used for operating activities:				
Depreciation	1,547,342	566,602	2,113,944	1,820,267
(Increase) in accounts receivable	(707,921)	(16,053)	(723,974)	(512,248)
(Increase) in inventories	-	-	-	(49,556)
(Increase) in prepaid items	-	-	-	(886,408)
Increase in accounts payable and accrued payroll	978,085	497,956	1,476,041	160,785
(Decrease) in deposits payable	(4,123)	-	(4,123)	-
Increase in workers' compensation	-	-	-	2,298,000
Increase in general liability	-	-	-	137,740
(Decrease) in compensated absences	-	-	-	(90,283)
(Decrease) in early retirement incentive program	-	-	-	(568,249)
Increase in net OPEB obligation	-	-	-	2,012,000
Total adjustments	<u>1,813,383</u>	<u>1,048,505</u>	<u>2,861,888</u>	<u>4,322,048</u>
Net cash provided for operating activities	<u>\$ 2,190,084</u>	<u>\$ 449,689</u>	<u>\$ 2,639,773</u>	<u>\$ 2,819,663</u>
Non-cash investing, capital and financing activities:				
Net increase in fair value of investments	\$ 38,380	\$ 20,597	\$ 58,977	\$ 332,935
Gain (loss) on disposal of capital assets	(18,986)	-	(18,986)	41,654
Total of non-cash activities	<u>\$ 19,394</u>	<u>\$ 20,597</u>	<u>\$ 39,991</u>	<u>\$ 374,589</u>

See accompanying notes to basic financial statements

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# FINANCIAL SECTION

FUND  
FINANCIAL STATEMENTS  
FIDUCIARY FUNDS

FINANCIAL SECTION

## **FIDUCIARY FUNDS**

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Agency Funds, a type of Fiduciary Funds, are used to account for assets held by the City as an agent for other government entities, private organizations, or individuals.

**CITY OF NEWPORT BEACH**  
**Agency Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2011**

<b>Assets</b>	<b>Totals</b>
Cash and investments (note 4)	\$ 5,389,881
Cash with fiscal agent (note 4)	4,397,355
Prepaid items	950
Intergovernmental receivable	69,396
Total assets	<u><u>\$ 9,857,582</u></u>
<b>Liabilities</b>	
Due to bondholders	\$ 7,406,633
Due to others	432,432
Due to ILJAOC	2,018,517
Total liabilities	<u><u>\$ 9,857,582</u></u>

See accompanying notes to basic financial statements

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# FINANCIAL SECTION

NOTES TO THE  
FINANCIAL STATEMENTS

FINANCIAL SECTION





CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

**(1) Summary of Significant Accounting Policies**

The basic financial statements of the City of Newport Beach (the "City") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applicable to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**a. Reporting Entity**

The City of Newport Beach was incorporated on September 1, 1906. The current City Charter was adopted in 1954. Since adoption, the Charter has been amended several times. The most recent Charter amendment was approved by the voters on November 2, 2010. The City operates under a Council-Manager form of government and provides the following services: public safety (police, fire, and marine), highway and streets, cultural and recreation, public improvements, planning and zoning, utilities, and general administrative services.

The financial statements present the financial activity of the City of Newport Beach (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. This entity is legally separate from the City. However, the City of Newport Beach's elected officials have continuing full or partial accountability for fiscal matters of the component unit. The financial reporting entity consists of: (1) the City, (2) organizations for which the City is financially accountable, and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Component units are presented on a blended basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City.

**Blended Component Unit**

The financial statements of the City of Newport Beach include the financial activities of the Newport Beach Public Facilities Corporation (the "Corporation"). The Corporation was formed on March 9, 1992, for the purpose of assisting the City of Newport Beach in the financing of public improvements, including a public library and most recently the new civic center project. The Corporation is

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

governed by a Board of Directors which is comprised of the seven City Council Members of the City of Newport Beach. The Corporation's financial data and transactions are included in the debt service fund. Separate financial statements are not prepared for the Corporation. The debt service fund is used solely to account for the activities of the Corporation and contains no other City debt financing activities.

**b. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government (including its blended component units). The City of Newport Beach has no discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues except Sales Taxes. The fiscal year sales tax clean up payment is received in September, beyond our traditional 60 day availability criteria. However, this payment is significant to this revenue category in that it adjusts the fiscal years amounts to reflect the economic climate for the year. In an effort to be more consistent with our analytical comparisons and benchmarking we have modified our availability criteria to 90 days for sales tax revenues only.

Property taxes, sales taxes, franchise taxes, gas taxes, motor vehicle license fee, transient occupancy taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the City.

Revenue recognition is subject to the *measurability* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as *other financing sources* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The amount of investment earnings available for expenditure is reported as Restricted Fund Balance in the fund level financial statements. The endowment principal is reported as Nonspendable for Permanent Endowments in the Statement of Net Assets. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504. The authority for spending investment earnings for scholarships resides with the City Manager and for periodic maintenance dredging in the Newport Bay resides with the City Council.

**Proprietary & Fiduciary Funds**

The City's enterprise and internal service funds are proprietary funds. In the fund financial statements, proprietary and fiduciary funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, taxes, and investment earnings result from non-exchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the proprietary fund financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

**c. Fund Classifications**

The City utilizes the following broad categories of funds:

**Major Funds**

Major funds are those funds which are either material or of particular importance.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

*Major Governmental Funds* – Governmental funds are generally used to account for tax supported activities. The following governmental funds met the criteria of a major fund:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all activities, except those required to be accounted for in another fund.

Special Revenue Fund

Tide and Submerged Land

The Tide and Submerged Land Fund is used to account for all revenues and expenditures related to the operation of the City's tidelands, including beaches and marinas.

Capital Project Funds

Facilities Replacement Fund

The Facilities Replacement Fund is used to account for the receipt and expenditure of funds for the replacement of facilities.

City Hall Improvements Fund

The City Hall Improvements Fund is used to account for the design and construction of a new Civic Center Complex.

Debt Service Fund

Civic Center COP

The Civic Center COP Fund is used to account for debt service transactions related to the Certificates of Participation issued to finance the construction of the new Civic Center Complex.

*Major Proprietary Funds* – Proprietary funds are used to report an activity for which a fee is charged to external users to recover the cost of operation.

Water Fund

The Water Fund is an enterprise fund used to account for the activities associated with the transmission and distribution of potable water by the City to its users.

Wastewater Fund

The Wastewater Fund is an enterprise fund used to account for the activities associated with providing sewer services by the City to its users.

**Internal Service Funds** – The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation, compensated

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

absences, retiree insurance, and the cost of maintaining and replacing the City's rolling stock fleet. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

**Fiduciary Funds** – The Fiduciary Funds are used to account for assets held by the City as an agent for property owners with special assessments, local businesses in business improvements districts, and other individuals who have made miscellaneous special deposits with the City.

**d. Cash and Investments**

For purposes of the statement of cash flows, cash and cash equivalents are defined to be cash on hand, demand deposits and highly liquid investments with a maturity of three months or less from the date of purchase. For financial statement presentation purposes, cash and cash equivalents are shown as cash and investments and restricted cash and investments in the proprietary funds.

**Investments**

Investments are generally stated at fair value.

Cash and investments are pooled to maximize investment yields. The net change in fair value and interest earned on the investments is allocated to the respective funds based on each fund's average monthly cash and investments balance.

The City's investment in LAIF is \$68,098,793 at June 30, 2011. This investment value is based on information provided by the State Treasurer's Office. The carrying value of the City's position in the fund is materially consistent with the fair value of the fund shares. This pool is under the regulatory oversight of the State Treasurer's Office. The LAIF Board consists of five members as designated by Statute. The Chairman is the State Treasurer, or his designated representative. Two members qualified by training and experience in the field of investment of finance, and two members who are treasurers, finance or fiscal officers or business managers employed by any County, City or local district or municipal corporation of this state, are appointed by the State Treasurer. The term of each appointment is two years, or at the pleasure of the appointing authority.

**e. Notes Receivable**

This is a promissory note between the City of Newport Beach and the City Manager. The City Manager and the City of Newport Beach entered into an employment agreement on August 18, 2009. This agreement provided incentives to the City Manager, in the form of an equity contribution, to allow him to re-locate within the incorporated boundaries of Newport Beach. The

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

promissory note documents the terms and conditions by which the City Manager will repay the City when the property is sold, or he retires/terminates, whichever occurs first.

**f. Intergovernmental Receivables**

Intergovernmental receivables represent grant reimbursement requests, capital project billings, and pending transfers of taxes and fees collected by other government agencies. As of June 30, 2011, the balance of this account was \$7,542,209.

**g. Inventories**

Inventories are valued at cost, which approximates market, using the first-in, first-out method. The City follows the consumption method for inventory control. The costs of governmental fund type inventories are recorded as expenditures when consumed.

**h. Capital Assets**

Capital assets, which include land, structures, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Equipment purchased in excess of \$5,000 is capitalized if it has an expected useful life of three years or more. Building, infrastructure, and improvements are capitalized if cost is in excess of \$30,000. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized. The City chose to value and report on infrastructure assets in their entirety (e.g. Prior to 1980).

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated fair market value at the date of contribution.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet. The range of lives used for depreciation purposes for each capital asset class as follows:



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Notes to Basic Financial Statements  
June 30, 2011

Structures	30-75 years
Equipment	3-15 years
Infrastructure	20-75 years

**i. Claims and Judgments**

The City accounts for material claims and judgments and associated legal and administrative costs when it is probable that the liability claim has been incurred and the amount of the loss can be reasonably estimated. The City records the estimated loss liabilities in the Internal Service Fund. Included therein are claims incurred but not reported, which consists of (a) known loss events expected to be presented as claims later, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. This is based upon historical actual results that have established a reliable pattern supplemented by specific information about current matters. Small dollar claims and judgments are recorded as expenditures when paid.

**j. Property Taxes**

The assessment, levy, and collection of property taxes are the responsibility of the County of Orange. The City records property taxes as revenue when received from the County, except at year-end, when property taxes received within 60 days are accrued as revenue. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	Jan 1
Levy date	July 1
Due dates	November 1 – 1 <sup>st</sup> installment March 1 – 2 <sup>nd</sup> installment
Collection dates	December 10 – 1 <sup>st</sup> installment April 10 – 2 <sup>nd</sup> installment

**k. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and limited amounts of earned but unused sick leave benefits, which will be paid to employees upon separation from City service. Beginning in fiscal year 1990, the City adopted a general leave plan to replace the traditional vacation and sick leave plan. The City uses a general leave plan which permits a maximum of three years' accrual for every employee, above which the excess is paid out as current compensation. All employees hired prior to January 1, 1990, were given the option of remaining in the traditional vacation and sick leave plan or enrolling in the general leave plan. All employees hired on or after January 1, 1990, are automatically enrolled in the general leave plan. Compensated

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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absences are accrued in the Compensated Absence Internal Service Fund when employee services have been rendered and when it becomes probable that the City will compensate the employees for benefits through paid time off or cash payments at termination or retirement. Benefits that have been earned but are not yet available for use because employees have not met certain conditions are accrued to the extent it is probable that the employees will meet the conditions for compensation in the future.

**I. Deposits Payable**

In the government-wide and fund level financial statements, deposits payable represent monies collected for developer deposits, demolition deposits, planning deposits and others, for services which have not yet been performed. These unspent portions are reported as liabilities on the financial statements.

**m. Unearned Revenue/Unavailable (Deferred) Revenue**

In the government-wide and the fund level financial statements, unearned revenues are those where asset recognition (availability criteria) has been met, but the revenue recognition criteria have not been met.

In the governmental funds financial statements, unavailable revenue represents revenues which have been earned but have not yet met the availability criteria for revenue recognition based on the modified accrual basis of accounting.

**n. Fund Balance Classifications**

Due to the implementation of GASB No. 54, governmental fund balance is made up of the different classifications and the following provides explanations as to the nature and purpose of each classification:

**Nonspendable fund balance**

That portion of fund balance that typically includes amounts that are either (a) not in a spendable form such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact such as endowments.

**Restricted fund balance**

The portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

Committed fund balance

That portion of a fund balance that includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the government's highest level of decision making authority, and remain binding unless removed in the same manner. The City Council has authority to establish, modify, or rescind a fund balance commitment.

Assigned fund balance

That portion of a fund balance that includes amounts that are constrained by the City's intent to be used for specific purposes and do not meet the criteria to be classified as restricted or committed. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts classified as committed. The City Manager or designee has the authority to establish, modify, or rescind a fund balance assignment.

Unassigned fund balance

That residual portion of a fund balance that is in spendable form and is not otherwise restricted, committed or assigned. These amounts are available to be used for any purpose.

In the governmental fund statements, when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City uses the most restrictive funds first. The City would use the appropriate funds in the following order: restricted, committed, assigned, and finally unassigned amounts.

In the government-wide statements, when expenditures are incurred for purposes for which both restricted and unrestricted net assets are available, the City applied restricted assets first.

**o. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities, and the related amounts of revenues and expenditures. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

**(2) Reconciliation of Government-wide and Fund Financial Statements**

**a. Explanation of Differences Between Governmental Funds Balance Sheet and the Statement of Net Assets**

The "total fund balances" of the City's governmental funds \$223,681,721 differs from "net assets" of governmental activities \$2,218,844,201 reported in the

CITY OF NEWPORT BEACH  
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statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Related Items

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$2,262,661,514
Accumulated depreciation	<u>(143,140,670)</u>
Total capital assets, net*	<u>\$2,119,520,844</u>

\*Amount excludes net capital assets of \$6,937,045 from Internal Service funds.

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at June 30, 2011 were:

Certificates of participation	\$126,660,000
Bond Premium	1,084,977
Note payable	737,854
Pre-annexation agreement	7,200,000
CDBG Loan	1,788,000
Purchase Agreement Payable	<u>750,000</u>
Total	<u>\$138,220,831</u>

Deferred Charges

Deferred Charges represent the unamortized portion of bond issuance costs and reported only in the statement of net assets.

Deferred charges	<u>\$1,187,048</u>
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CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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Accrued Interest

Accrued liabilities in the statement of net assets differ from the amount reported in governmental funds due to accrued interest on outstanding debt payable (see Note 6).

Accrued interest added	<u>\$4,037,373</u>
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Investment in Joint Venture

Investment in joint ventures is not a current financial resource and hence reported only in the statement of net assets.

Net equity in joint venture	<u>\$2,528,033</u>
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Unavailable Revenue

Some of the revenue will be collected after year-end, but is not available soon enough to pay for current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds.

Unavailable revenue	<u>\$2,449,050</u>
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Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities (such as equipment management and self-insurance authorities) to individual funds. The assets (including capital assets) and liabilities of the internal service funds are included in governmental activities in the statement of net assets, because they primarily serve governmental activities of the City.

Internal Service Funds	<u>\$11,576,995</u>
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Reclassifications and Eliminations

Interfund balances must generally be eliminated in the government-wide statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

**Explanation of Differences between Government Funds  
Balance Sheet and the Statement of Net Assets**

<b>Assets</b>	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Accumulated Depreciation</b>	<b>Long-term Debt Transactions</b>
Cash and investments	\$ 124,286,872	\$ -	\$ -	\$ -
Receivables:				
Accounts	6,260,879	-	-	-
Notes	471,250	-	-	-
Interest	768,757	-	-	-
Intergovernmental receivables	7,542,209	-	-	-
Cash with fiscal agent	107,696,716	-	-	-
Interfund balances	14,821,919	-	-	-
Investment in joint venture	-	-	-	-
Prepaid items	1,597,304	-	-	-
Inventory	231,641	-	-	-
Capital assets	-	2,262,661,514	-	-
Deferred charges	-	-	-	1,187,048
Accumulated depreciation	-	-	(143,140,670)	-
	<u>\$ 263,677,547</u>	<u>\$ 2,262,661,514</u>	<u>\$ (143,140,670)</u>	<u>\$ 1,187,048</u>
<b>Total assets</b>	<b><u>\$ 263,677,547</u></b>	<b><u>\$ 2,262,661,514</u></b>	<b><u>\$ (143,140,670)</u></b>	<b><u>\$ 1,187,048</u></b>
<b>Liabilities and Fund Balances / Net Assets</b>				
Liabilities:				
Accounts payable	\$ 11,457,479	\$ -	\$ -	\$ -
Accrued payroll	4,395,241	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,110,129	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Early retirement incentive program	-	-	-	-
Unearned revenue	6,183,506	-	-	-
Unavailable revenue	2,449,050	-	-	-
Due to other funds	13,400,421	-	-	-
Long-term liabilities	-	-	-	138,220,831
	<u>39,995,826</u>	<u>-</u>	<u>-</u>	<u>138,220,831</u>
<b>Total liabilities</b>	<b><u>39,995,826</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>138,220,831</u></b>
<b>Fund balances / net assets</b>	<b><u>223,681,721</u></b>	<b><u>2,262,661,514</u></b>	<b><u>(143,140,670)</u></b>	<b><u>(137,033,783)</u></b>
<b>Total liabilities and and fund balances / net assets</b>	<b><u>\$ 263,677,547</u></b>	<b><u>\$ 2,262,661,514</u></b>	<b><u>\$ (143,140,670)</u></b>	<b><u>\$ 1,187,048</u></b>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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<u>Interest Payable</u>	<u>Investment in Joint Venture</u>	<u>Unavailable Revenue</u>	<u>Internal Service Funds</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Assets</u>
\$ -	\$ -	\$ -	\$ 42,431,407	\$ -	\$ 166,718,279
-	-	-	1,407,654	-	7,668,533
-	-	-	-	-	471,250
-	-	-	-	-	768,757
-	-	-	-	-	7,542,209
-	-	-	-	-	107,696,716
-	-	-	-	(14,663,205)	158,714
-	2,528,033	-	-	-	2,528,033
-	-	-	1,257,738	-	2,855,042
-	-	-	304,986	-	536,627
-	-	-	23,482,455	-	2,286,143,969
-	-	-	-	-	1,187,048
-	-	-	(16,545,410)	-	(159,686,080)
<u>\$ -</u>	<u>\$ 2,528,033</u>	<u>\$ -</u>	<u>\$ 52,338,830</u>	<u>\$ (14,663,205)</u>	<u>\$ 2,424,589,097</u>
\$ -	\$ -	\$ -	\$ 447,818	\$ -	\$ 11,905,297
-	-	-	43,604	-	4,438,845
4,037,373	-	-	-	-	4,037,373
-	-	-	-	-	2,110,129
-	-	-	1,079,277	-	1,079,277
-	-	-	3,284,036	-	3,284,036
-	-	-	1,969,425	-	1,969,425
-	-	-	960,396	-	960,396
-	-	-	-	-	6,183,506
-	-	(2,449,050)	-	-	-
-	-	-	1,421,498	(14,821,919)	-
-	-	-	31,555,781	-	169,776,612
<u>4,037,373</u>	<u>-</u>	<u>(2,449,050)</u>	<u>40,761,835</u>	<u>(14,821,919)</u>	<u>205,744,896</u>
<u>(4,037,373)</u>	<u>2,528,033</u>	<u>2,449,050</u>	<u>11,576,995</u>	<u>158,714</u>	<u>2,218,844,201</u>
<u>\$ -</u>	<u>\$ 2,528,033</u>	<u>\$ -</u>	<u>\$ 52,338,830</u>	<u>\$ (14,663,205)</u>	<u>\$ 2,424,589,097</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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**b. Explanation of Differences between Enterprise Funds and Government-wide Statement of Net Assets**

Total net assets of the City's Enterprise Funds of \$118,578,161 differs from net assets of the business-type activities of \$118,419,447 reported in the government-wide statement of net assets. The difference, (\$158,714), results from the consolidation of internal service fund activities related to the enterprise funds.

**Explanation of Differences between Enterprise Funds  
and Government-wide Statement of Net Assets**

<b>Assets</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Government wide Statement of Net Assets</b>
Cash and investments	\$ 7,994,308	\$ -	\$ 7,994,308
Receivables:			
Accounts	5,162,958	-	5,162,958
Interfund balances	-	(158,714)	(158,714)
Capital assets, net	<u>108,976,459</u>	<u>-</u>	<u>108,976,459</u>
 Total assets	 <u>\$ 122,133,725</u>	 <u>\$ (158,714)</u>	 <u>\$ 121,975,011</u>
 <b>Liabilities and Fund Balances / Net Assets</b>			
Liabilities:			
Accounts payable	\$ 3,311,178	\$ -	\$ 3,311,178
Accrued payroll	185,230	-	185,230
Deposits payable	<u>59,156</u>	<u>-</u>	<u>59,156</u>
 Total liabilities	 <u>3,555,564</u>	 <u>-</u>	 <u>3,555,564</u>
 <b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 108,976,459	-	\$ 108,976,459
Unrestricted	<u>9,601,702</u>	<u>(158,714)</u>	<u>9,442,988</u>
	<u>\$ 118,578,161</u>	<u>\$ (158,714)</u>	<u>\$ 118,419,447</u>



CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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**c. Explanation of Differences between Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for governmental funds \$113,463,008 differs from the “change in net assets” for governmental activities \$13,645,559 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the difference is illustrated below.

**Capital Related Items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In governmental funds, significant maintenance projects are reclassified as functional expenses in the statement of net assets. Also, contributed capital is not recorded in governmental funds; therefore it is added for the statement of net assets.

Capital Outlay	\$ 38,112,215
Transfers out of WIP	(1,447,730)
Capital Outlays expended	<u>36,664,485</u>
Internal Service funds - asset additions	(2,564,020)
Governmental funds - asset additions	(3,478,329)
Net change in capital related items	<u>\$ 30,622,136</u>
Depreciation expense	(\$10,004,900)
Deletions in IS accumulated depreciation	1,820,267
Deletions in Governmental funds accumulated depreciation	2,380,946
Net change in accumulated depreciation	<u>\$ (5,803,687)</u>

**Long-Term Debt Transactions**

Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. Issuance of debt is reported as an other financing source in governmental funds, thus increasing fund balance. For the City as a whole, however, the principal payments reduce the liabilities, and proceeds from long term debt increase liabilities in the statement of net assets.

CITY OF NEWPORT BEACH  
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Certificates of Participation	\$ 3,990,000
Note payable	195,080
Pre-annexation agreement	1,200,000
CDBG loan	95,000
Purchase Agreement Payable	750,000
Bond Issuance Costs	1,187,048
Civic Center Certificates of Participation	(126,660,000)
Bond Premium	<u>(1,084,977)</u>
Total proceeds	<u>(\$120,327,849)</u>

Accrued Interest

Interest accrued on outstanding debt payable is not recorded as an expenditure in governmental funds, and, thus has been added to the statement of activities.

Net change in accrued interest	<u>\$3,937,569</u>
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Investment in Joint Venture

Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities.

Net change in investment in joint venture	<u>(\$250,410)</u>
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Unavailable Revenue

Some of the revenue will be collected after year-end, but is not available soon enough to pay for current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds.

Net change in unavailable revenue	<u>\$633,376</u>
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CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance activities, to individual funds. The adjustments for internal service funds “closes” those funds by reimbursing or charging additional amounts to participating departments in individual funds for costs over or under charged for those activities.

Net change in Internal Service Funds	<u>\$828,630</u>
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Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental and business-type activities. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated. Amounts involving fiduciary funds should be reported as external transactions.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

**Explanation of Differences between Governmental Fund  
Operating Statements and the Statement of Activities**

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Accumulated Depreciation</u>	<u>Long-term Debt Transactions</u>
<b>Revenues:</b>				
Taxes and assessments	\$ 117,983,765	\$ -	\$ -	\$ -
Intergovernmental	11,467,471	-	-	-
Licenses and permits	5,198,986	-	-	-
Charges for services	15,285,813	-	-	-
Fines and forfeitures	3,545,229	-	-	-
Investment income	1,045,592	-	-	-
Net increase in fair value of investments	882,317	-	-	-
Property income	15,538,387	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	1,790,073	-	-	-
Gain on sale of capital assets	-	-	-	-
Other	5,091,527	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	177,829,160	-	-	-
<b>Expenditures:</b>				
<b>Current:</b>				
General government	15,424,734	-	280,549	-
Public safety	74,947,173	3,549,555	(1,567,106)	-
Public works	31,442,076	2,492,794	5,709,930	-
Community development	8,430,813	-	97,780	-
Community services	15,662,011	-	1,282,534	-
Capital outlay	37,645,882	(36,664,485)	-	-
<b>Debt service:</b>				
Principal retirement	6,230,080	-	-	(6,230,080)
Interest and fiscal charges	1,179,612	-	-	(38,300)
Issuance of debt costs	1,219,071	-	-	(1,219,071)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	192,181,452	(30,622,136)	5,803,687	(7,487,451)
<b>Other financing sources (uses):</b>				
Transfers in	58,763,620	-	-	-
Transfers out	(58,763,620)	-	-	-
Issuance of debt	126,660,000	-	-	(126,660,000)
Issuance of debt premium	1,155,300	-	-	(1,155,300)
Total other financing sources (uses)	<hr/>	<hr/>	<hr/>	<hr/>
	127,815,300	-	-	(127,815,300)
<b>Net change in fund balances / net assets</b>	113,463,008	30,622,136	(5,803,687)	(120,327,849)
<b>Fund balances / net assets beginning of year</b>	<hr/>	<hr/>	<hr/>	<hr/>
	110,218,713	2,232,039,378	(137,336,983)	(16,705,934)
<b>Fund balances / net assets end of year</b>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 223,681,721	\$ 2,262,661,514	\$ (143,140,670)	\$ (137,033,783)

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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<u>Accrued Interest</u>	<u>Investment in Joint Venture</u>	<u>Unavailable Revenue</u>	<u>Internal Service Fund</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Activities</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,983,765
-	-	633,376	-	-	12,100,847
-	-	-	-	-	5,198,986
-	-	-	-	75,184	15,360,997
-	-	-	-	-	3,545,229
-	-	-	299,166	-	1,344,758
-	-	-	332,935	-	1,215,252
-	-	-	-	-	15,538,387
-	(250,410)	-	-	-	(250,410)
-	-	-	-	-	1,790,073
-	-	-	41,654	-	41,654
-	-	-	-	-	5,091,527
-	(250,410)	633,376	673,755	75,184	178,961,065
-	-	-	48,380	103,734	15,857,397
-	-	-	1,197,708	676	78,128,006
-	-	-	(133,623)	830,146	40,341,323
-	-	-	106,208	2,724	8,637,525
-	-	-	283,712	44,117	17,272,374
-	-	-	-	(981,397)	-
-	-	-	-	-	-
3,937,569	-	-	-	-	5,078,881
-	-	-	-	-	-
3,937,569	-	-	1,502,385	-	165,315,506
-	-	-	1,298,405	(60,062,025)	-
-	-	-	(1,298,405)	60,062,025	-
-	-	-	-	-	-
-	-	-	-	-	-
(3,937,569)	(250,410)	633,376	(828,630)	75,184	13,645,559
(99,804)	2,778,443	1,815,674	12,405,625	83,530	2,205,198,642
<u>\$ (4,037,373)</u>	<u>\$ 2,528,033</u>	<u>\$ 2,449,050</u>	<u>\$ 11,576,995</u>	<u>\$ 158,714</u>	<u>\$ 2,218,844,201</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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**d. Explanation of Differences between Enterprise Funds Operating Statement and the Statement of Activities**

The change in net assets for the City's enterprise funds (\$129,128) differs from the change in net assets of the business-type activities (\$204,312) reported in the government-wide statement of activities. The difference, (\$75,184), results from the consolidation of internal service fund activities related to the enterprise funds.

**Explanation of Differences between Enterprise Funds  
Operating Statement and the Statement of Activities**

	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>	<b>Business-type activities Statement of Activities</b>
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 19,950,208	\$ -	\$ 19,950,208
Sewer service and connection fees	3,323,017	-	3,323,017
Other	172,435	-	172,435
Total operating revenues	<u>23,445,660</u>	<u>-</u>	<u>23,445,660</u>
Operating expenses:			
Purchase of Water	8,171,227	-	8,171,227
Salaries and wages	5,172,661	-	5,172,661
Depreciation	2,113,944	-	2,113,944
Professional Services	2,153,845	-	2,153,845
Maintenance and supplies	2,579,104	75,184	2,654,288
System maintenance	1,868,900	-	1,868,900
Other	1,608,094	-	1,608,094
Total operating expenses	<u>23,667,775</u>	<u>75,184</u>	<u>23,742,959</u>
Operating income	(222,115)	(75,184)	(297,299)
Nonoperating revenues (expenses):			
Investment income	52,996	-	52,996
Net decrease in fair value of investments	58,977	-	58,977
Loss on removal of capital assets	(18,986)	-	(18,986)
Other	-	-	-
Total nonoperating revenues (expenses)	<u>92,987</u>	<u>-</u>	<u>92,987</u>
Change in net assets	(129,128)	(75,184)	(204,312)
Net assets, beginning of year	<u>118,707,289</u>	<u>(83,530)</u>	<u>118,623,759</u>
Net assets, end of year	<u>\$ 118,578,161</u>	<u>\$ (158,714)</u>	<u>\$ 118,419,447</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

**(3) Budgetary Control and Compliance**

The City adheres to the following general procedures in establishing the budgetary data reflected in the financial statements:

- During April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at City Council meetings to obtain taxpayer comments. Prior to July 1, the budget is legally adopted through passage of an appropriation resolution.
- Budgets are adopted on an annual basis consistent with generally accepted accounting principles for General and Special Revenue Funds.
- The City of Newport Beach does not present budget information on Capital Projects Funds since the City approved project-length budgets. These project-length budgets authorize total expenditures over the duration of a construction project rather than year-by-year budgeting.
- The City of Newport Beach does not present budget information on Debt Service and Permanent Funds since the City is not required to and does not adopt an annual budget.
- The budget is formally integrated into the accounting system and employed as a management control device during the year.
- The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions which alter the total appropriations of any fund must be approved by City Council.
- At fiscal year-end, budget appropriations lapse. Budget appropriations for incomplete capital projects are re-budgeted in the following fiscal year by Council action and are included in the revisions noted above. Projects that are not started during the budget year are reevaluated in the following year.
- Encumbrances represent commitments related to unperformed contracts for goods and services. The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this system, encumbrance accounting for the expenditure of funds is recorded in order to indicate outstanding commitments and is employed in the governmental fund types. Encumbrances outstanding at year-end are reported as committed or restricted fund balances since they do not constitute expenditures or liabilities. Encumbrances and their related budgets are honored in the subsequent year to fulfill these commitments and are presented in the original adopted budget.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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Expenditures exceeded appropriations in the following governmental funds.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Building Excise Tax	\$ 54,600	\$ 58,137	\$ (3,537)
Supplemental Law Enforcement	80,150	100,719	(20,569)
Prop 1 B Transportation	308,169	385,515	(77,346)

The following funds reported deficit fund balances:

Special Revenue Funds

OTS DUI Grant	\$ 380
Community Development Block Grant	\$ 41,369

Capital Projects

Marine Science Center	\$ 125,421
Misc SAH Projects	\$ 48,383
Marina Park	\$ 1,525,415
Sunset Ridge Park	\$ 1,214,780
Police Facility	\$ 2,175
Lifeguard Headquarters	\$ 30,179

Internal Service Funds

Compensated Absences	\$ 9,503,689
Retiree Insurance	\$ 8,353,793

The City's intentions are to eliminate deficit fund balances through future grant funding, other future revenue sources, or interfund transfers.



CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

**(4) Cash and Investments**

Cash and investments as of June 30, 2011, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 174,712,587
Cash with fiscal agent	107,696,716
Fiduciary funds:	
Cash and investments	5,389,881
Cash with fiscal agent	<u>4,397,355</u>
Total cash and investments	<u><u>\$ 292,196,539</u></u>

Cash and investments as of June 30, 2011, consist of the following:

Cash on hand	\$ 25,921
Deposits with financial institutions	9,687,319
Investments	<u>282,483,299</u>
Total cash and investments	<u><u>\$ 292,196,539</u></u>

**Investments Authorized by the California Government Code and the Entity'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 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	3 years	15%	5%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	20%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	2 years	30%	5%

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Repurchase Agreements	30 days	10%	5%
Reverse Repurchase Agreements	30 days	20%	5%
Medium-Term Notes	4 years	30%	5%
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	20%	None
Mortgage Pass-Through Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	5%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

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

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee (i.e. fiscal agent) are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	30 days - 360 days	None	None
Commercial Paper	180 days - 270 days	None	10%
Money Market Mutual Funds	N/A	None	None
Investment Agreements	None	None	None
Certificates of Deposit	None	None	None
Demand Deposits	30 days - 360 days	None	None
Time Deposits	30 days - 360 days	None	None
Local Agency Bonds	None	None	None
Forward Delivery Agreement	None	None	None
Forward Purchase and Sale Agreement	None	None	None
Corporate Notes	5 years	30%	None
Repurchase Agreements	None	None	None
Local Agency Investment Fund	N/A	None	None
Municipal Obligations	None	None	None
County Pooled Investment Funds	N/A	None	None

CITY OF NEWPORT BEACH  
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Disclosures Relating to 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 of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Investment Maturities (In Years)					Total
	* Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 3,400,287	\$ 3,400,287	\$ -	\$ -	\$ -	\$ 3,400,287
U.S. Treasury Notes	20,725,523	8,553,863	9,813,064	2,358,595	-	20,725,523
U.S. Agencies	91,536,911	16,197,247	64,091,378	11,248,286	-	91,536,911
Corporate Notes	34,919,608	6,214,944	27,566,457	1,138,207	-	34,919,608
Certificate of Deposit	1,500,236	1,500,236	-	-	-	1,500,236
Commercial Paper	574,748	574,748	-	-	-	574,748
LAIF	17,020,953	17,020,953	-	-	-	17,020,953
Municipal Bond	710,960	-	710,960	-	-	710,960
Cash with Fiscal Agent:						
Money Market Funds	15,564,815	15,564,815	-	-	-	15,564,815
U.S. Treasury Notes	12,051,992	10,058,594	1,993,398	-	-	12,051,992
U.S. Agencies	30,687,993	10,149,150	20,538,843	-	-	30,687,993
Corporate Notes	1,530,855	1,530,855	-	-	-	1,530,855
LAIF	51,077,840	51,077,840	-	-	-	51,077,840
Investment Agreements	1,180,576	-	-	-	1,180,576	1,180,576
<b>Total</b>	<b>\$ 282,483,299</b>	<b>\$ 141,843,532</b>	<b>\$ 124,714,102</b>	<b>\$ 14,745,088</b>	<b>\$ 1,180,576</b>	<b>\$ 282,483,299</b>

\* Investment agreements are recorded at cost (not fair value) because these agreements represent nonparticipating contracts that are nonnegotiable and whose redemption terms do not consider market rates.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2011, the City did not have any investments (including investments held by fiscal agent) whose fair values were highly sensitive to interest rate fluctuations.

CITY OF NEWPORT BEACH  
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Disclosures Relating to 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	AAA	AA+	AA	AA-	A+	A	A-	A-1+	Not Rated
Money Market Funds	3,400,287	AAA	\$ -	\$ 3,309,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,584
U.S. Treasury Notes*	20,725,523	N/A	-	20,725,523	-	-	-	-	-	-	-	-
U.S. Agencies*	91,536,911	N/A	-	90,053,271	-	-	-	-	1,483,641	-	-	-
Corporate Notes	34,919,608	A	-	9,281,124	5,413,876	3,013,898	3,434,367	7,776,053	5,134,466	865,824	-	-
Certificate of Deposit	1,500,236	A-1	700,000	-	-	-	800,236	-	-	-	-	-
Commercial Paper	574,748	A-1	-	-	-	-	-	-	-	-	574,748	-
Local Agency Investment Fund	17,020,953	N/A	-	-	-	-	-	-	-	-	-	17,020,953
Municipal Bonds	710,960	AA	-	-	-	710,960	-	-	-	-	-	-
Cash with Fiscal Agent:												
Money Market Funds	15,564,815	AAA	-	15,564,815	-	-	-	-	-	-	-	-
U.S. Treasury Notes	12,051,992	N/A	-	12,051,992	-	-	-	-	-	-	-	-
U.S. Agencies	30,687,993	N/A	-	30,687,993	-	-	-	-	-	-	-	-
Corporate Notes	1,530,855	A	-	1,530,855	-	-	-	-	-	-	-	-
Local Agency Investment Fund	51,077,840	N/A	-	-	-	-	-	-	-	-	-	51,077,840
Investment Agreements	1,180,576	N/A	-	-	-	-	-	1,180,576	-	-	-	-
	\$ 282,483,299		\$ 700,000	\$ 183,205,276	\$ 5,413,876	\$ 3,724,858	\$ 4,234,603	\$ 8,956,629	\$ 6,618,107	\$ 865,824	\$ 574,748	\$ 68,189,377

U.S. Credit Rating Downgrade\*

Subsequent to June 30, 2011, Standard & Poor's (S&P) downgraded United States Government Sponsored Agency Securities and Treasury Notes from AAA to AA+.

Concentration of Credit Risk

The investment policy of the City contains no 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>Reported Amount</u>
FFCB	Federal agency securities	\$ 17,070,093
FHLB	Federal agency securities	\$ 28,414,402
FHLMC	Federal agency securities	\$ 35,781,567
FNMA	Federal agency securities	\$ 39,063,087

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk

CITY OF NEWPORT BEACH  
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for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2011, none of the City's deposits with financial institutions in excess of federal depository amounts were held in uncollateralized accounts.

For investments identified herein as restricted cash with fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

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Notes to Basic Financial Statements  
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**(5) Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2011
Non-depreciable:				
Land and rights of way	\$ 1,819,673,113	\$ 1,158,526	\$ -	\$ 1,820,831,639
Work in progress	27,224,255	29,142,266	(1,447,730)	54,918,791
Depreciable:				
Structures	69,682,289	372,914	-	70,055,203
Equipment	28,373,975	2,953,832	(3,089,623)	28,238,184
Infrastructure	310,108,269	4,484,677	(2,492,794)	312,100,152
	<u>2,255,061,901</u>	<u>38,112,215</u>	<u>(7,030,147)</u>	<u>2,286,143,969</u>
Less accumulated depreciation for:				
Structures	(15,019,286)	(1,381,680)	-	(16,400,966)
Equipment	(20,537,936)	(2,129,979)	2,932,807	(19,735,108)
Infrastructure	(118,452,180)	(6,493,241)	1,395,415	(123,550,006)
	<u>(154,009,402)</u>	<u>(10,004,900)</u>	<u>4,328,222</u>	<u>(159,686,080)</u>
Net Capital Assets	<u>\$ 2,101,052,499</u>	<u>\$ 28,107,315</u>	<u>\$ (2,701,925)</u>	<u>\$ 2,126,457,889</u>

Governmental Activities capital assets net of accumulated depreciation at June 30, 2011 are comprised of the following:

General Capital Assets, net	\$ 2,119,520,844
Internal Service Fund Capital Assets, net	<u>6,937,045</u>
	<u>\$ 2,126,457,889</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2011
Non-depreciable:				
Land	\$ 2,016,450	\$ -	\$ -	\$ 2,016,450
Work in progress	682,687	2,400,967	(251,696)	2,831,958
Depreciable:				
Structures	205,793	482,603	-	688,396
Equipment	291,888	7,352	(111,808)	187,432
Infrastructure	158,143,395	20,316	(22,194)	158,141,517
	<u>161,340,213</u>	<u>2,911,238</u>	<u>(385,698)</u>	<u>163,865,753</u>
Less accumulated depreciation for:				
Structures	(122,465)	(5,145)	-	(127,610)
Equipment	(209,254)	(11,867)	111,808	(109,313)
Infrastructure	<u>(52,558,647)</u>	<u>(2,096,932)</u>	<u>3,208</u>	<u>(54,652,371)</u>
	(52,890,366)	(2,113,944)	115,016	(54,889,294)
Net Capital Assets	<u>\$ 108,449,847</u>	<u>797,294</u>	<u>\$ (270,682)</u>	<u>\$ 108,976,459</u>

Depreciation expense was charged in the following functions in the Statement of Activities:

	Governmental Activities*	Business-type Activities
General government	\$ 280,549	\$ -
Public safety	1,238,696	-
Public works	7,105,341	-
Community development	97,780	-
Community service	1,282,534	-
Water	-	1,547,342
Wastewater	-	566,602
	<u>\$ 10,004,900</u>	<u>\$ 2,113,944</u>

\*Internal Service Fund depreciation of \$1,820,267 is allocated to governmental functions above.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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**(6) Long-Term Debt**

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of participation payable	\$ 3,990,000	\$ 126,660,000	\$ (3,990,000)	\$ 126,660,000	\$ 1,740,000
Bond Premium	-	1,155,300	(70,323)	1,084,977	70,323
Note payable	932,934	-	(195,080)	737,854	203,859
Pre-annexation agreement	8,400,000	-	(1,200,000)	7,200,000	1,200,000
CDBG Loan	1,883,000	-	(95,000)	1,788,000	102,000
Purchase Agreement Payable	1,500,000	-	(750,000)	750,000	750,000
Workers' compensations payable	12,322,000	5,229,876	(2,931,876)	14,620,000	3,284,036
Claims and judgements payable	3,820,391	1,872,592	(1,734,852)	3,958,131	1,079,277
Compensated absences	8,995,879	2,155,738	(2,246,021)	8,905,596	1,969,425
Early Retirement Incentive Program (see note 11)	3,449,437	392,147	(960,396)	2,881,188	960,396
Net OPEB obligation	6,472,000	4,630,000	(2,618,000)	8,484,000	-
Total governmental activities	<u>51,765,641</u>	<u>142,095,653</u>	<u>(16,791,548)</u>	<u>177,069,746</u>	<u>11,359,316</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, liabilities for workers' compensation, claims and judgments, compensated absences, and net OPEB obligation are typically liquidated from the Internal Service funds through resources collected from individual funds.



CITY OF NEWPORT BEACH  
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Governmental Activities

- Certificates of Participation

In Fiscal Year 2010-11, the City issued \$20,085,000 of Series 2010A (Tax Exempt) and \$106,575,000 of Series 2010B (Federally Taxable Direct Pay Build America Bonds) Certificates of Participation. The 2010A Certificates were issued to prepay the \$3,990,000 principal outstanding on the 1998 Library Certificates of Participation. The refunding was undertaken to reduce total debt service payments over the next nine years by \$1,084,556 and resulted in a net present value savings of \$429,500. Accordingly, the 1998 Library Certificates have been defeased pursuant to the defeasance provisions of the 1998 Trust Agreement. The remaining proceeds from the Series 2010A Certificates are to be used to finance the acquisition, improvement and equipping of the Civic Center Project. The Series 2010B Certificates were issued to provide additional financing for the Civic Center Project. The proceeds of the Certificates will also be applied to pay certain costs of issuance incurred in connection with the Certificates.

The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began January 1, 2011, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2010A Certificates carry interest rates from 2.00% to 4.00%, while the 2010B Certificates interest rates range from 4.45% to 7.17%. The City has designated the Series 2010B Certificates as "Build America Bonds" (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009. Thus, the City expects to receive refundable credits from the United States Treasury equal to 35% of the interest payable on the 2010B Certificates totaling \$53,292,850. As of June 30, 2011 the City has received \$1,485,906 of BABs Subsidy from the United States Treasury. Principal payments are payable annually on July 1 of each year. Future principal payments for the Series 2010A, which commence July 1, 2011 and continue through July 1, 2019, range from \$410,000 to \$3,185,000. The future principal payments for the Series 2010B Certificates, which commence July 1, 2018 and are payable through July 1, 2040, range from \$2,900,000 to \$7,245,000. The total outstanding balance at June 30, 2011 amounted to \$126,660,000.

The annual amortization requirements of the Certificates of Participation are as follows:

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Year Ending June 30	Principal	Interest	Total
2012	1,740,000	7,911,367	9,651,367
2013	2,690,000	7,853,617	10,543,617
2014	2,775,000	7,771,642	10,546,642
2015	2,860,000	7,687,117	10,547,117
2016	2,940,000	7,585,417	10,525,417
2017-2020	12,960,000	29,062,059	42,022,059
2021-2024	12,895,000	26,551,464	39,446,464
2025-2028	15,060,000	23,000,935	38,060,935
2029-2032	18,025,000	18,326,556	36,351,556
2033-2036	21,580,000	11,613,184	33,193,184
2037-2041	33,135,000	6,154,266	39,289,266
	<u>\$ 126,660,000</u>	<u>\$ 153,517,623</u>	<u>\$ 280,177,623</u>

- Note Payable

Note payable consists of a note to the California Department of Boating and Waterways in 1987 for a loan in the amount of \$3,300,000. The note is payable in thirty annual principal and interest installments of \$237,062 at 4.5% rate of interest beginning August 1, 1987. The outstanding balance at June 30, 2011, amounted to \$737,854.

The annual amortization requirements for the Note Payable are as follows:

Year Ending June 30	Principal	Interest	Total
2012	203,859	33,203	237,062
2013	213,032	24,030	237,062
2014	222,609	14,443	237,052
2015	48,095	4,426	52,521
2016	50,259	2,262	52,521
	<u>\$ 737,854</u>	<u>\$ 78,364</u>	<u>\$ 816,218</u>

- Newport Coast Pre-Annexation Agreement Payable

In conjunction with the January 1, 2002, annexation of Newport Coast, the City entered into an agreement payable with the Newport Coast Committee for a total of \$18,000,000 to reduce property owner assessments used to finance certain road and street improvements. The principal-only agreement which began in the 2003 fiscal year, is payable over a period of fifteen years in equal installments of \$1,200,000. The outstanding balance at June 30, 2011, amounted to \$7,200,000.

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- CDBG Loan

In fiscal year 2003, the City received \$2,400,000 in Section 108 loan proceeds to assist with the funding for the Balboa Village Improvement Program. The loan is collateralized by future Community Development Block Grant allocations with an average interest rate of 6.5%. Future principal payments range from \$102,000 to \$208,000 through June 30, 2023. The outstanding balance at June 30, 2011, amounted to \$1,788,000.

The annual amortization requirements for the CDBG Loan are as follows:

Year Ending June 30	Principal	Interest	Total
2012	102,000	99,653	201,653
2013	108,000	94,485	202,485
2014	116,000	88,722	204,722
2015	123,000	82,315	205,315
2016	132,000	75,306	207,306
2017-2020	622,000	217,815	839,815
2021-2023	585,000	55,039	640,039
	<u>\$ 1,788,000</u>	<u>\$ 713,335</u>	<u>\$ 2,501,335</u>

- Purchase Agreement Payable

In Fiscal Year 2010, the City entered into an agreement with a private property owner for the purchase of two adjacent parcels of land located at 608 East Balboa Boulevard and 209 Washington Street. The purchase price was \$3.5 million. The City paid \$2 million by the close of escrow with the remaining \$1.5 million to be paid in two annual installments with a 2% interest. The outstanding balance at June 30, 2011, amounted to \$750,000. The annual amortization requirements for the Purchase Agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2012	750,000	30,000	780,000
	<u>\$ 750,000</u>	<u>\$ 30,000</u>	<u>\$ 780,000</u>

- Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in note (8). These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through

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June 30, 2011, is dependent on future developments, based upon information from the City's attorneys, the City's claims administrators and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The estimated liability at June 30, 2011, for general liability amounted to \$3,958,131 and for workers' compensation was \$14,620,000.

- **Compensated Absences**

The City's policies relating to compensated absences are described in Note (1). This liability, to be paid in future years from available and future resources, at June 30, 2011, is \$8,905,596.

- **Early Retirement Incentive Program (ERIP)**

In Fiscal year 2009-10, the City approved and implemented an Early Retirement Incentive Program (ERIP) to 166 eligible employees to help mitigate declining General Fund revenues and institute long-term structural changes to avert future budget shortfalls. A total of 51 people participated and the estimated liability at June 30, 2011 is \$2,881,188. See Note (11) in the notes to financial statements.

- **Net OPEB Obligation (NOO)**

The net OPEB obligation is the difference between the ARC and the actual contributions made. The City has elected to fund the cash subsidy portion \$2,128,000 of the ARC. As for the implied subsidy \$6,472,000, the City has elected to fund it on a pay-as-you-go basis, thus resulting in net OPEB obligation of \$8,484,000. See Note (12) in the notes to financial statements.

**(7) Limited Obligation Bonds**

**Special Assessment Districts Bonds**

The City has issued certain Assessment District and Community Facilities District Bonds. Although the City collects and disburses funds for these districts, the City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds, and therefore the bonded indebtedness is not shown in the financial statements of the City. The City holds reserve funds on behalf of bondholders; the assets are recorded in the Special Assessment Agency Fund. Bonds outstanding at June 30, 2011, for each district under the Bond Acts of 1911 and 1915, and other special assessments, are as follows:

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<u>Assessment District</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2011</u>
No. 68 Newport Shores	3,813,562	2,380,000
No. 69 West Newport	4,978,498	3,060,000
No. 70 Bay Shores	1,380,996	770,000
No. 74 Island Avenue	222,629	100,000
No. 75 Balboa Business	821,204	520,000
No. 78 Little Balboa Island	1,348,196	270,000
No. 79 Beacon Bay	1,215,134	90,000
No. 82 Corona del Mar	274,967	100,000
No. 86 Balboa Peninsula	300,174	145,000
No. 92 Coast Highway	1,425,000	1,305,000
No. 99-2 Ocean Front	1,953,952	1,835,000
No. 100 13 <sup>th</sup> /Balboa/Adams	2,670,000	2,670,000
No. 101 Central Balboa	2,467,597	2,165,000
No. 103 Peninsula Point	3,295,700	3,050,000
No. 95-1 CIOSA Refunding Series A	15,495,000	6,140,000

Other Limited Obligation Bonds

The City has issued revenue bonds for the purpose of advancing the net proceeds of the bonds to Hoag Memorial Hospital Presbyterian for the purposes of financing the acquisition, construction and equipping of health facilities located within the City.

The bonds are limited obligations of the City payable from payments required to be made by Hoag Memorial Hospital. The City is not obligated to pay the principal or interest of the bonds except from payments made by Hoag, and neither the faith and credit nor the taxing power of the City is pledged to the payment of the principal and interest on the bonds. Therefore the bonded indebtedness is not shown in the financial statements

Bonds outstanding at June 30, 2011, are as follows:

Series 2008C	\$70,095,000
Series 2008D	\$80,000,000
Series 2008E	\$80,000,000
Series 2008F	\$90,000,000
Series 2009A	\$66,835,000
Series 2009D	\$35,490,000
Series 2009E	\$35,490,000
Series 2011A	\$105,390,000

The revenue bonds are subject to, at the option of Hoag Memorial Hospital Presbyterian, optional and mandatory tender for purchase. If no tender or purchase is made, varying redemption payments on the 2008 Series bonds commence on December 1, 2012, and

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are required to be made through December 1, 2028. For the 2009 Series bonds, varying redemption payments commence on December 1, 2014, and are required to be made through December 1, 2038. For the 2011 Series bonds, varying redemption payments begin on December 1, 2012 and are required to be made through December 1, 2040.

**(8) Risk Management – General Liability and Workers' Compensation**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance with independent third parties for loss risks associated with real and personal property, and automotive liability. The City purchases fidelity bonds for employees in key positions. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. For general liability, the City has excess insurance coverage of \$50 million per occurrence with a self-insured retention (SIR) of \$500,000 per occurrence.

For workers' compensation and employer's liability insurance, the City has excess insurance coverage of \$1,000,000 per occurrence with a \$1,000,000 SIR. This coverage provides for work-related accidents and diseases.

The Insurance Reserve fund was established to account for costs associated with general liability and workers' compensation. The Insurance Reserve fund is accounted for as an internal service fund where assets are set aside for risk management, administration, claim settlements and benefit distribution. A premium is charged to each fund that accounts for part-time or full-time employees. The total charge allocated to each of the funds is calculated using trends in actual experience after considering unexpected and unusual claims.

Fund Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The total liability claims payable include \$18,578,131 which represents the discounted present value at June 30, 2011; the claims were discounted using an interest rate of five percent.

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	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>
Unpaid claims, beginning of fiscal year	\$ 5,897,737	\$ 3,820,391	\$ 11,893,000	\$ 12,322,000
Incurred claims (including IBNR)	201,308	1,872,592	3,530,130	5,229,876
Claim payments	<u>(2,278,654)</u>	<u>(1,734,852)</u>	<u>(3,101,130)</u>	<u>(2,931,876)</u>
Unpaid claims, end of fiscal year	<u>\$ 3,820,391</u>	<u>\$ 3,958,131</u>	<u>\$ 12,322,000</u>	<u>\$ 14,620,000</u>

For the past three years, no payment on any claim or judgment has exceeded the amount of applicable insurance.

**(9) Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years.

Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries. Therefore, all employee assets held in Section 457 plans are not the property of the City and are not subject to the claims of the City's general creditors. The assets under the plan, which are not included in the accompanying financial statements, totaled \$71,814,801 at June 30, 2011.

**(10) Pension Plans**

Plan Description - Defined Benefit Plan

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contribution required of City safety employees on their behalf and for their account. In December 2010, non-safety employees, except those in Police and Fire Associations, agreed to contribute 5.58% of the required 8% of annual salary for the participant contribution and 2.42% of the City's employer contribution which is discussed below. The 5.58% participant contribution was phased in

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over a one-year period. Benefit provisions and all other requirements are established by State statutes and City contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2010 to June 30, 2011, has been determined by an actuarial valuation of the plan as of June 30, 2008. The contribution rate indicated for the period is 8.406% for non-safety employees and 30.202% for safety employees of annual covered payroll. Without the cost sharing agreement with non-safety employees, the contribution rate would be 10.826% for non-safety employees. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2010 to June 30, 2011.

Annual Pension Cost

For 2011, the City's annual pension cost of \$16,829,589 for PERS was equal to the City's required and actual contributions. A summary of principle assumptions and methods used to determine the annual required contribution is shown below:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
<i>Valuation Date</i>	June 30, 2008	June 30, 2008
<i>Actuarial Cost Method</i>	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
<i>Amortization Method</i>	Level Percent of Payroll	Level Percent of Payroll
<i>Average Remaining Period</i>	25 Years as of the Valuation Date	30 Years as of the Valuation Date
<i>Asset Valuation Method</i>	15-Year Smoothed Market	15-Year Smoothed Market
<i>Actuarial Assumptions:</i>		
<i>Investment Rate of Return</i>	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
<i>Projected Salary Increases</i>	3.25% to 14.45% depending on age, service, and type of employment	3.25% to 13.15% depending on age, service, and type of employment
<i>Inflation Rate</i>	3.00%	3.00%
<i>Payroll Growth</i>	3.25%	3.25%
<i>Individual Salary Growth</i>	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%



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Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

THREE-YEAR TREND INFORMATION FOR PERS (\$ Amount in Thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09			
Misc.	\$6,835	100%	\$0
Safety	\$11,570	100%	\$0
Total	<u>\$18,405</u>	<u>100%</u>	<u>\$0</u>
6/30/10			
Misc.	\$6,334	100%	\$0
Safety	\$11,488	100%	\$0
Total	<u>\$17,822</u>	<u>100%</u>	<u>\$0</u>
6/30/11			
Misc.	\$6,074	100%	\$0
Safety	\$10,756	100%	\$0
Total	<u>\$16,830</u>	<u>100%</u>	<u>\$0</u>

The Schedule of Funding Progress, below, shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The Schedule of Funding Progress, below, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing overtime, relative to the actuarial accrued liability for benefits.

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SCHEDULE OF FUNDING PROGRESS FOR PERS (\$ Amount in Thousands)

Valuation Date	Entry Age Normal Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Liability (Excess Assets) (A - B)	Funded Status		Annual Covered Payroll (C)	UAAL as a % of Payroll [(A-B) / C]
				AVA (B/A)	Market Value		
06/30/2008							
Misc.	\$ 217,378	\$ 195,954	\$ 21,424	90.1%	91.9%	\$ 41,148	52.066%
Safety	336,061	264,634	71,427	78.7%	81.0%	28,056	254.587%
Total	<u>\$ 553,439</u>	<u>\$ 460,588</u>	<u>\$ 92,851</u>	<u>83.2%</u>	<u>85.3%</u>	<u>\$ 69,204</u>	<u>134.170%</u>
06/30/2009							
Misc.	\$ 249,666	\$ 207,818	\$ 41,848	83.2%	61.1%	\$ 42,893	97.564%
Safety	366,918	274,649	92,269	74.9%	54.8%	30,253	304.991%
Total	<u>\$ 616,584</u>	<u>\$ 482,467</u>	<u>\$ 134,117</u>	<u>78.2%</u>	<u>57.4%</u>	<u>\$ 73,146</u>	<u>183.355%</u>
06/30/2010							
Misc.	\$ 269,463	\$ 218,258	\$ 51,205	81.0%	63.8%	\$ 40,588	126.158%
Safety	382,338	284,617	97,721	74.4%	58.4%	29,753	328.441%
Total	<u>\$ 651,801</u>	<u>\$ 502,875</u>	<u>\$ 148,926</u>	<u>77.2%</u>	<u>60.6%</u>	<u>\$ 70,341</u>	<u>211.720%</u>

More current information regarding actuarial data is not yet available from PERS.

Plan Description - Defined Contribution Plan

Pursuant to City Council Resolution No. 91-106, the City entered into a defined contribution plan administrated by the private administrator known as Public Agency Retirement System ("PARS") for all of its part-time employees, pursuant to the requirements of Section 11332 of the Social Security Act. The City Council has the authority for establishing and amending the plan's provisions per the Resolution. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2011, the City's covered payroll for employees participating in the plan was \$2,719,120. Employees made contributions of \$101,967 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$1,856,446 at June 30, 2011.

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**(11) Early Retirement Incentive Program (ERIP)**

In October, 2009, the City Council approved Resolution 2009-73 authorizing an Early Retirement Incentive Program (ERIP) to eligible employees, under the condition the program would meet the immediate and future fiscal, managerial and operational goals of the City to help mitigate declining General Fund revenues and institute long-term structural changes to avert future budget shortfalls and ensure that the City remains financially sound. There were 166 employees who met the following eligibility requirements:

- Full-time, miscellaneous (non- safety) employee
- 50 years of age or older as of January 31, 2010
- Eligible to retire from PERS with at least five years of service
- Have at least three years of service with the City as of January 31, 2010
- Would actually retire from the PERS system
- Not the City Manager, City Clerk, or the City Attorney

A total of 51 people participated and were approved by the Council for the Early Retirement Incentive Program through the Public Agency Retirement Systems (“PARS”) Supplemental Retirement Program (“SRP”). The Supplemental Retirement Plan offered through PARS allowed the City to set the payment, eligibility, and refilling based on the City’s needs, as well as allowing the expense to be known and quantifiable. The benefit to the participating employee is paid via a 15-year annuity of 7% of Final Pay up to \$75,000 and 6% of amount of Final Pay over \$75,000, and it complements and is in addition to an employee’s CalPERS retirement benefit. The City is funding the cost of this annuity in annual installments over a five year period.

The total estimated cost to fund the ERIP benefit approximates \$950,000 for the first five years. After considering the costs of implementing the ERIP plan and the estimated reduction to the City payroll, the net savings are expected to reach nearly \$3.1 million annually. In accordance with GASB 47, a liability for the recognition of the accrued cost for this benefit has been recognized in the Compensated Absence, Internal Service Fund. This cost excludes a consideration of discounting the cash flows associated with the five year funding of the program due to the immateriality of such consideration. The outstanding obligation at June 30, 2011 was \$2,881,188.

**(12) Post Employment Health Care Benefits (OPEB)**

The following description of the City of Newport Beach Medical Expense Reimbursement Plan (the “Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

**Plan Description**

Effective January 2006, the City and employee associations agreed to major changes in the Post Employment Healthcare Plan. All employees and eligible retirees will participate

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in a Health Reimbursement Arrangement (“HRA”) sponsored by the City, the single employer of the plan and held in trust and managed by ING (Trustee), under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

All employees hired after January 1, 2006, and certain employees hired prior to this date, as well as employees who elected to fully convert (Fully Converted) to a defined contribution formula, participate in a program that requires mandatory employee and employer contributions. However, once these contributions have been made to the employee’s account, the City has no further funding obligation to the Plan on their behalf.

Certain employees hired prior to January 1, 2006, had the option to retain a hybrid of the former defined benefit Plan, or to fully convert to the new Plan. Employees electing to retain a hybrid of the former defined benefit formula (Hybrid) participate in a program requiring mandatory defined contributions by employees and employer, as well as a defined benefit consisting of an ongoing contribution, from the City to the participant’s HRA account, each month after retirement. Additionally, these employees are eligible to receive health care benefits under the City’s group health care plans. However, in order to receive these benefits these employees are required to pay the City \$100 per month, up until their retirement, to offset the unfunded portion of post employment health benefits existing at the inception of the Plan.

Employees who retired prior to January 1, 2006, continue to receive an ongoing defined benefit consisting of a contribution made by the City to the participant’s HRA account each month. The defined benefit portion of the plan is closed to new participants.

Total participants involved in the plan were 1,209 as of June 30, 2011, consisting of 472 miscellaneous employees, 254 safety employees, and 483 retirees and their beneficiaries. Copies of PERS’ annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

**Benefits Provided**

The City provides post-employment medical, dental and vision benefits to its retirees, the same benefits as those afforded to active employees, with the general exception that once a retiree becomes eligible for Medicare (that is, reaches age 65), he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payor. Employees become eligible to retire and receive City-paid healthcare benefits upon attaining age 50 (safety) or age 55 (miscellaneous) and 5 years of covered PERS service or upon disability before age 50. The payment of benefits, for the purpose of reimbursing eligible health care expenses, cease upon the earliest of the following: (1) the date of the participant’s, their spouse’s, or qualified dependant’s death; (2) the date the balance of any fully converted participant account reaches zero, if no further contributions will be made to said account; or (3) the date of termination of the Plan.

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**Plan Contributions**

Contributions to the Plan are based on the participant's status as "Fully Converted" or "Hybrid" as described above. All employees contribute 1% of their annual salary. Fully Converted employees also receive a contribution from the City of \$2.50 per month for each year of service and age, after five years of employment. Additionally, Fully Converted employees who previously participated in the defined benefit program receive a one-time contribution from the City upon retirement. This contribution consists of \$100 per month for every month paid into the defined benefit program, up to a maximum of 180 months. Further, the City contributes a percentage of any flexible leave bank conversions. The percentage contributed to the HRA account is based on the bargaining unit each employee is associated with.

Hybrid employees receive a one-time contribution of \$75 per month for every month paid into the defined benefit program, up to a maximum of 180 months. For Hybrid employees, the City also contributes a percentage of any flexible leave bank conversions. The percentage contributed to the HRA account is based on the bargaining unit each employee is associated with. Upon retirement, Hybrid employees receive a defined benefit consisting of a monthly contribution, made by the City, to the participant's HRA account of approximately \$400.

Employees who retired prior to January 1, 2006, continue to receive a defined benefit consisting of a monthly contribution, made by the City, to the participant's HRA account each month of approximately \$400 (approximately \$425 for certain retired Police employees). The defined benefit component of the plan is closed to new participants; however, an actuarial valuation is utilized to determine the accrued liability and funding requirements associated with this component of the plan.

**Actuarial Valuation, Assumptions and Methods**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of

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short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

Valuation Date:	June 30, 2008
Actuarial Cost Method:	Entry Age Normal Cost Method (same as CalPERS)
Amortization Method:	Level percent of payroll over fixed 20 years
Amortization Period:	Level contribution amount over fixed 20 years
Projected Salary Increases:	3.25% per year
Discount Rate:	7.75 % for cash subsidy, pre-funding through CalPERS OPEB Trust  5% for implied subsidy, no pre-funding, benefits paid from the City's General fund

Health Care Cost Trend Rate: 9.3% grading down to 4.5%

**Implied Subsidy**

Because one of the two health plans offered by the City is a non-community-rated plan and retirees are offered the same premium rates as active employees, GASB 45 requires that an implied subsidy (the difference between expected claims and premiums paid for retirees) be valued for the life of the retiree and accrued as a cost of the retiree health care plan. The City has elected to fund the implied subsidy on a pay-as-you-go basis since employer contributions to active and retiree medical plans are fixed, and significant uncertainty exists whether additional cash flows will occur in the future as a result of the implied subsidy.

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**Three-Year Annual Required Contribution (ARC) Trend**

The 2010-11 Annual Required Contribution (ARC) includes the Normal Cost plus a 20-year amortization of the Unfunded AAL (in 000's):

Fiscal Year	Beginning Balance	ARC <sup>1</sup>	AOC	Actual Contribution	Current Year OPEB Obligation	Percentage Contributed	Annual Covered Payroll	ARC As a % of Payroll	Ending Balance
2008/09									
Cash Subsidy	\$ -	\$ 2,720	\$ 2,720	\$ 2,720	\$ -	100%	\$ 56,527	4.8%	\$ -
Implied Subsidy	2,221	2,734	2,703	516	2,187	18.9%	56,527	4.8%	4,408
Net OPEB Obligation	<u>\$ 2,221</u>	<u>\$ 5,454</u>	<u>\$ 5,423</u>	<u>\$ 3,236</u>	<u>\$ 2,187</u>	<u>59.3%</u>	<u>\$ 56,527</u>	<u>9.6%</u>	<u>\$ 4,408</u>
2009/10									
Cash Subsidy	\$ -	\$ 2,016	\$ 2,016	\$ 2,016	\$ -	100%	\$ 73,308	2.8%	\$ -
Implied Subsidy	4,408	2,603	2,477	413	2,064	15.9%	73,308	3.6%	6,472
Net OPEB Obligation	<u>\$ 4,408</u>	<u>\$ 4,619</u>	<u>\$ 4,493</u>	<u>\$ 2,429</u>	<u>\$ 2,064</u>	<u>52.6%</u>	<u>\$ 73,308</u>	<u>6.3%</u>	<u>\$ 6,472</u>
2010-11									
Cash Subsidy	\$ -	\$ 2,128	\$ 2,128	\$ 2,128	\$ -	100%	\$ 75,691	2.8%	\$ -
Implied Subsidy	6,472	2,686	2,502	490	2,012	18.2%	75,691	3.5%	8,484
Net OPEB Obligation	<u>\$ 6,472</u>	<u>\$ 4,814</u>	<u>\$ 4,630</u>	<u>\$ 2,618</u>	<u>\$ 2,012</u>	<u>54.4%</u>	<u>\$ 75,691</u>	<u>6.4%</u>	<u>\$ 8,484</u>

<sup>1</sup> AOC is equal to the ARC adjusted for interest and amortization of the NOO.

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**Three-Year Net OPEB Obligation (NOO) Trend**

The NOO is the historical difference between the ARC and actual contributions. If the City always contributes the entire ARC, then the NOO would equal zero. Benefit payments are considered contributions. Contributions in excess of benefit payments must be segregated in a trust for the sole purpose of paying Plan benefits in order to be considered Plan Assets for the purpose of GASB 45.

The June 30, 2011, NOO is determined as follows (in 000's):

Fiscal Year	July 1, NOO	AOC	Prefunding Contributions & Benefit Payments	June 30, NOO
2008/09				
Cash Subsidy	\$ -	\$ 2,720	\$ (2,720)	\$ -
Implied Subsidy	2,221	2,703	(516) <sup>1</sup>	4,408
Total	<u>\$ 2,221</u>	<u>\$ 5,423</u>	<u>\$ (3,236)</u>	<u>\$ 4,408</u>
2009/10				
Cash Subsidy	\$ -	\$ 2,016	\$ (2,016)	\$ -
Implied Subsidy	4,408	2,477	(413) <sup>2</sup>	6,472
Total	<u>\$ 4,408</u>	<u>\$ 4,493</u>	<u>\$ (2,429)</u>	<u>\$ 6,472</u>
2010/11				
Cash Subsidy	\$ -	\$ 2,128	\$ (2,128)	\$ -
Implied Subsidy	6,472	2,502	(490) <sup>3</sup>	8,484
Total	<u>\$ 6,472</u>	<u>\$ 4,630</u>	<u>\$ (2,618)</u>	<u>\$ 8,484</u>

1 - 2008-2009 estimated implied subsidy

2 - 2009-2010 estimated implied subsidy

3 - 2010-2011 estimated implied subsidy



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**Annual OPEB Cost (AOC)**

The AOC is equal to the ARC, except when the City has a Net OPEB Obligation (NOO) at the beginning of the year. In that case, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The 2010-11 AOC is determined as follows (in 000's):

	ARC	Interest on NOO	Amortization of NOO	Total AOC	AOC as % of Payroll
Cash Subsidy	\$ 2,128			\$ 2,128	2.8%
Implied Subsidy	2,686	324	(508)	2,502	3.3%
Total	<u>\$ 4,814</u>	<u>\$ 324</u>	<u>\$ (508)</u>	<u>\$ 4,630</u>	<u>6.1%</u>

**Two-Year Funding Status Trend**

The schedule below shows the actuarial accrued liability (AAL), actuarial value of assets, funded status, and the relationship of the unfunded actuarial accrued liability (UAAL) to payroll as of the most recent valuation date.

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
06/30/2006						
Cash Subsidy	\$29,639	\$ -	\$29,639	0.0%	\$54,748	54.1%
Implied Subsidy	26,409	-	26,409	0.0%	\$54,748	48.2%
Total	<u>\$56,048</u>	<u>\$ -</u>	<u>\$56,048</u>	<u>0.0%</u>	<u>\$54,748</u>	<u>102.4%</u>
06/30/2008						
Cash Subsidy	\$28,842	\$ 8,785	\$20,057	30.5%	\$56,527	35.5%
Implied Subsidy	20,173	-	20,173	0.0%	\$56,527	35.7%
Total	<u>\$49,015</u>	<u>\$8,785</u>	<u>\$40,230</u>	<u>0.0%</u>	<u>\$56,527</u>	<u>71.2%</u>

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**(13) Interfund Receivables and Payables**

At June 30, 2011, interfund receivables and payable were as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 9,340,106	\$ -
Facilities Financing Plan	5,481,813	-
Civic Center COP	-	5,481,813
Internal Service Funds	-	1,421,498
Nonmajor Funds	-	2,965,678
City Hall Improvements (Major fund)	-	4,952,930
Total	<u>\$14,821,919</u>	<u>\$14,821,919</u>

The above balances are primarily due to reclassification of negative cash balance in the city wide cash pool.

**(14) Interfund Transfers**

Interfund transfers at June 30, 2011, consisted of the following:

		<u>Transfers In</u>						
		<u>General Fund</u>	<u>Tide and Submerged Land</u>	<u>Facilities Replacement</u>	<u>Civic Center COP</u>	<u>Internal Service Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Transfers Out	General Fund	\$ -	\$ 17,435,299	\$31,300,000	\$ -	\$ -	32,397	\$ 48,767,696
	Facilities Replacement	-	-	-	682,754	-	5,266,983	\$ 5,949,737
	City Hall Improvements	-	-	-	3,525,858	-	-	\$ 3,525,858
	Internal Service Fund	-	-	-	-	1,298,405	-	1,298,405
	Non-Major Funds	331,088	-	-	-	-	189,241	520,329
Total		<u>\$ 331,088</u>	<u>\$ 17,435,299</u>	<u>\$31,300,000</u>	<u>\$ 4,208,612</u>	<u>\$ 1,298,405</u>	<u>\$ 5,488,621</u>	<u>\$ 60,062,025</u>

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred \$17,435,299 to subsidize for the maintenance and operation of the Tide and Submerged Land Fund and \$31,300,000 to the Facilities Replacement Fund to cash fund construction projects for general fund supported facilities. The facilities

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replacement fund transferred \$682,754 for the debt service payment related to the Civic Center COPs, and transferred \$5,266,983 to cash fund construction of the Oasis Senior Center. The City Hall Improvement fund transferred \$3,525,858 of Civic Center COP bond proceeds to defease the 1998 Library COPs. As required by the pre-annexation agreement, interest accrued in the amount of \$117,601 in the Newport Coast Annexation fund, is due to and was subsequently transferred to the General Fund.

**(15) Joint Venture Agreements**

Bonita Canyon Public Facilities Financing Authority

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint venture formed by the City of Newport Beach, Irvine Unified School District, and Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within their boundaries. The Authority issued \$45,000,000 of special tax bonds that will be repaid by special assessments; the City is not obligated in any manner to repay the bonds. The Authority paid the City \$30,577,712 (81.7%) to pay for the costs of acquiring and constructing public facilities including parks and road improvements. At June 30, 2011, the contributions from property owners are held in trust as cash with fiscal agent totaling \$67,497. The City does not make any annual contributions to this joint venture. The City does not include the Authority as a component unit, as the City is not financially accountable for the Authority's activities and the Authority is not fiscally dependent on the City. The City's equity interest in this joint venture is not readily determinable. Complete separate financial statements can be obtained at the Newport Mesa Unified School District, 2985 Bear Street, Suite 8M, Costa Mesa, California.

Air Borne Law Enforcement

The City is a participant in a joint venture agreement with the City of Costa Mesa for the operation of the Air Borne Law Enforcement program (ABLE). The oversight Board consists of the Chiefs of Police of Costa Mesa and Newport Beach and one appointee for each Member Agency for a total of four Board Members. The cities have a 50% interest in the venture, with each city having provided an initial investment of two helicopters and related equipment. The City of Newport Beach's cost of participating in the ABLE program is recorded in the General Fund, which provides for the maintenance and operation of the program as well as replacement of capital equipment used in the operation of the program. Annually, the amounts paid by the City to this joint venture are approximately \$1,000,000. Operation costs are offset by fees collected from surrounding cities that may subscribe to regular patrol or request assistance on an as-needed basis. Shared equally between the cities of Newport Beach and Costa Mesa, the City's share of net income from subscribers and other cities amounts to \$240,141 for fiscal year 2010-11. The City's 50% interest in the net equity of this joint venture at June 30, 2011, amounts to \$2,386,629. Complete separate financial statements can be obtained at the City of Costa Mesa at 77 Fair Drive, Costa Mesa, California.

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Metro Cities Fire Authority

The City of Newport Beach is a member of a joint venture agreement with the cities of Anaheim, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, and Orange for the operation of a communication network to provide fire suppression, emergency medical assistance, and rescue services. The oversight board consists of one voting member and one alternate appointed by the governing body of each member agency. The City of Newport Beach's costs are based each fiscal year upon the number of recorded incidents attributable to the City divided by the recorded incidents attributable to all members during the year and, are recorded in the General Fund as an expenditure for service. Upon termination of the agreement, the proceeds from the sale of the property and assets of the joint venture will be paid to each member agency pursuant to their fair share percentage. Annually, the amounts paid by the City to this joint venture are approximately \$483,203. The City's 10.57% interest in the net equity of this joint venture at June 30, 2011, amounts to \$141,404. Complete separate financial statements can be obtained at the Metro Cities Fire Authority offices at 201 S. Anaheim Boulevard, Suite 302, Anaheim, California.

Integrated Law and Justice Agency of Orange County

The City is a participant in a joint venture agreement with the several other public agencies of Orange County for the operation of the Integrated Law and Justice Agency of Orange County (ILJAOC). The Integrated Law and Justice Agency of Orange County went into effect fiscal year 2007. The ILJAOC consists of 23 member agencies with an oversight board consisting of 12 members from the participating member agencies. The City acts as a treasurer for the ILJAOC and as such the activities of the ILJAOC are recorded in an Agency Fund. Annually, each member agency pays a percentage of the operating and replacement costs for the ILJAOC. The City's annual contribution and interest in the net equity of this joint venture at June 30, 2011, was immaterial. Complete separate financial statements can be obtained at the City of Newport Beach, 3300 Newport Boulevard, Newport Beach, California.

**(16) Commitments and Contingencies**

Claims and Judgments

Numerous claims and suits have been filed against the City in the normal course of business. The estimated liability under such claims, based upon information received from the City Attorney, contracted attorneys and the Risk Manager, has been estimated and recorded as accrued claims and judgments payable (See Note 6).

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

Circulation Improvement and Open Space Agreement

The City entered into a Circulation Improvement and Open Space Agreement (CIOSA) with a developer whereby the City received a loan of \$14,395,572 to be used only for certain transportation and circulation improvements. The City agreed to match the contribution (without interest) by pledging 50% of future Fair Share Fees (developer impact fees) which are recorded in the Circulation and Transportation Special Revenue Fund. During the year ended June 30, 2011, the City received \$378,481 of Fair Share Fees, and \$189,241 was paid to the CIOSA Construction capital projects fund. Through June 30, 2011, \$4,347,649 of Fair Share Fees has been paid. No additional liability has been recorded, because any future repayment is uncertain; any amounts not contributed by February 20, 2016, will be forgiven.

Newport Coast Pre-Annexation Agreement

In Fiscal Year 2001-02, the City entered into a Pre-Annexation Agreement with the Newport Coast Committee that stipulated certain terms and conditions for the annexation of property collectively known as Newport Coast.

In conjunction with the annexation, the City also agreed to sell the water service rights for the annexed area to Irvine Ranch Water District for \$25.0 million.

Among other basic provisions, the Pre-Annexation Agreement stipulates specific requirements for the use of proceeds from the sale of the water rights to Irvine Ranch Water District. The City has entered into an agreement to reimburse Newport Coast residents \$18.0 million of the \$25.0 million for certain public road and street improvements previously financed by property owner assessments. The assessment debt relief will be provided to Newport Coast residents in equal installments of \$1.2 million over 15 years. The remaining \$7.0 million was used in locating, planning, and constructing a Community Center within the annexed area. The outstanding Assessment debt relief balance at June 30, 2011 was \$7.2 million.

Operating Agreements

The City of Newport Beach first entered into an agreement with Visit Newport Beach Inc. (VNB), a legally separate non-profit marketing organization, in 1987. The primary responsibility of the VNB is to attract additional visitor business by promoting the City as the premier tourist and business destination in Orange County. The VNB is governed by an Executive Committee comprised of seven individuals not appointed by the City Council of the City of Newport Beach. The current agreement was entered into on May 12, 2004 and subsequently amended on March 10, 2009 extending the agreement through June 30, 2014. The City pays VNB 18% of the Total Transient Occupancy Tax collected during the fiscal year. For the Fiscal Year ending June 30, 2011, the City paid VNB \$2,879,421.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

Contractual commitments

Construction and contractual commitments for major construction projects are as follows:

	<u>Total Project Budget</u>	<u>Project To Date Expenditures</u>	<u>Unexpended Commitments</u>
Civic Center	\$120,751,876	\$22,499,977	\$98,046,123
Jamboree Road Widening over SR-73	\$5,667,065	\$1,720,354	\$3,730,070
OASIS Senior Center	\$4,354,247	\$3,313,467	\$801,718
Rhine Channel Dredging	\$4,512,964	\$33,044	\$592,402
Lido Isle Street Rehabilitation	\$747,370	\$183,021	\$470,420

**(17) Fund Balance**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement was effective, and implemented by the City, for fiscal year ending June 30, 2011.

Governmental Fund Balance under Statement No. 54, at June 30, 2011, is classified as follows:

	Governmental Fund Balance					Non-Major Governmental Funds			Totals
	General	Tide and Submerged Land	Facilities Replacement	City Hall Improvements	Civic Center COP	Special Revenue Funds	Capital Project Funds	Permanent Funds	
Nonspendable:									
Prepaid items	328,851	-	-	1,082,795	-	185,658	-	-	1,597,304
Inventories	231,641	-	-	-	-	-	-	-	231,641
Long-Term Loan Receivable	471,250	-	-	-	-	-	-	-	471,250
Permanent Endowment	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:									
Affordable housing	1,546,573	-	-	-	-	-	-	-	1,546,573
Hoag	134,760	-	-	-	-	-	-	-	134,760
Upper Newport Bay Restoration	-	139,134	-	-	-	-	-	-	139,134
Other	-	-	-	-	1,488,670	27,731,091	5,683,674	1,403,273	36,306,708
Committed:									
Contingency Reserve	21,841,467	-	-	-	-	-	-	-	21,841,467
Other	5,778,435	360,000	25,625,644	89,140,221	-	-	797,479	-	121,701,779
Assigned:	11,865,835	5,390,264	-	-	-	-	243,294	-	17,499,393
Unassigned:	20,570,033	-	-	-	-	(41,749)	(2,946,353)	-	17,581,931
Total fund balances	62,768,845	5,889,398	25,625,644	90,223,016	1,488,670	27,875,000	3,778,094	6,033,054	223,681,721

As discussed in Note 14, Interfund Transfers, the City elected to transfer \$31.3 million out of General Fund Committed Fund Balance into a separately identifiable fund titled "Facilities Replacement Fund" during the fiscal year. The intent of this transfer was to better separate and identify the City Council's intent for this Committed Fund Balance for the readers and stakeholders of these financial statements. While Council has committed

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2011

these monies for future replacement or financing of the City's buildings and infrastructure, Council may elect in the future to re-allocate these funds for any other General Fund benefit. When compared to previous fiscal years, the General Fund Balances should be looked at in combination with the Facilities Replacement Fund Balances to ensure consistency.

**(18) Subsequent Event**

Dissolution of the Airborne Law Enforcement (ABLE) Program

Effective July 1, 2011, the City of Newport Beach and the City of Costa Mesa jointly agreed to the dissolution of ABLE, terminating the Joint Power Agreement, selling off the helicopters, parts, vehicles and tools.

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# FINANCIAL SECTION

FINANCIAL SECTION

SUPPLEMENTARY  
INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

## NON-MAJOR GOVERNMENTAL FUNDS

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### Non-major Special Revenue Funds

**Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. The City of Newport Beach Special Revenue Funds are as follows:**

The ***State Gas Tax Fund*** accounts for all State Gas Tax related revenues and expenditures, including street repair, construction, and maintenance. State law requires that these funds be used exclusively for maintenance of the street and highway system.

The ***Asset Forfeiture Fund*** was established to account for all revenues resulting from the seizure of assets in conjunction with criminal cases (primarily drug trafficking). It is the City's policy that all such funds shall be used for enhancement of law enforcement programs.

The ***Office of the Traffic Safety DUI Grant Fund (OTS)*** is used to account for federal funding of the Selective Traffic Enforcement Program (STEP). These funds are used exclusively for DUI enforcement.

The ***Justice Assistance Grant Fund (JAG)*** is used to account for federal support of law enforcement activities.

The ***Circulation and Transportation Fund*** is used to account for fair share revenues collected from developers and restricted for capital improvement projects meeting the circulation element of the City's General Plan.

The ***Building Excise Tax Fund*** is used to account for revenues received from builders or developers on building or remodeling projects within the City. Expenditures from this fund are used exclusively for public safety, libraries, parks, beaches, or recreational activities.

The ***Combined Transportation Fund*** is used to account for the revenues and expenditures of funds received from the Orange County Combined Transportation Funding Program. Expenditures from this fund are used exclusively for transportation related purposes.

The ***Community Development Block Grant Fund*** is used to account for revenues and expenditures relating to the City's Community Development Block Grant program. These funds are received from the Federal Department of Housing and Urban Development and must be expended exclusively on programs for low or moderate income individuals/families.

The ***Air Quality Management District Fund*** is used to account for revenues received from the South Coast Air Quality Management District restricted for the use of reducing air pollution.

The ***Environmental Liability Fund*** is used to account for solid waste fees restricted for mitigation of future environmental liability relating to the handling of solid waste.

The ***Supplemental Law Enforcement Services Fund (SLESF)*** is used to account for revenues received from the county to be used exclusively for front line law enforcement services.

The ***Traffic Congestion Relief Fund*** is used to account for all revenues received from the State Treasury related to Assembly Bill 2928. State law requires that these funds be used exclusively for maintenance or reconstruction costs on public streets and roads.

The **Newport Coast Annexation Fund** is used to account for revenues and expenditures related to the Newport Coast Annexation Agreement.

The **Prop 1 B Fund** is used to account for all revenues and expenditures related to the Prop 1 B fund. State law requires that these funds be used exclusively for all transportation related projects, including state highway safety and rehabilitation projects, local street and road improvements, congestion relief, traffic reduction and traffic safety.

The **Contributions Fund** is used to account for revenues received from other government agencies or private developers and expended for specific streets, highway, construction, or water quality projects.

## **Non-major Capital Projects Funds**

**Capital Projects Funds are used to account for resources used for the acquisition and construction of capital facilities by the City, except those financed by Enterprise Funds. The City of Newport Beach Capital Projects Funds are as follows:**

The **Assessment District Fund** is used to account for the receipt and expenditure of funds received from 1911 Act and 1915 Act Assessment Districts for capital improvement projects.

The **CIOSA Construction Fund** is used to account for the receipt and expenditure of funds for the Circulation Improvement and Open Space Agreement (CIOSA). The improvements include street and frontage improvements.

The **Bonita Canyon Development Fund** is used to account for the receipt and expenditure of funds for the Bonita Canyon Public Facilities Agreement. The improvements include certain public parks and recreation facilities, and street improvements and facilities.

The **Fire Station 7 Fund** is used to account for the property acquisition, design and construction of a new fire station which will replace a temporary fire station that provides service in the northern part of the city.

The **Marine Science Center Fund** is used to account for the design and construction of a new Marine Science Center.

The **Mariners Library Fund** is a Special Revenue Fund used to account for revenues and expenditures of funds for the Mariners Library Capital Project.

The **Oasis Senior Center Fund** is used to account for revenues and expenditures associated with the development and construction of the Oasis Senior Center.

The **Misc. Santa Ana Heights Projects Fund** is used to account for various grants and projects associated with providing public works, parks and recreation opportunities within the part of the City known as Santa Ana Heights.

The **Marina Park Fund** is used to account for the design and construction of the Marina Park.

The **Sunset Ridge Park Fund** is used to account for the design and construction of the Sunset Ridge Park.

The **Police Facility Fund** is used to account for expenditures for the future space needs expected of the existing facility buildings, including detailed facility planning and budgetary guidelines for possible building rehabilitation and/or expansion projects.

The ***Lifeguard Headquarters Fund*** is used to account for expenditures for the future space needs expected of the existing headquarters buildings, including detailed facility planning and budgetary guidelines for possible building rehabilitation and/or expansion projects.

### **Non-major Permanent Funds**

**Permanent Funds are used to report resources that are legally restricted for the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs. The City of Newport Beach Permanent Fund is as follows:**

The ***Bay Dredging Fund*** is used to account for the receipt of permanent endowments intended to fund the ongoing cost of maintaining and dredging of the Upper Newport Bay.

The ***Ackerman Fund*** is used to account for the receipt of permanent endowments intended as follows: 75% of the fund's investment proceeds will be used for the purchase of High Tech Library Equipment while the remaining 25% will be used for Scholarships for needy students.

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**CITY OF NEWPORT BEACH**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**

**Special Revenue**

	<u>State Gas Tax</u>	<u>Asset Forfeiture</u>	<u>OTS DUI Grant</u>	<u>JAG</u>	<u>Circulation and Transportation</u>
<b>Assets</b>					
Cash and investments	\$ 5,266,831	\$ 764,538	\$ -	\$ -	\$ 3,368,809
Receivables:					
Accounts	-	-	-	-	-
Intergovernmental receivables	-	111,300	100,330	13,322	-
Cash with fiscal agent	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total Assets	<u>\$ 5,266,831</u>	<u>\$ 875,838</u>	<u>\$ 100,330</u>	<u>\$ 13,322</u>	<u>\$ 3,368,809</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 29,289	\$ 2,759	\$ 431	\$ -	\$ 41,686
Unearned revenue	-	-	-	-	-
Unavailable revenue	-	-	-	-	-
Due to other funds	-	-	100,279	13,322	-
Total Liabilities	<u>29,289</u>	<u>2,759</u>	<u>100,710</u>	<u>13,322</u>	<u>41,686</u>
Fund balances:					
Nonspendable:					
Prepaid Items	-	-	-	-	-
Inventories	-	-	-	-	-
Long-Term Loan Receivable	-	-	-	-	-
Permanent Endowment	-	-	-	-	-
Restricted:	5,237,542	873,079	-	-	3,327,123
Committed:	-	-	-	-	-
Assigned:	-	-	-	-	-
Unassigned:	-	-	(380)	-	-
Total fund balances	<u>5,237,542</u>	<u>873,079</u>	<u>(380)</u>	<u>-</u>	<u>3,327,123</u>
Total liabilities and fund balances	<u>\$ 5,266,831</u>	<u>\$ 875,838</u>	<u>\$ 100,330</u>	<u>\$ 13,322</u>	<u>\$ 3,368,809</u>

**Special Revenue**

<b>Building Excise Tax</b>	<b>Combined Transportation</b>	<b>Community Development Block Grant</b>	<b>Air Quality Management District</b>	<b>Environmental Liability</b>
\$ 356,406	\$ 6,279,286	\$ -	\$ 335,180	\$ 3,758,273
-	781,875	-	-	-
-	297,116	41,369	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	185,658
<u>\$ 356,406</u>	<u>\$ 7,358,277</u>	<u>\$ 41,369</u>	<u>\$ 335,180</u>	<u>\$ 3,943,931</u>
\$ 21,649	\$ 508,142	\$ 41,084	\$ 45	\$ 9,053
-	2,549,506	-	-	-
-	74,036	41,369	-	-
-	-	285	-	-
<u>21,649</u>	<u>3,131,684</u>	<u>82,738</u>	<u>45</u>	<u>9,053</u>
-	-	-	-	185,658
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
334,757	4,226,593	-	335,135	3,749,220
-	-	-	-	-
-	-	-	-	-
-	-	(41,369)	-	-
<u>334,757</u>	<u>4,226,593</u>	<u>(41,369)</u>	<u>335,135</u>	<u>3,934,878</u>
<u>\$ 356,406</u>	<u>\$ 7,358,277</u>	<u>\$ 41,369</u>	<u>\$ 335,180</u>	<u>\$ 3,943,931</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**  
(continued)

	<b>Special Revenue</b>			
	<b>Supplemental Law Enforcement</b>	<b>Traffic Congestion Relief</b>	<b>Newport Coast Annexation</b>	<b>Prop 1B Transportation</b>
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 7,200,000	\$ -
Receivables:				
Accounts	-	-	-	-
Intergovernmental receivables	11,316	-	-	-
Cash with fiscal agent	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 11,316</u>	<u>\$ -</u>	<u>\$ 7,200,000</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-
Unavailable revenue	-	-	-	-
Due to other funds	11,316	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>11,316</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid Items	-	-	-	-
Inventories	-	-	-	-
Long-Term Loan Receivable	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:	-	-	7,200,000	-
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>-</u>	<u>-</u>	<u>7,200,000</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,316</u>	<u>\$ -</u>	<u>\$ 7,200,000</u>	<u>\$ -</u>



**Capital Projects**

<b>Contributions</b>	<b>Assessment District</b>	<b>CIOSA Construction</b>	<b>Bonita Canyon Development</b>
\$ 2,819,111	\$ 4,298,263	\$ -	\$ -
57,512	563	-	-
2,063,263	-	-	-
-	1,491,291	-	67,497
	-	-	-
	-	-	-
<u>\$ 4,939,886</u>	<u>\$ 5,790,117</u>	<u>\$ -</u>	<u>\$ 67,497</u>
\$ 58,346	\$ 128,643	\$ -	\$ 45,290
370,635	-	-	-
2,063,263	-	-	-
-	-	-	7
<u>2,492,244</u>	<u>128,643</u>	<u>-</u>	<u>45,297</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
2,447,642	5,661,474	-	22,200
-	-	-	-
-	-	-	-
-	-	-	-
<u>2,447,642</u>	<u>5,661,474</u>	<u>-</u>	<u>22,200</u>
<u>\$ 4,939,886</u>	<u>\$ 5,790,117</u>	<u>\$ -</u>	<u>\$ 67,497</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**  
(continued)

**Capital Projects**

	<u>Fire Station 7</u>	<u>Marine Science Center</u>	<u>Mariners Library</u>	<u>Oasis Senior Center</u>
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,040,773
Receivables:				
Accounts	-	-	-	-
Intergovernmental receivables	-	-	-	-
Cash with fiscal agent	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,773</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-
Unavailable revenue	-	-	-	-
Due to other funds	-	125,421	-	-
	<u>-</u>	<u>125,421</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>125,421</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid Items	-	-	-	-
Inventories	-	-	-	-
Long-Term Loan Receivable	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:				
Committed:	-	-	-	797,479
Assigned:	-	-	-	243,294
Unassigned:	-	(125,421)	-	-
	<u>-</u>	<u>(125,421)</u>	<u>-</u>	<u>1,040,773</u>
Total fund balances	<u>-</u>	<u>(125,421)</u>	<u>-</u>	<u>1,040,773</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,773</u>

**Capital Projects**

<u>Misc SAH Projects</u>	<u>Marina Park</u>	<u>Sunset Ridge Park</u>	<u>Police Facility</u>	<u>Lifeguard Headquarters</u>
\$ 1,236,512	\$ -	\$ -	\$ -	\$ -
14,995	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,251,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 170	\$ 45,580	\$ 11,921	\$ -	\$ -
1,285,038	-	-	-	-
14,682	-	-	-	-
-	1,479,835	1,202,859	2,175	30,179
<u>1,299,890</u>	<u>1,525,415</u>	<u>1,214,780</u>	<u>2,175</u>	<u>30,179</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(48,383)	(1,525,415)	(1,214,780)	(2,175)	(30,179)
<u>(48,383)</u>	<u>(1,525,415)</u>	<u>(1,214,780)</u>	<u>(2,175)</u>	<u>(30,179)</u>
<u>\$ 1,251,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**  
(continued)

	<u>Permanent Fund</u>		<b>Total Other Governmental Funds</b>
	<u>Bay Dredging</u>	<u>Ackerman Donation</u>	
<b>Assets</b>			
Cash and investments	\$ 4,835,467	\$ 1,197,587	\$ 42,757,036
Receivables:			
Accounts	-	-	854,945
Intergovernmental receivables	-	-	2,638,016
Cash with fiscal agent	-	-	1,558,788
Due from other funds	-	-	-
Prepaid items	-	-	185,658
	<u>4,835,467</u>	<u>1,197,587</u>	<u>47,994,443</u>
Total Assets	<u>\$ 4,835,467</u>	<u>\$ 1,197,587</u>	<u>\$ 47,994,443</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 944,088
Unearned revenue	-	-	4,205,179
Unavailable revenue	-	-	2,193,350
Due to other funds	-	-	2,965,678
	<u>-</u>	<u>-</u>	<u>10,308,295</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>10,308,295</u>
Fund balances:			
Nonspendable:			
Prepaid Items	-	-	185,658
Inventories	-	-	-
Long-Term Loan Receivable	-	-	-
Permanent Endowment	3,857,000	772,781	4,629,781
Restricted:	978,467	424,806	34,818,038
Committed:	-	-	797,479
Assigned:	-	-	243,294
Unassigned:	-	-	(2,988,102)
	<u>4,835,467</u>	<u>1,197,587</u>	<u>37,686,148</u>
Total fund balances	<u>4,835,467</u>	<u>1,197,587</u>	<u>37,686,148</u>
Total liabilities and fund balances	<u>\$ 4,835,467</u>	<u>\$ 1,197,587</u>	<u>\$ 47,994,443</u>

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**CITY OF NEWPORT BEACH**  
**Non-Major Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year ended June 30, 2011**

	<b>Special Revenue</b>			
	<b>State Gas Tax</b>	<b>Asset Forfeiture</b>	<b>OTS DUI Grant</b>	<b>JAG</b>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,025,226	338,294	227,507	13,322
Licenses, permits and fees	-	-	-	-
Investment income	29,935	4,676	-	-
Net increase in fair value of investments	33,313	5,204	-	-
Donations	-	-	-	-
Other	-	-	-	-
	<b>2,088,474</b>	<b>348,174</b>	<b>227,507</b>	<b>13,322</b>
Total revenues				
	<b>2,088,474</b>	<b>348,174</b>	<b>227,507</b>	<b>13,322</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	14,460	187,935	13,322
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	276,523	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<b>276,523</b>	<b>14,460</b>	<b>187,935</b>	<b>13,322</b>
Total expenditures				
	<b>276,523</b>	<b>14,460</b>	<b>187,935</b>	<b>13,322</b>
Excess (deficiency) of revenues over expenditures	<b>1,811,951</b>	<b>333,714</b>	<b>39,572</b>	<b>-</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(160,000)	-	-	-
	<b>(160,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total other financing sources (uses)				
	<b>(160,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	<b>1,651,951</b>	<b>333,714</b>	<b>39,572</b>	<b>-</b>
Fund balances (deficit), beginning	<b>3,585,591</b>	<b>539,365</b>	<b>(39,952)</b>	<b>-</b>
Fund balances (deficit), ending	<b>\$ 5,237,542</b>	<b>\$ 873,079</b>	<b>\$ (380)</b>	<b>\$ -</b>

**Special Revenue**

<b>Circulation and Transportation</b>	<b>Building Excise Tax</b>	<b>Combined Transportation</b>	<b>Community Development Block Grant</b>	<b>Air Quality Management District</b>	<b>Environmental Liability</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,229
-	-	1,687,374	284,615	100,655	-
378,481	100,134	-	-	-	-
31,198	2,300	28,474	-	2,676	26,370
32,956	2,561	31,687	-	2,979	29,347
-	-	-	-	-	-
-	-	-	-	-	26,723
<u>442,635</u>	<u>104,995</u>	<u>1,747,535</u>	<u>284,615</u>	<u>106,310</u>	<u>537,669</u>
-	-	-	-	-	-
-	-	-	-	5,036	110,958
-	-	-	123,181	-	-
-	-	-	-	-	-
2,130,922	58,137	1,126,564	-	168,665	-
-	-	-	95,000	-	-
-	-	-	104,345	-	-
<u>2,130,922</u>	<u>58,137</u>	<u>1,126,564</u>	<u>322,526</u>	<u>173,701</u>	<u>110,958</u>
<u>(1,688,287)</u>	<u>46,858</u>	<u>620,971</u>	<u>(37,911)</u>	<u>(67,391)</u>	<u>426,711</u>
-	-	-	-	-	-
<u>(189,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(189,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,877,528)	46,858	620,971	(37,911)	(67,391)	426,711
<u>5,204,651</u>	<u>287,899</u>	<u>3,605,622</u>	<u>(3,458)</u>	<u>402,526</u>	<u>3,508,167</u>
<u>\$ 3,327,123</u>	<u>\$ 334,757</u>	<u>\$ 4,226,593</u>	<u>\$ (41,369)</u>	<u>\$ 335,135</u>	<u>\$ 3,934,878</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Non-Major Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year ended June 30, 2011**  
(continued)

	<b>Special Revenue</b>			
	<b>Supplemental Law Enforcement</b>	<b>Traffic Congestion Relief</b>	<b>Newport Coast Annexation</b>	<b>Prop 1B Transportation</b>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	100,016	197,344	-	-
Licenses, permits and fees	-	-	-	-
Investment income	377	1,600	53,931	1,533
Net increase in fair value of investments	326	1,780	63,670	1,706
Donations	-	-	-	-
Other	-	-	-	-
<b>Total revenues</b>	<b>100,719</b>	<b>200,724</b>	<b>117,601</b>	<b>3,239</b>
<b>Expenditures:</b>				
Current:				
Public safety	100,719	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	739,873	-	385,515
Debt service:				
Principal	-	-	1,200,000	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>100,719</b>	<b>739,873</b>	<b>1,200,000</b>	<b>385,515</b>
Excess (deficiency) of revenues over expenditures	-	(539,149)	(1,082,399)	(382,276)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(117,601)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(117,601)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(539,149)</b>	<b>(1,200,000)</b>	<b>(382,276)</b>
Fund balances, beginning	-	539,149	8,400,000	382,276
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,200,000</u>	<u>\$ -</u>



**Capital Projects**

<b>Contributions</b>	<b>Assessment District</b>	<b>CIOSA Construction</b>	<b>Bonita Canyon Development</b>	<b>Fire Station 7</b>
\$ -	\$ -	\$ -	\$ -	
2,324,567	-	-	-	-
-	-	-	-	-
32,490	30,663	1,204	5	-
36,157	34,710	1,340	-	-
15,930	-	-	-	-
-	3,697,666	-	-	-
<u>2,409,144</u>	<u>3,763,039</u>	<u>2,544</u>	<u>5</u>	<u>-</u>
-	-	-	-	-
-	2,977,343	-	77,805	-
-	-	-	-	-
-	-	-	-	-
2,949,158	-	642,114	-	-
-	-	-	-	-
-	-	-	-	-
<u>2,949,158</u>	<u>2,977,343</u>	<u>642,114</u>	<u>77,805</u>	<u>-</u>
<u>(540,014)</u>	<u>785,696</u>	<u>(639,570)</u>	<u>(77,800)</u>	<u>-</u>
4,218	5,557	189,240	-	-
-	-	-	-	(53,487)
<u>4,218</u>	<u>5,557</u>	<u>189,240</u>	<u>-</u>	<u>(53,487)</u>
(535,796)	791,253	(450,330)	(77,800)	(53,487)
<u>2,983,438</u>	<u>4,870,221</u>	<u>450,330</u>	<u>100,000</u>	<u>53,487</u>
<u>\$ 2,447,642</u>	<u>\$ 5,661,474</u>	<u>\$ -</u>	<u>\$ 22,200</u>	<u>\$ -</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Non-Major Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year ended June 30, 2011**  
(continued)

	<b>Capital Projects</b>			
	<b>Marine Science Center</b>	<b>Mariners Library</b>	<b>Oasis Senior Center</b>	<b>Misc SAH Projects</b>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	376,436
Licenses, permits and fees	-	-	-	-
Investment income	-	-	-	-
Net increase in fair value of investments	-	-	-	-
Donations	-	-	1,601,994	-
Other	-	-	83,879	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>1,685,873</b>	<b>376,436</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	56,972
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	3,313,468	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>3,313,468</b>	<b>56,972</b>
Excess (deficiency) of revenues over expenditures	-	-	(1,627,595)	319,464
<b>Other financing sources (uses):</b>				
Transfers in	-	-	5,266,982	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>5,266,982</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>3,639,387</b>	<b>319,464</b>
Fund balances (deficit), beginning	(125,421)	-	(2,598,614)	(367,847)
Fund balances (deficit), ending	<u>\$ (125,421)</u>	<u>\$ -</u>	<u>\$ 1,040,773</u>	<u>\$ (48,383)</u>

**Capital Projects**

<u>Marina Park</u>	<u>Sunset Ridge Park</u>	<u>Police Facility</u>	<u>Lifequard Headquarters</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
347,156	311,622	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
347,156	311,622	-	-
(347,156)	(311,622)	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(347,156)	(311,622)	-	-
(1,178,259)	(903,158)	(2,175)	(30,179)
<u>\$ (1,525,415)</u>	<u>\$ (1,214,780)</u>	<u>\$ (2,175)</u>	<u>\$ (30,179)</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Non-Major Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year ended June 30, 2011**  
(continued)

	<b>Permanent Funds</b>		<b>Total Other Governmental Funds</b>
	<b>Bay Dredging</b>	<b>Ackerman Donation</b>	
<b>Revenues:</b>			
Other taxes	\$ -	\$ -	\$ 455,229
Intergovernmental	-	-	7,675,356
Licenses, permits and fees	-	-	478,615
Investment income	34,427	8,394	290,253
Net increase in fair value of investments	38,313	9,341	325,390
Donations	-	-	1,617,924
Other	-	-	3,808,268
<b>Total revenues</b>	<b>72,740</b>	<b>17,735</b>	<b>14,651,035</b>
<b>Expenditures:</b>			
Current:			
Public safety	-	-	316,436
Public works	-	-	3,228,114
Community development	-	4,750	786,709
Community services	-	-	-
Capital outlay	-	-	11,790,939
Debt service:			
Principal	-	-	1,295,000
Interest and fiscal charges	-	-	104,345
<b>Total expenditures</b>	<b>-</b>	<b>4,750</b>	<b>17,521,543</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>72,740</b>	<b>12,985</b>	<b>(2,870,508)</b>
<b>Other financing sources (uses):</b>			
Transfers in	-	22,624	5,488,621
Transfers out	-	-	(520,329)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>22,624</b>	<b>4,968,292</b>
<b>Net change in fund balances</b>	<b>72,740</b>	<b>35,609</b>	<b>2,097,784</b>
Fund balances, beginning	4,762,727	1,161,978	35,588,364
Fund balances, ending	<u>\$ 4,835,467</u>	<u>\$ 1,197,587</u>	<u>\$ 37,686,148</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**State Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 2,179,232	\$ 2,179,232	\$ 2,025,226	\$ (154,006)
Investment income	31,107	31,107	29,935	(1,172)
Net increase in fair value of investments	-	-	33,313	33,313
Total revenues	<u>2,210,339</u>	<u>2,210,339</u>	<u>2,088,474</u>	<u>(121,865)</u>
<b>Expenditures:</b>				
Capital outlay	<u>3,220,182</u>	<u>3,220,182</u>	<u>276,523</u>	<u>2,943,659</u>
Total Expenditures	<u>3,220,182</u>	<u>3,220,182</u>	<u>276,523</u>	<u>(2,943,659)</u>
Excess (deficiency) of revenues over expenditures	(1,009,843)	(1,009,843)	1,811,951	2,821,794
<b>Other financing uses:</b>				
Transfers out	<u>(160,000)</u>	<u>(160,000)</u>	<u>(160,000)</u>	<u>-</u>
Net change in fund balance	(1,169,843)	(1,169,843)	1,651,951	2,821,794
Fund balance, beginning	<u>3,585,591</u>	<u>3,585,591</u>	<u>3,585,591</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,415,748</u>	<u>\$ 2,415,748</u>	<u>5,237,542</u>	<u>\$ 2,821,794</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Asset Forfeiture Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 338,294	\$ 338,294
Investment income	3,689	3,689	4,676	987
Net increase in fair value of investments	-	-	5,204	5,204
	<u>3,689</u>	<u>3,689</u>	<u>348,174</u>	<u>344,485</u>
<b>Expenditures</b>				
Public safety	39,060	39,060	14,460	24,600
Net change in fund balance	(35,371)	(35,371)	333,714	369,085
Fund balance, beginning	539,365	539,365	539,365	-
Fund balance, ending	<u>\$ 503,994</u>	<u>\$ 503,994</u>	<u>\$ 873,079</u>	<u>\$ 369,085</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**OTS DUI Grant Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 112,604	\$ 334,959	\$ 227,507	\$ (107,452)
Total revenues	112,604	334,959	227,507	(107,452)
<b>Expenditures</b>				
Public safety	\$ 72,325	\$ 294,680	\$ 187,935	106,745
Net change in fund balance	40,279	40,279	39,572	(707)
Fund balance (deficit), beginning	(39,952)	(39,952)	(39,952)	-
Fund balance (deficit), ending	<u>\$ 327</u>	<u>\$ 327</u>	<u>\$ (380)</u>	<u>\$ (707)</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**JAG Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 13,322	\$ 13,322	\$ -
Total revenues	-	13,322	13,322	-
<b>Expenditures</b>				
Public safety	-	13,322	13,322	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Circulation and Transportation Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Licenses, permits and fees	\$ 250,000	\$ 250,000	\$ 378,481	\$ 128,481
Investment income	63,328	63,328	31,198	(32,130)
Net increase in fair value of investments	-	-	32,956	32,956
Total revenues	<u>313,328</u>	<u>313,328</u>	<u>442,635</u>	<u>129,307</u>
<b>Expenditures:</b>				
Capital outlay	<u>4,910,665</u>	<u>4,910,665</u>	<u>2,130,922</u>	<u>2,779,743</u>
Excess (deficiency) of revenues over expenditures	(4,597,337)	(4,597,337)	(1,688,287)	2,909,050
<b>Other financing uses:</b>				
Transfers out	<u>(80,000)</u>	<u>(80,000)</u>	<u>(189,241)</u>	<u>(109,241)</u>
Net change in fund balance	(4,677,337)	(4,677,337)	(1,877,528)	2,799,809
Fund balance, beginning	<u>5,204,651</u>	<u>5,204,651</u>	<u>5,204,651</u>	<u>-</u>
Fund balance, ending	<u>\$ 527,314</u>	<u>\$ 527,314</u>	<u>\$ 3,327,123</u>	<u>\$ 2,799,809</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Building Excise Tax Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses, permits and fees	\$ -	\$ -	\$ 100,134	\$ 100,134
Investment income	4,013	4,013	2,300	(1,713)
Net increase in fair value of investments	-	-	2,561	2,561
Total revenues	<u>4,013</u>	<u>4,013</u>	<u>104,995</u>	<u>100,982</u>
<b>Expenditures:</b>				
Capital outlay	<u>54,600</u>	<u>54,600</u>	<u>58,137</u>	<u>(3,537)</u>
Net change in fund balance	(50,587)	(50,587)	46,858	97,445
Fund balance, beginning	<u>287,899</u>	<u>287,899</u>	<u>287,899</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 237,312</u></u>	<u><u>\$ 237,312</u></u>	<u><u>\$ 334,757</u></u>	<u><u>\$ 97,445</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Combined Transportation Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 5,059,457	5,059,457	\$ 1,687,374	\$ (3,372,083)
Investment income	45,942	45,942	28,474	(17,468)
Net increase in fair value of investments	-	-	31,687	31,687
	<u>5,105,399</u>	<u>5,105,399</u>	<u>1,747,535</u>	<u>(3,357,864)</u>
<b>Expenditures:</b>				
Capital outlay	<u>3,253,989</u>	<u>3,253,989</u>	<u>1,126,564</u>	<u>2,127,425</u>
	1,851,410	1,851,410	620,971	(1,230,439)
Fund balance, beginning	<u>3,605,622</u>	<u>3,605,622</u>	<u>3,605,622</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 5,457,032</u>	<u>\$ 5,457,032</u>	<u>\$ 4,226,593</u>	<u>\$ (1,230,439)</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 391,089	\$ 391,089	\$ 284,615	\$ (106,474)
Total revenues	391,089	391,089	284,615	(106,474)
<b>Expenditures:</b>				
Community development	178,367	178,367	123,181	55,186
Debt service:				
Principal	95,000	95,000	95,000	-
Interest and fiscal charges	104,345	104,345	104,345	-
Total expenditures	377,712	377,712	322,526	55,186
Net change in fund balance	13,377	13,377	(37,911)	(51,288)
Fund balance (deficit), beginning	(3,458)	(3,458)	(3,458)	-
Fund balance (deficit), ending	<u>\$ 9,919</u>	<u>\$ 9,919</u>	<u>\$ (41,369)</u>	<u>\$ (51,288)</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Air Quality Management District Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 48,830	\$ 48,830	\$ 100,655	\$ 51,825
Investment income	3,700	3,700	2,676	(1,024)
Net increase in fair value of investments	-	-	2,979	2,979
	<u>52,530</u>	<u>52,530</u>	<u>106,310</u>	<u>53,780</u>
<b>Expenditures:</b>				
Public works	14,235	14,235	5,036	9,199
Capital outlay	-	203,976	168,665	35,311
	<u>14,235</u>	<u>218,211</u>	<u>173,701</u>	<u>44,510</u>
Net change in fund balance	38,295	(165,681)	(67,391)	98,290
Fund balance, beginning	<u>402,526</u>	<u>402,526</u>	<u>402,526</u>	<u>-</u>
Fund balance, ending	<u>\$ 440,821</u>	<u>\$ 236,845</u>	<u>\$ 335,135</u>	<u>\$ 98,290</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Environmental Liability Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 661,127	\$ 661,127	\$ 455,229	\$ (205,898)
Investment income	58,307	58,307	26,370	(31,937)
Net increase in fair value of investments	-	-	29,347	29,347
Other Revenue	-	-	26,723	26,723
Total revenues	<u>719,434</u>	<u>719,434</u>	<u>537,669</u>	<u>(181,765)</u>
<b>Expenditures:</b>				
Public works	<u>\$ 169,880</u>	<u>\$ 184,708</u>	<u>\$ 110,958</u>	<u>\$ 73,750</u>
Net change in fund balance	549,554	534,726	426,711	(108,015)
Fund balance, beginning	<u>3,508,167</u>	<u>3,508,167</u>	<u>3,508,167</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 4,057,721</u></u>	<u><u>\$ 4,042,893</u></u>	<u><u>\$ 3,934,878</u></u>	<u><u>\$ (108,015)</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Supplemental Law Enforcement Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 100,016	\$ 20,016
Investment income	150	150	377	227
Net decrease in fair value of investments	-	-	326	326
Total revenues	<u>80,150</u>	<u>80,150</u>	<u>100,719</u>	<u>20,569</u>
<b>Expenditures:</b>				
Public safety	<u>80,150</u>	<u>80,150</u>	<u>100,719</u>	<u>(20,569)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Traffic Congestion Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 842,019	\$ 842,019	\$ 197,344	\$ (644,675)
Investment income	2,000	2,000	1,600	(400)
Net increase in fair value of investments	-	-	1,780	1,780
Total revenues	<u>844,019</u>	<u>844,019</u>	<u>200,724</u>	<u>(643,295)</u>
<b>Expenditures:</b>				
Capital outlay	<u>814,613</u>	<u>814,613</u>	<u>739,873</u>	<u>74,740</u>
Net change in fund balance	29,406	29,406	(539,149)	(568,555)
Fund balance, beginning	<u>539,149</u>	<u>539,149</u>	<u>539,149</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 568,555</u></u>	<u><u>\$ 568,555</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (568,555)</u></u>



**CITY OF NEWPORT BEACH**  
**Newport Coast Annexation**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Investment income	\$ -	\$ -	\$ 53,931	\$ 53,931
Net increase in fair value of investments	-	-	63,670	63,670
Total revenues	-	-	117,601	117,601
<b>Expenditures</b>				
Debt service:				
Principal	1,200,000	1,200,000	1,200,000	-
Total expenditures	1,200,000	1,200,000	1,200,000	-
Excess (deficiency) of revenues over expenditures	(1,200,000)	(1,200,000)	(1,082,399)	117,601
<b>Other financing uses</b>				
Transfers out	(1,400,000)	(1,400,000)	(117,601)	1,282,399
Net change in fund balance	(2,600,000)	(2,600,000)	(1,200,000)	1,400,000
Fund balance, beginning	8,400,000	8,400,000	8,400,000	-
Fund balance, ending	<u>\$ 5,800,000</u>	<u>\$ 5,800,000</u>	<u>\$ 7,200,000</u>	<u>\$ 1,400,000</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Proposition 1B Transportation Special Revenue Fund**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income	\$ 19,846	\$ 19,846	\$ 1,533	\$ (18,313)
Net increase in fair value of investments	-	-	1,706	1,706
	<u>19,846</u>	<u>19,846</u>	<u>3,239</u>	<u>(16,607)</u>
<b>Expenditures:</b>				
Capital outlay	<u>308,169</u>	<u>308,169</u>	<u>385,515</u>	<u>(77,346)</u>
	(288,323)	(288,323)	(382,276)	(93,953)
Fund balance, beginning	<u>382,276</u>	<u>382,276</u>	<u>382,276</u>	<u>-</u>
Fund balance, ending	<u>\$ 93,953</u>	<u>\$ 93,953</u>	<u>\$ -</u>	<u>\$ (93,953)</u>

**CITY OF NEWPORT BEACH**  
**Contributions Fund**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 4,271,290	\$ 1,771,290	\$ 2,324,567	\$ 553,277
Investment income	63,328	-	32,490	32,490
Net increase in fair value of investments	-	-	36,157	36,157
Donations	1,500,000	1,560,300	15,930	(1,544,370)
Total revenues	<u>5,834,618</u>	<u>3,331,590</u>	<u>2,409,144</u>	<u>(922,446)</u>
<b>Expenditures:</b>				
Capital outlay	4,127,942	5,664,562	2,949,158	2,715,404
Excess (deficiency) of revenues over expenditures	1,706,676	(2,332,972)	(540,014)	1,792,958
<b>Other financing sources (uses):</b>				
Transfers in	-	-	4,218	4,218
Net change in fund balance	1,706,676	(2,332,972)	(535,796)	1,797,176
Fund balance, beginning	<u>2,983,438</u>	<u>2,983,438</u>	<u>2,983,438</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,690,114</u>	<u>\$ 650,466</u>	<u>\$ 2,447,642</u>	<u>\$ 1,797,176</u>

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# FINANCIAL SECTION

FINANCIAL SECTION

SUPPLEMENTARY  
INFORMATION

INTERNAL SERVICE FUNDS

## INTERNAL SERVICE FUNDS

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The Internal Service Funds are used to allocate the cost of providing goods and services by one department to other departments on a cost reimbursement basis.

The City of Newport Beach Internal Service Funds are listed below:

The ***Insurance Reserve Fund*** is used to account for the City's self-insured general liability and workers' compensation program.

The ***Compensated Absences Fund*** is used to account for the City's accumulated liability for compensated absences.

The ***Retiree Insurance Fund*** is used to account for the cost of providing post-employment Health Care Benefit.

The ***Equipment Fund*** is used to account for the cost of maintaining and replacing the City's rolling stock fleet and the rental of the fleet to operating departments.

**CITY OF NEWPORT BEACH**  
**All Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2011**

<b>Assets</b>	<b>Insurance Reserve</b>	<b>Compensated Absence</b>	<b>Retiree Insurance</b>	<b>Equipment Maintenance</b>	<b>Total Internal Service Funds</b>
<b>Current assets:</b>					
Cash and investments	\$ 21,562,899	\$ 2,286,093	\$ -	\$ 18,582,415	\$ 42,431,407
Receivables:					
Accounts	46,568	-	1,285,532	75,554	1,407,654
Inventories	-	-	-	304,986	304,986
Prepaid items	991,565	-	266,173	-	1,257,738
Total current assets	<u>22,601,032</u>	<u>2,286,093</u>	<u>1,551,705</u>	<u>18,962,955</u>	<u>45,401,785</u>
<b>Non-current assets:</b>					
<b>Capital assets:</b>					
Equipment	-	-	-	23,482,455	23,482,455
Less accumulated depreciation	-	-	-	(16,545,410)	(16,545,410)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,937,045</u>	<u>6,937,045</u>
Total assets	<u>22,601,032</u>	<u>2,286,093</u>	<u>1,551,705</u>	<u>25,900,000</u>	<u>52,338,830</u>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued liabilities	\$ 248,264	\$ 2,998	\$ -	\$ 196,556	\$ 447,818
Accrued payroll	-	-	-	43,604	43,604
Due to general fund	-	-	1,421,498	-	1,421,498
Workers' compensation - current	3,284,036	-	-	-	3,284,036
General liability - current	1,079,277	-	-	-	1,079,277
Compensated absences - current	-	1,969,425	-	-	1,969,425
Early retirement incentive program - current	-	960,396	-	-	960,396
Total current liabilities	<u>4,611,577</u>	<u>2,932,819</u>	<u>1,421,498</u>	<u>240,160</u>	<u>9,206,054</u>
<b>Non-current liabilities:</b>					
Workers' compensation	11,335,964	-	-	-	11,335,964
General liability	2,878,854	-	-	-	2,878,854
Compensated absences	-	6,936,171	-	-	6,936,171
Early retirement incentive program	-	1,920,792	-	-	1,920,792
Net OPEB obligation	-	-	8,484,000	-	8,484,000
Total Noncurrent liabilities	<u>14,214,818</u>	<u>8,856,963</u>	<u>8,484,000</u>	<u>-</u>	<u>31,555,781</u>
Total liabilities	<u>18,826,395</u>	<u>11,789,782</u>	<u>9,905,498</u>	<u>240,160</u>	<u>40,761,835</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	-	-	-	6,937,045	6,937,045
Unrestricted	3,774,637	(9,503,689)	(8,353,793)	18,722,795	4,639,950
Total net assets	<u>\$ 3,774,637</u>	<u>\$ (9,503,689)</u>	<u>\$ (8,353,793)</u>	<u>\$ 25,659,840</u>	<u>\$ 11,576,995</u>

**CITY OF NEWPORT BEACH**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

	<u>Insurance Reserve</u>	<u>Compensated Absence</u>	<u>Retiree Insurance</u>	<u>Equipment Maintenance</u>	<u>Total Internal Service Funds</u>
Operating revenues:					
Charges for services	\$ 5,909,786	\$ 2,320,306	\$ 2,128,000	\$ 5,819,437	\$ 16,177,529
Retiree reimbursements	-	-	1,298,064	-	1,298,064
Employee contributions	-	-	272,746	-	272,746
Other	191,076	-	46,907	47,254	285,237
	<u>6,100,862</u>	<u>2,320,306</u>	<u>3,745,717</u>	<u>5,866,691</u>	<u>18,033,576</u>
Total operating revenues					
Operating expenses:					
Salaries and wages	-	-	-	1,366,397	1,366,397
Depreciation	-	-	-	1,820,267	1,820,267
Professional services	-	-	-	22,749	22,749
Maintenance and supplies	-	-	-	358,010	358,010
Fleet parts and supplies	-	-	-	467,924	467,924
Workers' compensation	5,229,876	-	-	-	5,229,876
Claims and judgments	1,872,592	-	-	-	1,872,592
Compensated absences	-	2,155,738	-	-	2,155,738
Early Retirement Incentive Program	-	392,147	-	-	392,147
OPEB ARC- Cash subsidy	-	-	2,128,000	-	2,128,000
OPEB ARC- Implied subsidy	-	-	2,502,000	-	2,502,000
Other	-	-	1,220,261	-	1,220,261
	<u>7,102,468</u>	<u>2,547,885</u>	<u>5,850,261</u>	<u>4,035,347</u>	<u>19,535,961</u>
Total operating expenses					
Operating income (loss)	<u>(1,001,606)</u>	<u>(227,579)</u>	<u>(2,104,544)</u>	<u>1,831,344</u>	<u>(1,502,385)</u>
Nonoperating revenues (expenses):					
Investment income	162,047	9,046	-	128,073	299,166
Net Increase in fair value of investments	180,337	10,068	-	142,530	332,935
Gain on sale of capital assets	-	-	-	41,654	41,654
	<u>342,384</u>	<u>19,114</u>	<u>-</u>	<u>312,257</u>	<u>673,755</u>
Total nonoperating revenues					
Income (loss) before transfers	<u>(659,222)</u>	<u>(208,465)</u>	<u>(2,104,544)</u>	<u>2,143,601</u>	<u>(828,630)</u>
Transfers in	-	1,298,405	-	-	1,298,405
Transfer out	<u>(1,298,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,298,405)</u>
Change in net assets	<u>(1,957,627)</u>	<u>1,089,940</u>	<u>(2,104,544)</u>	<u>2,143,601</u>	<u>(828,630)</u>
Net assets (accumulated deficit), beginning	<u>5,732,264</u>	<u>(10,593,629)</u>	<u>(6,249,249)</u>	<u>23,516,239</u>	<u>12,405,625</u>
Net assets, (accumulated deficit), ending	<u>\$ 3,774,637</u>	<u>\$ (9,503,689)</u>	<u>\$ (8,353,793)</u>	<u>\$ 25,659,840</u>	<u>\$ 11,576,995</u>



**CITY OF NEWPORT BEACH**  
**Combining Statement of Cash Flows - Internal Service Funds**  
**For the Year Ended June 30, 2011**

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Total Internal Service Funds
<b>Cash flows from operating activities</b>					
Receipts from user departments	\$ 6,184,353	2,332,422	\$ 3,426,064	\$ 5,747,298	\$ 17,690,137
Payments to employees	(2,931,876)	(3,204,882)	-	(1,366,701)	(7,503,459)
Payments to suppliers	(2,568,154)	-	(4,346,820)	(818,948)	(7,733,922)
Other operating cash receipts	-	-	319,653	47,254	366,907
Net cash provided (used) for operating activities	<u>684,323</u>	<u>(872,460)</u>	<u>(601,103)</u>	<u>3,608,903</u>	<u>2,819,663</u>
<b>Cash flows from noncapital financing activities:</b>					
Cash received from other funds	-	1,298,405	601,103	-	1,899,508
Cash paid to other funds	(1,298,405)	-	-	-	(1,298,405)
Net cash provided (used) by noncapital financing	<u>(1,298,405)</u>	<u>1,298,405</u>	<u>601,103</u>	<u>-</u>	<u>601,103</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	-	-	-	(2,564,020)	(2,564,020)
Proceeds from sale of capital assets	-	-	-	198,466	198,466
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,365,554)</u>	<u>(2,365,554)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	342,384	19,114	-	270,603	632,101
Net cash provided for investing activities	<u>342,384</u>	<u>19,114</u>	<u>-</u>	<u>270,603</u>	<u>632,101</u>
Net increase (decrease) in cash and cash equivalents	(271,698)	445,059	-	1,513,952	1,687,313
Cash and cash equivalents, beginning	21,834,597	1,841,034	-	17,068,463	40,744,094
Cash and cash equivalents, ending	<u>\$ 21,562,899</u>	<u>\$ 2,286,093</u>	<u>\$ -</u>	<u>\$ 18,582,415</u>	<u>\$ 42,431,407</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
<b>Cash flows from operating activities</b>					
Operating income (loss)	\$ (1,001,606)	\$ (227,579)	\$ (2,104,544)	\$ 1,831,344	\$ (1,502,385)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>					
Depreciation	-	-	-	1,820,267	1,820,267
<b>Changes in operating assets and liabilities:</b>					
(Increase) decrease in accounts receivable	83,491	12,116	(535,716)	(72,139)	(512,248)
(Increase) in inventories	-	-	-	(49,556)	(49,556)
(Increase) decrease in prepaid items	(913,565)	-	27,157	-	(886,408)
Increase in accounts payable and accrued payroll	80,263	1,535	-	78,987	160,785
Increase in workers' compensation	2,298,000	-	-	-	2,298,000
Increase in general liability	137,740	-	-	-	137,740
(Decrease) in compensated absences	-	(90,283)	-	-	(90,283)
(Decrease) in early retirement incentive program	-	(568,249)	-	-	(568,249)
Increase in net OPEB obligation	-	-	2,012,000	-	2,012,000
Total adjustments	<u>1,685,929</u>	<u>(644,881)</u>	<u>1,503,441</u>	<u>1,777,559</u>	<u>4,322,048</u>
Net cash provided (used) by operating activities	<u>\$ 684,323</u>	<u>\$ (872,460)</u>	<u>\$ (601,103)</u>	<u>\$ 3,608,903</u>	<u>\$ 2,819,663</u>
<b>Non-cash investing, capital, and financing activities:</b>					
Net increase in fair value of investments	180,337	10,068	-	142,530	332,935
Gain on sale of capital assets	-	-	-	41,654	41,654
Total of non-cash activities	<u>\$ 180,337</u>	<u>\$ 10,068</u>	<u>\$ -</u>	<u>\$ 184,184</u>	<u>\$ 374,589</u>

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# FINANCIAL SECTION

FINANCIAL SECTION

SUPPLEMENTARY  
INFORMATION  
FIDUCIARY FUNDS

## FIDUCIARY FUNDS

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Fiduciary Funds are used to account for assets held by the City in a trustee capacity, or as an agent for other government entities, private organizations, or individuals.

The City of Newport Beach Fiduciary Funds are listed below:

The ***Special Assessment District Fund*** is used to account for funds received from affected property owners and payable to holders of 1911 Act, 1915 Act and other special assessment bonds.

The ***Business Improvement District Fund*** is used to account for monies collected from local business districts for district property improvements and business enhancement.

The ***Integrated Law and Justice Agency for Orange County (ILJAOC) Fund*** is used to account for monies collected from member agencies for the operation of ILJAOC.

**CITY OF NEWPORT BEACH**  
**Agency Funds**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**June 30, 2011**

<b>Assets</b>	<b>Special Assessment District Fund</b>	<b>Business Improvement Fund</b>	<b>ILJAO Fund</b>	<b>Totals</b>
Cash and investments	\$ 3,009,278	\$ 251,437	\$ 2,129,166	\$ 5,389,881
Cash with fiscal agent	4,397,355	-	-	4,397,355
Prepaid items	-	-	950	950
Intergovernmental receivable	-	-	69,396	69,396
Total assets	<u>\$ 7,406,633</u>	<u>\$ 251,437</u>	<u>\$ 2,199,512</u>	<u>\$ 9,857,582</u>
 <b>Liabilities</b>				
Due to bondholders	\$ 7,406,633	\$ -	\$ -	\$ 7,406,633
Due to others	-	251,437	180,995	432,432
Due to ILJAO	-	-	2,018,517	2,018,517
Total liabilities	<u>\$ 7,406,633</u>	<u>\$ 251,437</u>	<u>\$ 2,199,512</u>	<u>\$ 9,857,582</u>

**CITY OF NEWPORT BEACH**  
**Statement of Changes in Fiduciary Net Assets**  
**All Agency Funds**  
**For the Year Ended June 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<b>Special Assessment:</b>				
<b>Assets</b>				
Cash and investments	\$ 2,682,766	\$ 4,071,591	\$ (3,745,079)	\$ 3,009,278
Cash with fiscal agent	<u>4,618,481</u>	<u>2,116,409</u>	<u>(2,337,535)</u>	<u>4,397,355</u>
<b>Total Assets</b>	<b><u>\$ 7,301,247</u></b>	<b><u>\$ 6,188,000</u></b>	<b><u>\$ (6,082,614)</u></b>	<b><u>\$ 7,406,633</u></b>
<b>Liabilities</b>				
Due to bondholders	<u>\$ 7,301,247</u>	<u>\$ 6,188,000</u>	<u>\$ (6,082,614)</u>	<u>\$ 7,406,633</u>
<b>Business Improvement District:</b>				
<b>Assets</b>				
Cash and investments	<u>\$ 198,047</u>	<u>\$ 1,797,813</u>	<u>\$ (1,744,423)</u>	<u>\$ 251,437</u>
<b>Liabilities</b>				
Due to others	<u>\$ 198,047</u>	<u>\$ 1,797,813</u>	<u>\$ (1,744,423)</u>	<u>\$ 251,437</u>
<b>ILJAOC:</b>				
<b>Assets</b>				
Cash and investments	\$ 1,489,262	\$ 922,763	\$ (282,859)	\$ 2,129,166
Prepaid items	75,085	950	(75,085)	950
Intergovernmental receivable	<u>88,344</u>	<u>69,396</u>	<u>(88,344)</u>	<u>69,396</u>
<b>Total Assets</b>	<b><u>\$ 1,652,691</u></b>	<b><u>\$ 993,109</u></b>	<b><u>\$ (446,288)</u></b>	<b><u>\$ 2,199,512</u></b>
<b>Liabilities</b>				
Due to others	\$ 105,984	\$ 180,995	\$ (105,984)	\$ 180,995
Due to ILJAOC	<u>1,546,707</u>	<u>1,011,411</u>	<u>(539,601)</u>	<u>2,018,517</u>
<b>Total Liabilities</b>	<b><u>\$ 1,652,691</u></b>	<b><u>\$ 1,192,406</u></b>	<b><u>\$ (645,585)</u></b>	<b><u>\$ 2,199,512</u></b>
<b>Totals - All Agency Funds:</b>				
<b>Assets</b>				
Cash and investments	\$ 4,370,075	\$ 6,792,167	\$ (5,772,361)	\$ 5,389,881
Cash with fiscal agent	4,618,481	2,116,409	(2,337,535)	4,397,355
Prepaid items	75,085	950	(75,085)	950
Intergovernmental receivable	<u>88,344</u>	<u>69,396</u>	<u>(88,344)</u>	<u>69,396</u>
<b>Total Assets</b>	<b><u>\$ 9,151,985</u></b>	<b><u>\$ 8,978,922</u></b>	<b><u>\$ (8,273,325)</u></b>	<b><u>\$ 9,857,582</u></b>
<b>Liabilities</b>				
Due to bondholders	\$ 7,301,247	\$ 6,188,000	\$ (6,082,614)	\$ 7,406,633
Due to others	304,031	1,978,808	(1,850,407)	432,432
Due to ILJAOC	<u>1,546,707</u>	<u>1,011,411</u>	<u>(539,601)</u>	<u>2,018,517</u>
<b>Total Liabilities</b>	<b><u>\$ 9,151,985</u></b>	<b><u>\$ 9,178,219</u></b>	<b><u>\$ (8,472,622)</u></b>	<b><u>\$ 9,857,582</u></b>

# STATISTICAL SECTION

## FINANCIAL TRENDS

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This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules contain trend information illustrating how the City's financial performance and well-being has changed over time:

- Net Assets by Component
- Changes in Net Assets
- Fund Balances of Governmental Funds
- Changes in Fund Balance of Governmental Funds

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.



**CITY OF NEWPORT BEACH**  
**Net Assets by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2002	2003	2004	2005 <sup>1</sup>	2006	2007	2008	2009	2010	2011
<b>Governmental activities:</b>										
Invested in capital assets,										
net of related debt	\$ 1,391,677,813	\$ 1,412,372,465	\$ 1,512,651,096	\$ 1,915,348,883	\$ 2,005,643,651	\$ 2,027,026,053	\$ 2,050,925,370	\$ 2,061,635,642	\$ 2,084,912,221	\$ 2,087,403,003
Restricted	38,689,956	37,650,692	45,494,082	54,285,743	51,901,103	35,017,831	40,988,923	44,212,747	34,236,929	63,940,282
Unrestricted	41,095,786	49,322,283	46,772,913	61,894,956	56,662,229	75,989,169	87,802,996	96,276,381	86,049,492	67,500,916
<b>Total governmental activities</b>	<b>\$ 1,471,463,555</b>	<b>\$ 1,499,345,440</b>	<b>\$ 1,604,918,091</b>	<b>\$ 2,031,529,582</b>	<b>\$ 2,114,206,983</b>	<b>\$ 2,138,033,053</b>	<b>\$ 2,179,717,289</b>	<b>\$ 2,202,124,770</b>	<b>\$ 2,205,198,642</b>	<b>\$ 2,218,844,201</b>
<b>Business-type activities:</b>										
Invested in capital assets,										
net of related debt	\$ 87,470,314	\$ 91,912,205	\$ 94,206,704	\$ 99,641,411	\$ 104,602,266	\$ 107,231,308	\$ 107,313,603	\$ 108,510,361	\$ 108,449,847	\$ 108,976,459
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	26,123,500	24,227,579	21,493,528	19,665,535	16,907,367	15,808,357	13,639,027	11,435,306	10,173,912	9,442,988
<b>Total business-type activities</b>	<b>\$ 113,593,814</b>	<b>\$ 116,139,784</b>	<b>\$ 115,700,232</b>	<b>\$ 119,306,946</b>	<b>\$ 121,509,633</b>	<b>\$ 123,039,665</b>	<b>\$ 120,952,630</b>	<b>\$ 119,945,667</b>	<b>\$ 118,623,759</b>	<b>\$ 118,419,447</b>
<b>Primary government:</b>										
Invested in capital assets,										
net of related debt	\$ 1,479,148,127	\$ 1,504,284,670	\$ 1,606,857,800	\$ 2,014,990,294	\$ 2,110,245,917	\$ 2,134,257,361	\$ 2,158,238,973	\$ 2,170,146,003	\$ 2,193,362,068	\$ 2,196,379,462
Restricted	38,689,956	37,650,692	45,494,082	54,285,743	51,901,103	35,017,831	40,988,923	44,212,747	34,236,929	63,940,282
Unrestricted	67,219,286	73,549,862	68,266,441	81,560,491	73,569,596	91,797,526	101,442,023	107,711,687	96,223,404	76,943,904
<b>Total primary government</b>	<b>\$ 1,585,057,369</b>	<b>\$ 1,615,485,224</b>	<b>\$ 1,720,618,323</b>	<b>\$ 2,150,836,528</b>	<b>\$ 2,235,716,616</b>	<b>\$ 2,261,072,718</b>	<b>\$ 2,300,669,919</b>	<b>\$ 2,322,070,437</b>	<b>\$ 2,323,822,401</b>	<b>\$ 2,337,263,648</b>

<sup>1</sup> 2005 data varies from trend because of increased capital assets related to PCH Relinquishment

The City of Newport Beach implemented GASB 34 for the fiscal year ended June 30, 2002.

**CITY OF NEWPORT BEACH**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 12,792,860	\$ 10,799,630	\$ 11,428,379	\$ 11,378,609	\$ 14,509,827	\$ 14,166,168	\$ 15,556,657	\$ 16,430,529	\$ 17,082,705	\$ 15,857,397
Public safety	47,168,918	56,521,871	58,178,633	63,214,291	67,789,121	69,795,386	75,821,082	79,301,600	79,402,600	78,128,006
Public works	30,320,516	32,089,038	38,127,832	46,359,871	33,870,359	39,179,844	42,631,401	45,600,429	55,445,327	40,341,323
Community development	4,471,397	5,782,215	6,229,785	6,437,006	8,157,925	9,020,868	10,052,871	10,283,528	10,082,454	8,637,525
Community services	11,044,086	10,404,285	14,741,504	13,073,215	13,803,755	23,304,053	19,146,588	20,589,094	17,232,357	17,272,374
Interest on long-term debt	517,102	673,944	542,126	508,869	479,529	523,401	532,569	437,207	372,502	5,078,881
<b>Total governmental activities expenses</b>	<b>106,314,879</b>	<b>116,270,983</b>	<b>129,248,259</b>	<b>140,971,861</b>	<b>138,610,516</b>	<b>155,989,720</b>	<b>163,741,168</b>	<b>172,642,387</b>	<b>179,617,945</b>	<b>165,315,506</b>
<b>Business-type activities:</b>										
Water	14,806,514	14,540,036	17,185,034	14,467,233	16,228,213	17,399,900	20,148,517	18,210,789	18,732,351	19,824,996
Wastewater	2,588,833	3,115,136	3,363,954	2,740,908	3,143,629	3,259,837	3,423,592	3,753,042	3,599,034	3,936,949
<b>Total business-type activities expenses</b>	<b>17,395,347</b>	<b>17,655,172</b>	<b>20,548,988</b>	<b>17,208,141</b>	<b>19,371,842</b>	<b>20,659,737</b>	<b>23,572,109</b>	<b>21,963,831</b>	<b>22,331,385</b>	<b>23,761,945</b>
<b>Total primary government expenses</b>	<b>123,710,226</b>	<b>133,926,155</b>	<b>149,797,247</b>	<b>158,180,002</b>	<b>157,982,358</b>	<b>176,649,457</b>	<b>187,313,277</b>	<b>194,606,218</b>	<b>201,949,330</b>	<b>189,077,451</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	2,270,082	3,008,162	2,109,141	2,412,769	2,623,272	2,944,100	3,055,982	2,543,880	2,909,603	2,722,527
Public safety	10,549,410	11,603,584	15,739,912	16,264,493	13,669,509	15,756,327	16,649,400	14,757,266	15,006,601	15,686,314
Public works	5,436,948	5,009,048	5,481,464	6,031,248	5,133,728	5,482,167	5,616,118	5,532,871	6,392,877	2,938,315
Community development	3,236,483	4,022,904	5,196,276	5,129,858	5,667,289	5,682,636	5,597,309	4,852,534	4,806,745	5,599,737
Community services	2,533,899	6,039,226	3,846,566	3,952,862	9,433,278	9,054,504	9,203,513	9,052,330	8,673,465	8,962,818
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions:	7,891,059	8,750,565	10,681,329	17,480,834	12,772,599	16,172,023	15,778,851	13,404,286	15,677,617	10,710,266
Capital Grants and Contributions:	1,562,458	4,146,728	674,815	20,205,948 <sup>1</sup>	69,473,891 <sup>2</sup>	6,904,716	31,037,915 <sup>3</sup>	24,633,716	12,350,100	11,101,239
<b>Total governmental activities program revenues</b>	<b>33,480,339</b>	<b>42,580,217</b>	<b>43,729,503</b>	<b>71,478,012</b>	<b>118,773,566</b>	<b>61,996,473</b>	<b>86,939,088</b>	<b>74,776,883</b>	<b>65,817,008</b>	<b>57,721,216</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	16,665,724	16,489,284	18,430,000	17,573,196	17,923,523	17,918,968	17,270,511	16,966,621	17,412,634	20,097,227
Wastewater	2,945,804	2,768,941	2,882,793	2,900,672	3,311,089	3,535,050	3,552,780	3,479,565	3,368,327	3,348,433
<b>Total business-type activities program revenues</b>	<b>19,611,528</b>	<b>19,258,225</b>	<b>21,312,793</b>	<b>20,473,868</b>	<b>21,234,612</b>	<b>21,454,018</b>	<b>20,823,291</b>	<b>20,446,186</b>	<b>20,780,961</b>	<b>23,445,660</b>
<b>Total primary government program revenues</b>	<b>53,091,867</b>	<b>61,838,442</b>	<b>65,042,296</b>	<b>91,951,880</b>	<b>140,008,178</b>	<b>83,450,491</b>	<b>107,762,379</b>	<b>95,223,069</b>	<b>86,597,969</b>	<b>81,166,876</b>
<b>Net revenues (expenses):</b>										
Governmental activities	(72,834,540)	(73,690,766)	(85,518,756)	(69,493,849)	(19,836,950)	(93,993,247)	(76,802,080)	(97,865,504)	(113,800,937)	(107,594,290)
Business-type activities	2,216,181	1,603,053	763,805	3,265,727	1,862,770	794,281	(2,748,818)	(1,517,645)	(1,550,424)	(316,285)
<b>Total net revenues (expenses)</b>	<b>\$ (70,618,359)</b>	<b>\$ (72,087,713)</b>	<b>\$ (84,754,951)</b>	<b>\$ (66,228,122)</b>	<b>\$ (17,974,180)</b>	<b>\$ (93,198,966)</b>	<b>\$ (79,550,898)</b>	<b>\$ (99,383,149)</b>	<b>\$ (115,351,361)</b>	<b>\$ (107,910,575)</b>

<sup>1</sup> 2005 data varies from trend because of increased capital assets related to PCH Relinquishment.

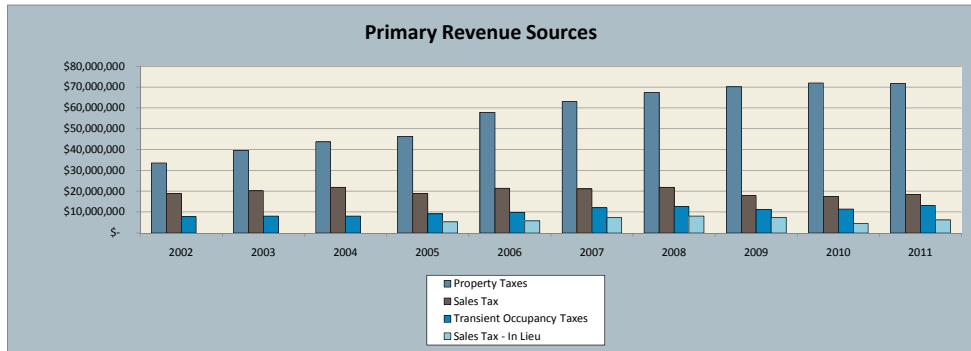
<sup>2</sup> 2006 data varies from trend because of increased capital assets related mostly to Bristol St. Relinquishment, Newport Coast Community Center, and Fire Station # 7.

<sup>3</sup> 2008 data varies from trend because of increased capital assets related to Santa Ana Heights Annexation.

The City of Newport Beach implemented GASB 34 for the fiscal year ended June 30, 2002.

**CITY OF NEWPORT BEACH**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes	\$ 33,583,659	\$ 39,474,864	\$ 43,631,829	\$ 46,303,366	\$ 57,888,545	\$ 63,003,057	\$ 67,388,838	\$ 70,126,680	\$ 71,999,680	\$ 71,630,345
Sales tax	18,796,571	20,133,598	21,843,884	18,977,828	21,465,557	21,088,118	21,855,242	17,925,956	17,440,736	18,455,181
Sales tax in-lieu	-	-	-	5,339,827	5,720,028	7,348,253	8,017,539	7,503,113	4,539,946	6,284,266
Transient occupancy taxes	7,690,655	8,055,266	8,045,132	9,215,862	9,832,729	12,059,008	12,751,518	11,170,956	11,400,710	13,082,451
Business license	2,470,857	2,030,845	2,830,127	3,458,165	3,848,381	3,770,172	4,119,108	4,273,642	4,026,614	4,090,634
Franchise taxes	2,735,641	2,465,584	2,765,519	3,029,476	3,162,588	4,613,932	3,853,119	3,961,634	3,715,946	3,730,819
Motor vehicle license fees	4,380,070	3,970,103	3,624,917	6,395,860	300,751	391,559	304,920	356,237	314,957	403,042
Motor vehicle fines	711,693	742,957	-	-	-	-	-	-	-	-
Other taxes	341,820	314,725	266,642	240,534	508,331	515,128	373,350	230,115	201,893	226,257
Investment income	2,171,474	2,111,451	584,415	1,209,074	1,939,941	3,175,582	3,655,314	1,764,827	706,855	366,081
Net increase in fair value of investments	1,093,913	318,686	(360,586)	(258,125)	(715,615)	(545,533)	508,485	1,096,848	707,200	369,235
Gain on sale of assets	160,236	130,954	-	-	-	-	-	-	-	-
Other	12,570	1,294,628	214,536	761,111	776,907	2,232,070	1,858,883	1,862,977	1,820,272	2,601,538
Property income	3,771,556	-	-	-	-	-	-	-	-	-
Share of joint venture net income	2,120,582	389,418	146,819	100,325	(513,791)	253,207	-	-	-	-
Capital contributions	836,206,102	17,836,792	102,713,421	213,779,060	-	-	-	-	-	-
Sale of service rights	25,000,000	-	-	-	-	-	-	-	-	-
Transfers	-	33,277	57,783	-	40,000	-	-	-	-	-
Total governmental activities	941,247,399	99,303,148	186,364,438	308,552,363	104,254,352	117,904,553	124,686,316	120,272,985	116,874,809	121,239,849
Business-type activities:										
Investment income	888,779	505,619	203,041	424,157	549,012	792,936	588,870	374,893	128,399	52,996
Net increase in fair value of investments	428,199	440,697	(87,078)	(87,921)	(169,095)	(57,185)	72,913	135,789	100,117	58,977
Property income	27,100	29,880	29,280	26,970	-	-	-	-	-	-
Capital contributions	-	-	215,331	-	-	-	-	-	-	-
Transfers	-	(33,277)	(57,783)	-	(40,000)	-	-	-	-	-
Total business-type activities	1,344,078	942,919	302,791	363,206	339,917	735,751	661,783	510,682	228,516	111,973
Total primary government	942,591,477	100,246,067	186,667,229	308,915,569	104,594,269	118,640,304	125,348,099	120,783,667	117,103,325	121,351,822
Changes in net assets										
Governmental activities	868,412,859	25,612,382	100,845,682	239,058,514	84,417,402	23,911,306	47,884,236	22,407,481	3,073,872	13,645,559
Business-type activities	3,560,259	2,545,972	1,066,596	3,628,933	2,202,687	1,530,032	(2,087,035)	(1,006,963)	(1,321,908)	(204,312)
Total primary government	\$ 871,973,118	\$ 28,158,354	\$ 101,912,278	\$ 242,687,447	\$ 86,620,089	\$ 25,441,338	\$ 45,797,201	\$ 21,400,518	\$ 1,751,964	\$ 13,441,247



**CITY OF NEWPORT BEACH**  
**Fund Balances of Governmental Funds<sup>1</sup>**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year <sup>2</sup>									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund:										
Nondspendable										\$ 1,031,742
Restricted										1,681,333
Committed										27,619,902
Assigned										11,865,835
Unassigned										20,570,033
Total general fund										<u>62,768,845</u> <sup>3</sup>
All other governmental funds:										
Nondspendable										\$ 5,898,234
Restricted										36,445,842
Committed										115,923,344
Assigned										5,633,558
Unassigned										(2,988,102)
Total all other governmental funds										<u>\$ 160,912,876</u> <sup>4</sup>
Total all governmental funds										<u>\$ 223,681,721</u>

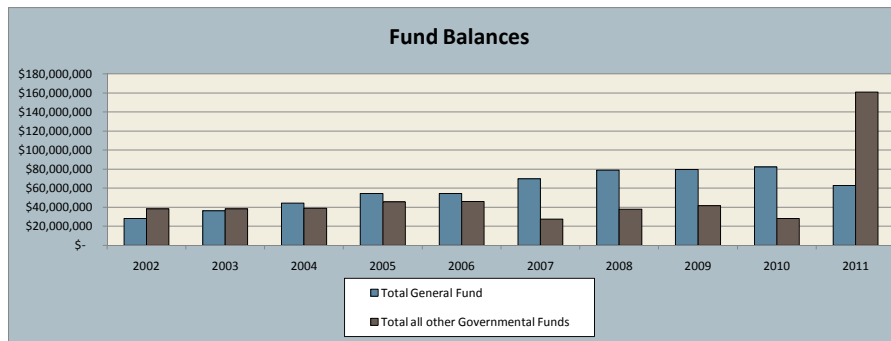
	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	
General fund:										
Reserved	\$ 3,165,787	4,393,418	6,678,579	4,673,198	9,374,722	7,233,703	6,807,094	5,907,205	5,472,481	
Unreserved	25,171,551	31,929,366	37,765,801	49,814,197	45,212,339	62,679,499	72,252,045	73,703,759	76,685,385	
Total general fund	<u>28,337,338</u>	<u>\$ 36,322,784</u>	<u>\$ 44,444,380</u>	<u>\$ 54,487,395</u>	<u>\$ 54,587,061</u>	<u>\$ 69,913,202</u>	<u>\$ 79,059,139</u>	<u>\$ 79,610,964</u>	<u>\$ 82,157,866</u>	
All other governmental funds:										
Reserved	\$ 11,964,833	\$ 5,174,296	\$ 4,889,031	\$ 13,000,882	\$ 36,134,686	\$ 11,168,955	\$ 12,060,365	\$ 8,831,229	\$ 9,363,673	
Unreserved, reported in:										
Special revenue funds	19,302,039	33,042,712	34,194,332	26,391,109	7,533,654	18,917,308	21,670,956	23,849,191	27,973,528	
Capital projects funds	7,120,032	-	-	6,076,969	2,077,124	(3,258,201)	3,271,954	7,671,450	(10,571,278)	
Permanent funds	15	-	-	285,506	404,771	660,029	934,648	1,170,009	1,294,924	
Total all other governmental funds	<u>\$ 38,386,919</u>	<u>\$ 38,217,008</u>	<u>\$ 39,083,363</u>	<u>\$ 45,754,466</u>	<u>\$ 46,150,235</u>	<u>\$ 27,488,091</u>	<u>\$ 37,937,923</u>	<u>\$ 41,521,879</u>	<u>\$ 28,060,847</u>	
Total all governmental funds	<u>\$ 66,724,257</u>	<u>\$ 74,539,792</u>	<u>\$ 83,527,743</u>	<u>\$ 100,241,861</u>	<u>\$ 100,737,296</u>	<u>\$ 97,401,293</u>	<u>\$ 116,997,062</u>	<u>\$ 121,132,843</u>	<u>\$ 110,218,713</u>	

<sup>1</sup> The City of Newport Beach implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54) for the fiscal year ending June 30, 2011.

<sup>2</sup> Information prior to the implementation of GASB 54 is not available.

<sup>3</sup> 2011 general fund data varies from trend due to \$31.3 million transfer from General Fund to Facilities Replacement Fund.

<sup>4</sup> 2011 other governmental funds data varies from trend due to issuance of Civic Center COPs.



**CITY OF NEWPORT BEACH**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>										
Taxes	\$ 65,878,471	\$ 72,864,836	\$ 79,874,751	\$ 91,606,863 <sup>1</sup>	\$ 102,737,810	\$ 112,230,054	\$ 118,758,201	\$ 115,711,574	\$ 113,809,443	\$ 117,983,765
Intergovernmental	26,227,740	10,379,792	16,108,023	19,513,589	14,842,994	18,866,929	21,005,429	11,434,885	15,379,698	11,467,471
Licenses and permits	3,350,958	4,397,520	5,429,632	4,968,234	5,708,965	4,574,659	6,474,789	5,883,515	3,950,967	5,198,986
Charges for services	10,338,569	11,156,294	11,516,782	13,104,478	13,135,366	14,452,723	15,073,178	14,498,120	15,293,362	15,285,813
Fines and forfeitures	3,384,164	3,448,826	3,605,963	3,422,735	3,841,843	4,126,351	4,662,442	4,572,611	4,105,632	3,545,229
Investment income	2,758,557	1,941,046	887,513	2,356,747	3,847,982	5,431,137	5,463,066	3,245,677	1,289,890	1,045,592
Net increase (decrease) in fair value of investments	1,268,972	1,468,682	(360,586)	(493,879)	(1,325,211)	(626,881)	720,488	1,472,335	1,155,363	882,317
Property income	10,130,165	10,947,021	11,857,671	12,337,339	13,625,142	13,965,815	15,217,803	14,032,342	14,624,923	15,538,387
Donations	746,774	1,819,159	2,704,367	1,087,826	883,405	1,379,461	2,159,637	6,760,140	5,497,640	1,790,073
Contributions from property owners	-	-	-	14,779,013	-	-	-	-	-	-
Other	1,782,696	2,590,504	478,200	980,446	1,042,882	1,967,465	4,205,095	8,501,014	7,646,274	5,091,527
<b>Total revenues</b>	<b>125,867,066</b>	<b>121,013,680</b>	<b>132,102,316</b>	<b>163,663,391</b>	<b>158,341,178</b>	<b>176,367,713</b>	<b>193,740,128</b>	<b>186,112,213</b>	<b>182,753,192</b>	<b>177,829,160</b>
<b>Expenditures</b>										
<b>Current:</b>										
General government	12,292,008	9,689,275	11,024,256	10,920,667	12,531,200	13,706,061	14,508,103	15,567,654	15,169,546	15,424,734
Public safety	47,841,176	53,035,377	56,849,718	59,482,134	65,262,069	68,843,947	73,486,413	78,554,344	77,202,445	74,947,173
Public works	19,418,067	21,259,782	22,780,896	24,365,996	26,430,751	28,352,293	30,108,941	30,619,405	39,922,406	31,442,076
Community development	4,586,192	5,457,498	5,723,031	6,144,917	7,900,503	7,753,035	8,703,841	9,971,536	9,556,066	8,430,813
Community services	9,418,041	9,382,608	10,827,346	10,351,414	12,730,727	13,988,589	14,478,146	17,485,605	14,916,230	15,662,011
Capital outlay	38,613,906	14,684,897	15,188,550	33,486,048	24,811,237	45,615,169	20,524,638	26,002,338	36,796,653	37,645,882
Debt service:										
Principal retirement	1,291,099	1,822,913	1,668,350	1,688,801	1,715,542	3,736,587	3,263,948	3,292,641	1,820,679	6,230,080
Interest and fiscal charges	466,974	529,808	520,228	499,077	480,909	458,035	577,299	482,908	383,297	1,179,612
Issuance of debt costs	-	-	-	-	-	-	-	-	-	1,219,071
<b>Total expenditures</b>	<b>133,927,463</b>	<b>115,862,158</b>	<b>124,582,375</b>	<b>146,939,054</b>	<b>151,862,938</b>	<b>182,453,716</b>	<b>165,651,329</b>	<b>181,976,431</b>	<b>195,767,322</b>	<b>192,181,452</b>
Excess (deficiency) of revenues over (under) expenditures	(8,060,397)	5,151,522	7,519,941	16,724,337	6,478,240	(6,086,003)	28,088,799	4,135,782	(13,014,130)	(14,352,292)
<b>Other financing sources (uses):</b>										
Transfers in	10,927,460	14,376,167	16,553,395	20,601,957	25,194,920	20,271,396	27,583,922	23,354,366	22,380,521	58,763,620
Transfers out	(11,669,089)	(14,342,890)	(18,495,612)	(20,612,176)	(31,177,725)	(22,521,396)	(36,076,952)	(23,354,366)	(21,780,521)	(58,763,620)
Proceeds from issuance of debt	18,000,000	2,630,736	-	-	-	5,000,000	-	-	1,500,000	126,660,000
Issuance of debt premium	-	-	-	-	-	-	-	-	-	1,155,300
<b>Total other financing sources (uses)</b>	<b>17,258,371</b>	<b>2,664,013</b>	<b>(1,942,217)</b>	<b>(10,219)</b>	<b>(5,982,805)</b>	<b>2,750,000</b>	<b>(8,493,030)</b>	<b>-</b>	<b>2,100,000</b>	<b>127,815,300</b>
<b>Net change in fund balances</b>	<b>\$ 9,197,974</b>	<b>\$ 7,815,535</b>	<b>\$ 5,577,724</b>	<b>\$ 16,714,118</b>	<b>\$ 495,435</b>	<b>\$ (3,336,003)</b>	<b>\$ 19,595,769</b>	<b>\$ 4,135,782</b>	<b>\$ (10,914,130)</b>	<b>\$ 113,463,008</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>1.6%</b>	<b>2.2%</b>	<b>1.8%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>2.8%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>1.3%</b>	<b>4.8%</b>

<sup>1</sup> Adjusted to include Property Tax-in lieu of VLF which was previously reported as intergovernmental revenue

## REVENUE CAPACITY

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This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules present factors affecting the City's ability to generate its own revenue and its most significant local revenue source, the property tax:

- Assessed Value and Estimated Actual Value of Taxable Property
- Direct and Overlapping Property Tax Rates
- Principal Property Tax Payers
- Property Tax Levies and Collections

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

**CITY OF NEWPORT BEACH**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Eleven Fiscal Years**

Fiscal Year Ended June 30	City			Taxable Assessed Value	Change	Total Direct Tax Rate
	Public Utility	Secured	Unsecured			
2002	2,000	16,515,797,641	913,075,074	17,428,874,715	N/A	1.000%
2003	16,531,505	21,339,270,499	1,085,951,066	22,425,221,565	28.67%	1.000%
2004	16,531,505	23,219,166,299	1,372,432,950	24,591,599,249	9.66%	1.000%
2005	53,310	25,193,662,254	1,484,019,033	26,677,681,287	8.48%	1.000%
2006	53,310	28,136,607,566	1,914,106,993	30,050,714,559	12.64%	1.000%
2007	53,310	31,423,473,042	1,569,867,249	32,993,340,291	9.79%	1.000%
2008	53,310	34,188,568,583	1,668,015,342	35,856,583,925	8.68%	1.000%
2009	699,230	36,436,106,070	1,538,539,482	37,974,645,552	5.91%	1.000%
2010	699,230	37,078,595,810	1,564,808,312	38,643,404,122	1.76%	1.000%
2011	699,230	37,080,217,275	1,626,947,910	38,707,165,185	0.16%	1.000%
2012	699,230	37,550,413,836	1,556,752,313	39,107,166,149	1.03%	1.000%

**NOTE:**

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

*The City of Newport Beach has elected to show eleven years of data for this schedule as Fiscal year 2012 data was readily available when compiling this schedule.*

Source: County of Orange Auditor-Controller's Office

**CITY OF NEWPORT BEACH**  
**Direct and Overlapping Property Tax Rates**  
**(Rate per \$100 of assessed value)**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Direct Rates:										
City basic rate	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total City Direct Rate	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates:										
Water Districts	0.008	0.007	0.006	0.006	0.069	0.078	0.096	0.096	0.110	0.110
School Districts	0.0242	0.0682	0.1019	0.1439	0.1137	0.1103	0.1092	0.1009	0.1521	0.1548
Total Overlapping Rate	0.032	0.075	0.108	0.150	0.182	0.189	0.205	0.197	0.262	0.265
Total Direct & Overlapping Rate	\$ 1.032	\$ 1.075	\$ 1.108	\$ 1.150	\$ 1.182	\$ 1.189	\$ 1.205	\$ 1.197	\$ 1.262	\$ 1.265

**NOTE:**

In 1978, California voters passed Proposition 13 which sets 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 other debt obligations.

Source: HdL, Coren & Cone



**CITY OF NEWPORT BEACH**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percent of Total City Taxable Assessed Value
The Irvine Company	\$ 1,943,855,195	1	5.02%	\$ 926,646,311	1	4.41%
Bay Island Club	146,530,665	2	0.38%	N/A		0.00%
Newport Bluffs LLC	137,816,296	3	0.36%	N/A		0.00%
Balboa Bay Club Inc.	126,251,407	4	0.33%	N/A		0.00%
UDR Newport Beach North LP	117,510,707	5	0.30%	127,762,327	4	0.61%
Coronado South Apartments LP	114,393,193	6	0.30%	N/A		0.00%
Jazz Semiconductor Inc	106,434,577	7	0.27%	N/A		0.00%
EO MacArthur LLC	102,733,580	8	0.27%	N/A		0.00%
Newport Healthcare Center	101,818,515	9	0.26%	N/A		0.00%
100 Bayview LLC	94,303,543	10	0.24%	N/A		0.00%
	<u>\$ 2,991,647,678</u>		<u>7.73%</u>	<u>\$ 1,054,408,638</u>		<u>5.02%</u>

Source: HdL, Coren and Cone Co.

**CITY OF NEWPORT BEACH**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2002	31,298,541 <sup>1</sup>	30,651,143	97.93%	102,001	30,753,144	98.26%
2003	37,092,528	36,351,026	98.00%	529,986	36,881,012	99.43%
2004	42,469,238	41,420,410	97.53%	670,685	42,091,095	99.11%
2005	45,111,328	54,063,951	119.85% <sup>2</sup>	483,804	54,547,755 <sup>2</sup>	120.92%
2006	47,286,816	45,558,039	96.34%	728,365	46,286,404	97.88%
2007	70,194,492	68,820,402	98.04%	808,765	69,629,167	99.19%
2008	69,315,117	68,242,326	98.45%	846,904	69,089,231	99.67%
2009	71,006,357	70,879,909	99.82%	(294,366) <sup>4</sup>	70,585,543	99.41%
2010	68,412,731	69,022,270 <sup>3</sup>	100.89%	(1,227,109) <sup>4</sup>	67,795,161	99.10%
2011	70,476,893	70,477,221	100.00%	(796,322) <sup>4</sup>	69,680,899	98.87%

<sup>1</sup> Includes estimated levy for Newport Coast properties that were annexed on January 1, 2002.

<sup>2</sup> Collections include nearly \$10 million of Property Tax in lieu of Sales Tax and Vehicle License Fees not included in the levy.

<sup>3</sup> In Fiscal Year 2009-10 the State borrowed approximately \$6.2 million of property tax revenue in accordance with Proposition 1A (2004). Collections include the full amount of the borrowing as the City recovered the \$6.2 million in Fiscal Year 2009-10 by participating in a securitization program through the California Statewide Communities Development Authority.

<sup>4</sup> Negative numbers reflect property tax refunds allocated to the referenced year

Source: Orange County Auditor Controller's Office

## DEBT CAPACITY

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This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules exhibit the City's levels of outstanding debt over time, to help readers assess the affordability of the current level of outstanding debt, and the City's ability to issue additional debt:

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Direct and Overlapping Debt
- Legal Debt Margin Information

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

**CITY OF NEWPORT BEACH**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation <sup>1</sup>	Note Payable	Pre-Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
2002	6,365,000	2,219,660	18,000,000	N/A	1,150,927	N/A
2003	6,110,000	2,082,483	16,800,000	2,400,000	1,293,586	N/A
2004	5,845,000	1,939,133	15,600,000	2,340,000	862,975	N/A
2005	5,570,000	1,789,332	14,400,000	2,276,000	420,773	N/A
2006	5,280,000	1,632,789	13,200,000	2,207,000	166,056	N/A
2007	4,980,000	1,469,202	12,000,000	2,134,000	49,490	3,000,000
2008	4,665,000	1,298,254	10,800,000	2,056,000	-	1,500,000
2009	4,335,000	1,119,613	9,600,000	1,972,000	-	N/A
2010	3,990,000	932,934	8,400,000	1,883,000	-	1,500,000
2011	126,660,000	737,854	7,200,000	1,788,000	-	750,000

Note: This schedule excludes claims and judgements, employee compensated absence, OPEB and Early Retirement Incentive Plan Liabilities. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Amount does not include bond premium.

<sup>2</sup> These ratios are calculated using personal income and population for the prior calendar year.

**CITY OF NEWPORT BEACH**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Total Governmental Activities	Business-type Activities		Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
	Water Revenue Bonds	Total Business- type Activities			
27,735,587	10,950,000	10,950,000	38,685,587	0.88%	552
28,686,069	9,765,000	9,765,000	38,451,069	0.79%	508
26,587,108	8,535,000	8,535,000	35,122,108	0.66%	442
24,456,105	7,255,000	7,255,000	31,711,105	0.58%	392
22,485,845	5,925,000	5,925,000	28,410,845	0.50%	342
23,632,692	4,540,000	4,540,000	28,172,692	0.44%	338
20,319,254	3,095,000	3,095,000	23,414,254	0.36%	278
17,026,613	1,585,000	1,585,000	18,611,613	0.28%	215
16,705,934	-	-	16,705,934	0.25%	193
137,135,854	-	-	137,135,854	2.32%	1,606

**CITY OF NEWPORT BEACH**  
**Outstanding Debt Serviced by the General Fund**  
**Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30</u>	<u>Certificates of Participation</u>	<u>Purchase Agreement Payable</u>	<u>Total</u>	<u>Percent of Assessed Value <sup>1</sup></u>	<u>Per Capita</u>
2002	6,610,000	N/A	6,610,000	0.04%	94
2003	6,365,000	N/A	6,365,000	0.04%	84
2004	6,110,000	N/A	6,110,000	0.03%	77
2005	5,845,000	N/A	5,845,000	0.02%	72
2006	5,570,000	N/A	5,570,000	0.02%	67
2007	5,280,000	3,000,000	8,280,000	0.03%	99
2008	4,980,000	1,500,000	6,480,000	0.02%	77
2009	4,335,000	N/A	4,335,000	0.01%	50
2010	3,990,000	1,500,000	5,490,000	0.01%	63
2011	126,660,000	750,000	127,410,000	0.33%	1,492

<sup>1</sup> Assessed value was used because the actual value of taxable property is not readily available in the State of California.

**CITY OF NEWPORT BEACH**  
**Direct and Overlapping Debt**  
**June 30, 2011**

<b>City Assessed Valuation:</b>	\$ 38,707,165,185
Redevelopment Agency Incremental Valuation:	<u>811,396,291</u>
Adjusted Assessed Valuation:	<u>\$ 37,895,768,894</u>

	Percentage Applicable <sup>1</sup>	Outstanding Debt 6/30/11	Estimated Share of Overlapping Debt
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Metropolitan Water District	2.124%	227,670,000	4,835,711
Coast Community College District	35.323%	326,768,867	115,424,567
Rancho Santiago Community College District	3.585%	309,908,025	11,110,203
Laguna Beach Unified School District	14.711%	31,365,000	4,614,105
Laguna Beach U.S.D. Community Facilities District No. 98-1	100.000%	9,600,000	9,600,000
Newport Mesa Unified School District	72.559%	253,714,150	184,092,450
Newport Mesa U.S.D. Community Facilities District No. 90-1	100.000%	12,540,000	12,540,000
Santa Ana Unified School District	8.567%	310,984,745	26,642,063
Irvine Ranch Water District Improvement Districts	11.134% - 100.000%	79,959,310	49,534,192
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	40,465,000	40,465,000
City of Newport Beach Special Improvement District No. 95-1	100.000%	6,140,000	6,140,000
City of Newport Beach 1915 Act Bonds	100.000%	18,855,000	18,855,000
Orange County Assessment District No. 88-1	100.000%	33,438,296	33,438,296
Orange County Reassessment District No. 99-1R	100.000%	12,600,000	12,600,000
Orange County Assessment District No. 01-1	100.000%	51,560,000	51,560,000
Orange County Reassessment District No. 01-1R	100.000%	5,870,000	5,870,000
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<u>1,731,438,393</u>	<u>587,321,587</u>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</b>			
<u><b>DIRECT GENERAL FUND DEBT:</b></u>			
City of Newport Beach Certificates of Participation	100.000%	126,660,000	126,660,000
<b>TOTAL DIRECT GENERAL FUND DEBT</b>		<u>126,660,000</u>	<u>126,660,000</u>
<u><b>OVERLAPPING GENERAL FUND DEBT:</b></u>			
Orange County General Fund Obligations	10.144%	\$ 316,898,000	\$ 32,146,133
Orange County Pension Obligations	10.144%	54,682,497	5,546,992
Orange County Board of Education Certificates of Participation	10.144%	19,000,000	1,927,360
Municipal Water District of O.C. Water Facilities Corporation	11.990%	14,120,000	1,692,988
South Orange County Community College District Certificates of Participation	3.084%	17,375,000	535,845
Santa Ana Unified School District Certificates of Participation	8.567%	52,212,863	4,473,076
Irvine Ranch Water District Certificates of Participation	11.269%	81,400,000	9,172,966
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<u>555,688,360</u>	<u>55,495,360</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		682,348,360	182,155,360
Less: MWDOC Water Facilities Corporation (100% self-supporting)			(1,692,988)
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<u>\$ 180,462,372</u>
<b>GROSS COMBINED TOTAL DEBT (2)</b>			<b>\$ 769,476,947</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$ 767,783,959</b>

<sup>1</sup> The percentage of overlapping agency's assessed valuation located within boundaries of the city.

<sup>2</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and nonbonded capital lease obligations.

<b>Ratios to 2010-11 Assessed Valuation:</b>	
Total Overlapping Tax and Assessment Debt	1.52%

<b>Ratios to Adjusted Assessed Valuation:</b>	
Combined Direct Debt (\$126,660,000)	0.33%
Gross Combined Total Debt	2.03%
Net Combined Total Debt	2.03%

<u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11:</u>	\$0
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Source: California Municipal Statistics, Inc.

**CITY OF NEWPORT BEACH**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2002	2003	2004	2005
Assessed valuation	\$ 17,428,874,715	\$ 22,425,221,565	\$ 24,591,599,249	\$ 26,677,681,287
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	4,357,218,679	5,606,305,391	6,147,899,812	6,669,420,322
Debt limit percentage	15%	15%	15%	15%
Debt limit	653,582,802	840,945,809	922,184,972	1,000,413,048
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 653,582,802</u>	<u>\$ 840,945,809</u>	<u>\$ 922,184,972</u>	<u>\$ 1,000,413,048</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

NOTE:

The State of California Government Code Section 43605 provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department



**CITY OF NEWPORT BEACH**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 30,050,714,559	\$ 32,993,340,291	\$ 35,856,583,925	\$ 37,974,645,552	\$ 38,643,404,122	\$ 38,707,165,185
25%	25%	25%	25%	25%	25%
7,512,678,640	8,248,335,073	8,964,145,981	9,493,661,388	9,660,851,031	9,676,791,296
15%	15%	15%	15%	15%	15%
1,126,901,796	1,237,250,261	1,344,621,897	1,424,049,208	1,449,127,655	1,451,518,694
-	-	-	-	-	-
<u>\$ 1,126,901,796</u>	<u>\$ 1,237,250,261</u>	<u>\$ 1,344,621,897</u>	<u>\$ 1,424,049,208</u>	<u>\$ 1,449,127,655</u>	<u>\$ 1,451,518,694</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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## DEMOGRAPHIC AND ECONOMIC INFORMATION

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This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules depict demographic and economic indicators to assist the reader in understanding the socio-economic, environment in which the City's financial activities take place:

- Demographic and Economic Statistics
- Principal Employers

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

**CITY OF NEWPORT BEACH**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population <sup>1</sup>	Personal Income (in thousands)	Per Capita Income <sup>2</sup>	Unemployment Rate <sup>3</sup>
2002	75,662	4,865,294	64,303	2.5%
2003	79,392	5,325,060	67,073	2.4%
2004	80,800	5,434,285	67,256	1.9%
2005	83,120	5,635,370	67,798	2.4%
2006	83,361	6,335,186	75,997	2.1%
2007	84,218	6,518,052	77,395	2.6%
2008	84,554	7,059,752	83,494	2.4%
2009	86,252	7,468,216	86,586	6.1%
2010	86,738	6,676,484	76,973	6.0%
2011	85,376	5,916,215	69,296	5.8%

<sup>1</sup> Population estimates are as of January 1 of the year shown and do not reflect revised estimates made available after the date the information was collected for the City's Comprehensive Annual Financial Report.

Sources:

<sup>(1)</sup> California State Department of Finance, E-4 Population Estimates for Cities, Counties and State 2001-2010; and, E-1 Population Estimates for Cities, Counties and State January 1, 2010 and 2011

<sup>(2)</sup> U.S. Census Bureau - American Community Survey 1-Year Estimates

<sup>(3)</sup> State of California, Employment Development Department

**CITY OF NEWPORT BEACH**  
**Principal Employers<sup>1</sup>**  
**Current Year and 6 years ago**

Employer	2011			2005 <sup>2</sup>		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	5,000	1	6.22%	3,640	1	4.37%
Pacific Life Insurance	1,119	2	1.39%	2,788	2	3.35%
Glidewell Dental	1,100	3	1.37%	N/A <sup>3</sup>	-	N/A
PIMCO Advisors	1,005	4	1.25%	530	7	0.64%
Newport-Mesa Unified School District	895	5	1.11%	N/A <sup>3</sup>	-	N/A
City of Newport Beach	807	6	1.00%	788	4	0.95%
Resort at Pelican Hill	750	7	0.93%	-	-	N/A
Jazz Semi-Conductor	554	8	0.69%	730	5	0.88%
Balboa Bay Club and Resort	500	9	0.62%	N/A <sup>3</sup>	-	N/A
The Island Hotel	480	10	0.60%	525 <sup>4</sup>	8	0.63%
Fletcher Jones Motor Cars Inc.	450	11	0.56%	N/A <sup>3</sup>	-	N/A
Marriott-Newport Beach	334	12	0.42%	475	9	0.57%

<sup>1</sup> Figures reflect number of employees of employer at the time the information was collected.

<sup>2</sup> Information for nine years ago is not available.

<sup>3</sup> Company listed was unable to provide reliable employee data for 2005.

<sup>4</sup> The Island Hotel was formerly the Four Seasons Hotel.

Source: Data obtained from companies listed and compiled by City Finance Department.

## OPERATING INFORMATION

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This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The statistical information presented herein is un-audited.

The following schedules present information on the City's operations and resources including service and infrastructure data to facilitate the readers understanding of how financial statement information relates to the services the City provides and the activities it performs:

- Full Time City Employees by Functions
- Operating Indicators by Function
- Capital Asset Statistics by Function
- Water Sold by Customer Type
- Water Rates
- Major Water Customers

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive annual financial reports and underlying accounting records for the relevant year.

**CITY OF NEWPORT BEACH**  
**Full-time City Employees by Function**  
**Last Ten Fiscal Years**

Function	Full-Time Employees as of June 30, 2011									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	77	77	84	86	90	93	93	99	100	94
Public safety	384	384	385	385	388	393	397	397	397	381
Community development	44	46	46	47	48	52	56	57	57	51
Public works	163	164	162	162	163	163	165	160	160	144
Community services	57	58	57	60	65	66	68	71	71	70
Balboa yacht basin	1	1	1	1	-	-	-	-	-	-
Water	33	33	33	34	34	34	35	35	35	37
Wastewater	12	12	13	13	13	13	13	13	13	15
Total	<u>771</u>	<u>775</u>	<u>781</u>	<u>788</u>	<u>801</u>	<u>814</u>	<u>827</u>	<u>832</u>	<u>833</u>	<u>792</u>

Source: City Finance Department

**CITY OF NEWPORT BEACH**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2002	2003	2004	2005
<b>Police:</b>				
Adult Arrests	3,684	3,485	3,201	3,079
Parking Citations Issued	73,191	68,907	71,076	72,665
<b>Fire:</b>				
Fire Responses	359	442	423	228
Fire Inspections	6,400	4,460	4,500	4,550
<b>General Services:</b>				
Street Patching (tons of mix)	5,500	5,500	5,000	4,500
Sidewalk Repair (square feet)	50,000	55,000	50,000	50,000
<b>Recreation &amp; Senior Services:</b>				
Co-Sponsored Youth Organizations	188,689	200,077	185,627	194,749
Senior Transportation Services	10,917	12,094	12,041	11,936
<b>Water:</b>				
New connections	118	99	53	55
Average daily consumption (hundred cubic ft.)	17	17	17	17
<b>Sewer:</b>				
New connections	N/A	50	25	24
Miles of Pipe Cleaned	202	262	293	205
<b>Library Services:</b>				
Library Circulation of Materials	1,263,200	1,347,583	1,392,346	1,475,025

Source: City of Newport Beach



**CITY OF NEWPORT BEACH**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Fiscal Year					
2006	2007	2008	2009	2010	2011
2,999	3,289	3,196	3,245	3,307	3,332
74,780	67,170	70,150	65,176	66,310	67,459
214	175	393	371	338	350
6,470	7,136	7,250	6,912	7,000	7,000
4,600	4,980	4,644	3,882	3,467	2,580
55,000	59,459	58,000	49,644	49,540	39,972
194,722	201,258	318,779	318,000	320,000	320,000
12,628	14,728	15,279	16,035	15,458	15,063
52	95	60	26	19	28
17	17	17	17	17.25	17.25
24	45	45	12	9	6
335	226	212	209	200	235
1,443,078	1,622,573	1,701,476	1,575,518	1,694,145	1,738,027

**CITY OF NEWPORT BEACH**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2002	2003	2004	2005
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	7	7	7	8
Lifeguard Headquarters	1	1	1	1
Public works:				
Streets (miles)	325	333	333	333
Streetlights	7,277	7,277	7,277	7,277
Traffic signals	130	131	131	144
Recreation & Senior Services:				
Parks	47	47	47	47
Community centers	11	11	11	11
Aquatic Center	1	1	1	1
Water:				
Water mains (miles)	294.81	294.81	294.81	298.42
Maximum daily capacity (thousands of gallons)	20,796	21,291	20,092	20,633
Wastewater:				
Sanitary sewers (miles)	176.90	178.40	179.15	179.15
Storm sewers (miles)	51.40	53.50	57.60	57.60
Library Services:				
Libraries	4	4	4	4

Source: City of Newport Beach

**CITY OF NEWPORT BEACH**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Fiscal Year					
2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
333	395	395	395	395	395
7,277	7,278	7,278	7,278	7,278	7,278
147	147	148	148	148	148
47	47	48	49	49	49
11	12	13	13	13	13
1	1	1	1	1	1
299.88	300.35	300.17	300.31	303.27	303.25
19,369	20,392	20,365	19,707	19,341	28,540
179.15	202.80	202.80	202.80	202.80	202.40
57.60	95.50	95.50	95.50	95.50	95.40
4	4	4	4	4	4

**CITY OF NEWPORT BEACH**  
**Water Sold by Type of Customer**  
**Last Ten Fiscal Years**  
**(in hundred cubic feet)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Type of Customer:										
Residential	4,459,302	4,430,485	4,362,402	4,289,629	4,190,791	4,492,489	4,046,969	3,989,816	4,251,996	3,656,705
Commercial	1,552,366	1,604,931	1,659,565	1,568,462	1,440,377	1,302,578	1,184,904	1,188,553	1,165,128	1,144,975
Government	480,809	597,395	486,051	487,189	607,650	601,659	361,457	420,697	349,334	320,821
<b>Total</b>	<b>6,492,477</b>	<b>6,632,811</b>	<b>6,508,018</b>	<b>6,345,280</b>	<b>6,238,818</b>	<b>6,396,726</b>	<b>5,593,330</b>	<b>5,599,066</b>	<b>5,766,458</b>	<b>5,122,501</b>
Total direct rate per 100 cubic ft.	2.00	2.00	2.00	2.00	2.08	2.08	2.08	2.08	2.20	2.46

Source: City Utilities Department

**CITY OF NEWPORT BEACH**  
**Water Rates**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Monthly Base Rate	Rate per 100 cubic ft
2002	9.90	2.25
2003	10.00	2.25
2004	10.20	2.25
2005	10.35	2.25
2006	12.37	2.43
2007	12.37	2.43
2008	12.37	2.43
2009	12.37	2.43
2010	14.59	2.55
2011	21.03	2.81

Note: Rates are based on 3/4" meter, which is the standard household meter size. The City charges an excess-use rate above normal demand.

**CITY OF NEWPORT BEACH**  
**Major Water Customers**  
**Current Year and Nine Years Ago**

Water Customer	2011			2002		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
The Irvine Company	\$ 254,273	1	1.26%	\$ 241,387	1	1.36%
Hoag Memorial Hospital	197,381	2	0.98%	60,355	15	0.34%
Big Canyon Country Club	154,772	3	0.77%	172,751	3	0.97%
Newport Beach Country Club	110,751	4	0.55%	132,881	5	0.75%
Park Newport Ltd	86,255	5	0.43%	107,807	7	0.61%
UDR Newport Beach	80,457	6	0.40%	N/A		0.00%
Bluffs Homeowners Association	75,192	7	0.37%	N/A		0.00%
Irvine Company Retail Property	67,238	8	0.33%	174,111	2	0.98%
Newport-Mesa USD	62,979	9	0.31%	73,970	11	0.42%
Newport Dunes Resort	53,302	10	0.26%	65,575	17	0.37%
Pacific View - Pierce Bros.	49,057	11	0.24%	41,224	19	0.23%
IOIC/PMS Engineering Department	42,799	12	0.21%	N/A		0.00%
Balboa Village Community Association	33,830	13	0.17%	107,022	8	0.60%
Jasmine Creek Community Association	33,174	14	0.16%	108,956	6	0.61%
Bayside Village	32,466	15	0.16%	37,169	21	0.21%
	<u>\$ 1,333,926</u>		<u>6.61%</u>	<u>\$ 1,081,821</u>		<u>6.07%</u>

Source: City Revenue Division



City of Newport Beach

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[www.newportbeachca.gov/financial](http://www.newportbeachca.gov/financial) info