

CITY OF NEWPORT BEACH

*Comprehensive Financial
Annual Report*



FISCAL YEAR ENDED JUNE 30, 2017





*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017*

*Prepared by the Finance Department
Dan Matusiewicz, Director*



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

INTRODUCTORY SECTION



INTRODUCTORY SECTION

CITY OF NEWPORT BEACH
 Comprehensive Annual Financial Report
 Year Ended June 30, 2017

TABLE OF CONTENTS

INTRODUCTORY SECTION

(Unaudited)

Table of Contents.....	1
Letter of Transmittal.....	5
GFOA Certificate of Achievement for Excellence in Financial Reporting	19
List of City Officials	20
Organization Chart.....	21

FINANCIAL SECTION

Independent Auditors' Report.....	25
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Management's Discussion and Analysis.....	31
(Required Supplementary Information)	

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Position	53
Statement of Activities.....	54

Fund Financial Statements:

Governmental Funds:

Balance Sheet.....	60
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	63
Statement of Revenues, Expenditures and Changes in Fund Balances.....	64
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	67

Budgetary Comparison Statements:

General Fund	68
Tide and Submerged Land – Operating Fund.....	70
Tide and Submerged Land – Harbor Capital Fund	71
Combined Transportation Fund.....	72

Proprietary Funds:

Statement of Net Position.....	75
Statement of Revenues, Expenses and Changes in Net Position	76
Statement of Cash Flows	77

Fiduciary Funds:

Statement of Fiduciary Assets and Liabilities – Agency Funds.....	81
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Notes to the Financial Statements	85
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Required Supplementary Information

Defined Benefit Plan For Miscellaneous Employees:
Schedule of Changes in the Net Pension Liability and Related Ratios 148
Schedule of Contributions 149
Defined Benefit Plan For Safety Employees:
Schedule of Changes in the Net Pension Liability and Related Ratios 150
Schedule of Contributions 151

Supplementary Schedules

Other Governmental Funds:
Combining Balance Sheet..... 158
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances 166
Budgetary Comparison Schedules:
State Gas Tax Fund 174
Asset Forfeiture Fund 175
OTS DUI Grant Fund 176
Circulation and Transportation Fund 177
Building Excise Tax Fund..... 178
Community Development Block Grant Fund 179
Air Quality Management District Fund 180
Environmental Liability Fund 181
Supplemental Law Enforcement Fund 182
Newport Coast Annexation Fund 183
Contributions Fund..... 184
FIIN Fund..... 185
Internal Service Funds:
Combining Statement of Net Position 189
Combining Statement of Revenues, Expenses and Changes in Net Position 190
Combining Statement of Cash Flows 191
Fiduciary Funds:
Combining Statement of Fiduciary Assets and Liabilities..... 195
Statement of Changes in Fiduciary Assets and Liabilities 196

STATISTICAL SECTION (Unaudited)

Financial Trends:
Net Position by Component 200
Changes in Net Position..... 202
Fund Balances of Governmental Funds..... 204
Changes in Fund Balance of Governmental Funds 206
Revenue Capacity:
Assessed Value and Estimated Actual Value of Taxable Property 209
Property Tax Rates, Direct and Overlapping Governments 210
Principal Property Taxpayers 211
Property Tax Levies & Collections 212
Debt Capacity:
Ratios of Outstanding Debt by Type 214
Ratios of General Bonded Debt 216

Schedule of Direct and Overlapping Debt.....	217
Computation of Legal Debt Margin	218
Demographic and Economic Information:	
Demographic and Economic Statistics.....	221
Principal Employers	222
Operating Information:	
Full Time City Employees by Function.....	225
Operating Indicators by Function	226
Capital Asset Statistics by Function	228
Water Sold by Customer Type	230
Water Rates	231
Major Water Customers	232

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December 26, 2017

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

The City Charter and California state law require that the City of Newport Beach (“City”) issue a complete set of financial statements annually and that an independent firm of certified public accountants audit this report 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, 2017, 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 consists of 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 generally accepted accounting principles. 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 (FY) ended June 30, 2017, 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 unmodified opinion that the City of Newport Beach’s financial statements for the year ended June 30, 2017 are fairly presented in

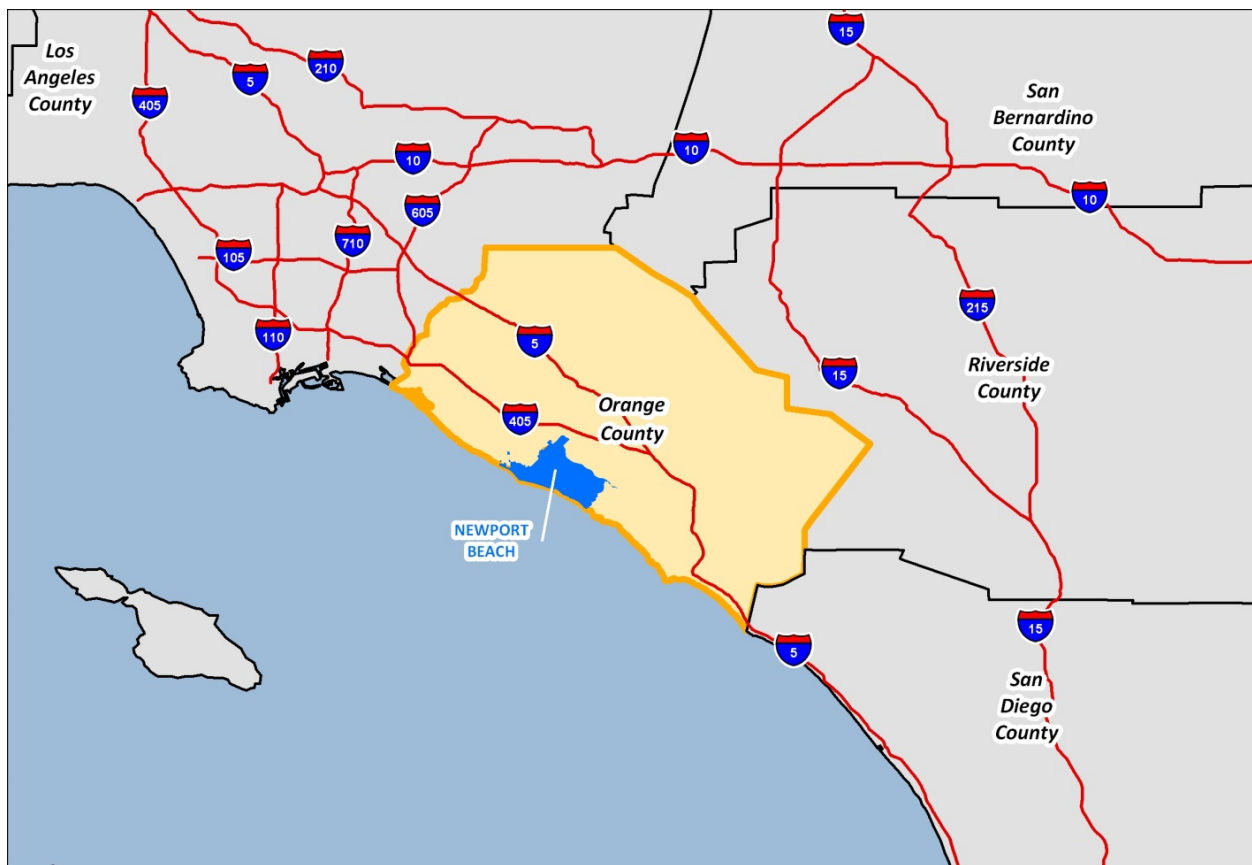
conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

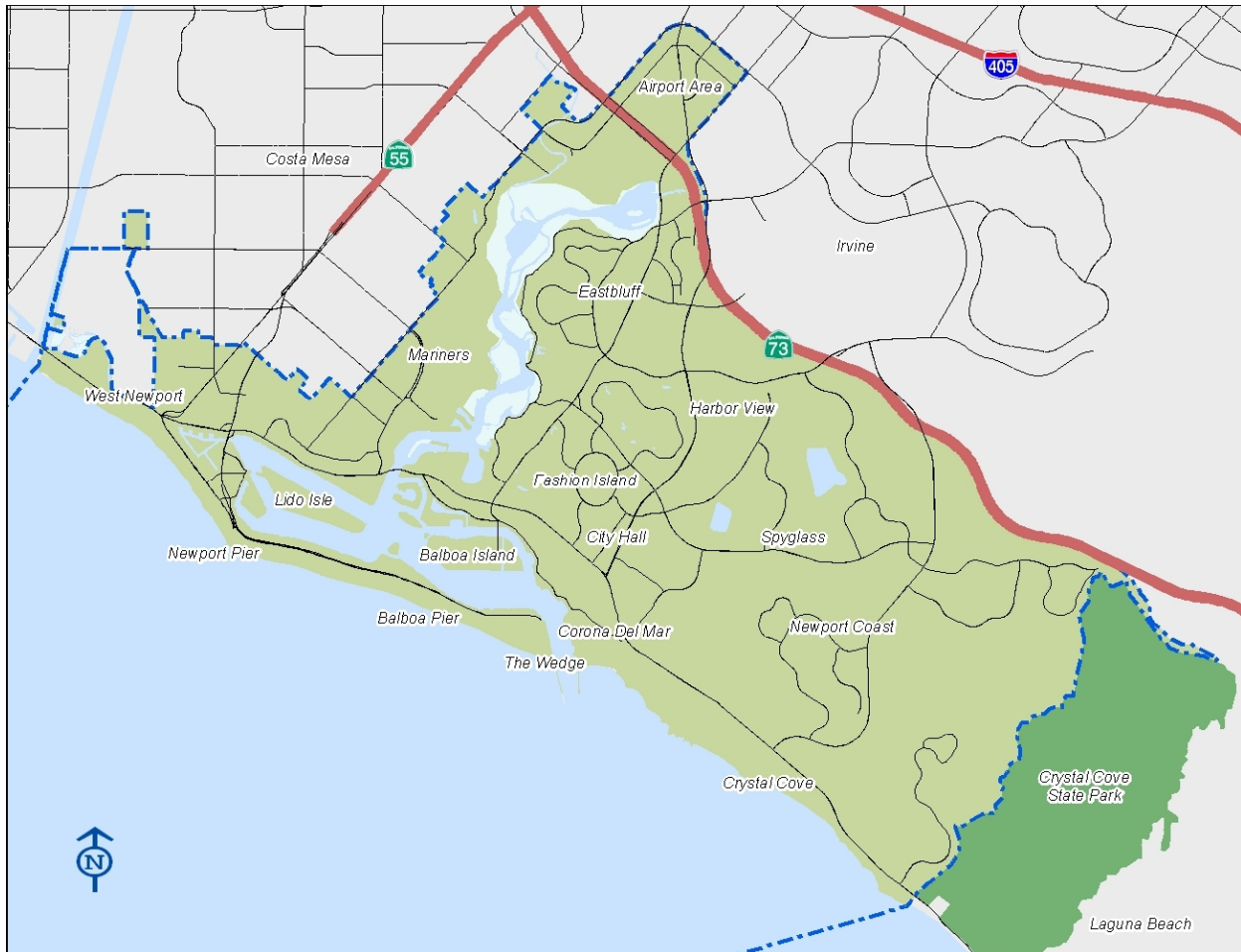
Newport Beach is a community located in the coastal center of Orange County, in the heart of Southern California, with Los Angeles County to the north and San Diego County to the south. There are currently 34 cities within the county. In terms of population, Orange County is the third largest county in California trailing Los Angeles and San Diego. It 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 surrounds Newport Bay, well known for its picturesque islands and one of the greatest recreational harbors in the world, accommodating about 4,300 recreational and sports charter boats docked within its 21-square-mile harbor. The bay and the ten miles of ocean beach offer outstanding fishing, swimming, surfing, and aquatic sports activities. The city has a permanent population of 84,915, which typically grows to well over 100,000 during the summer months, including 20,000 to 100,000 or more tourists daily. There are fine residential areas, modern shopping facilities, and a quality school system. The University of California, Irvine, 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 upper bay, the 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.



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,

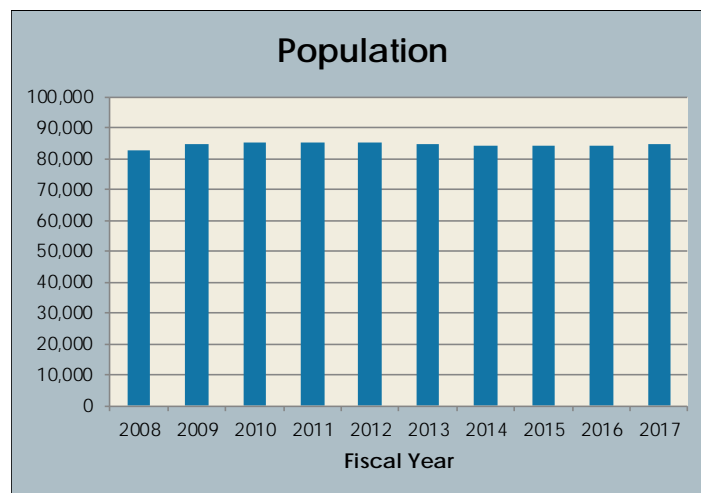
among other things, policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations 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, and street light utility services. The City provides water and wastewater service to most areas within city limits, but it does not provide gas, cable television, electrical, or other utility services. Public elementary and secondary education is provided by the Newport-Mesa Unified School District and the Laguna Beach Unified School District.

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 of Newport Beach elected officials are 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

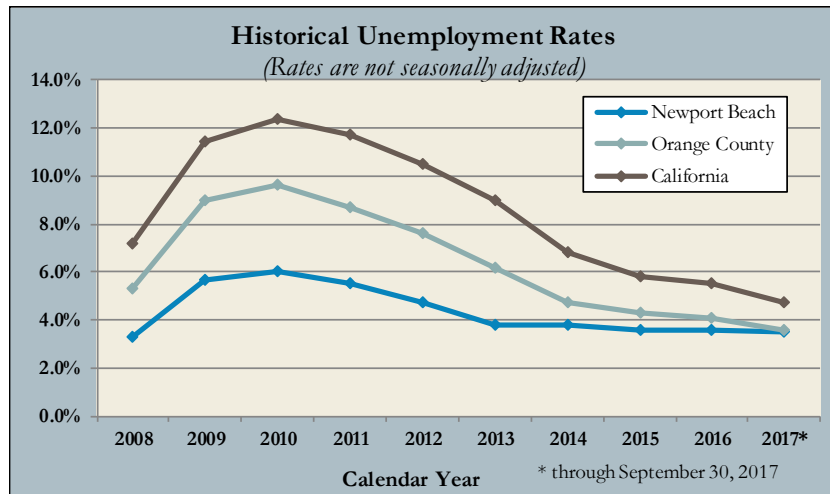
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 84,915, the population has been very stable as indicated by the following chart.



The effective buying income and median household income are generally higher in Newport Beach than in 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.

2016 Median Household Income	
City of Newport Beach	\$113,300
Orange County	81,837
California	67,739
USA	57,617

The leading industries here are professional, scientific, health-care, finance, insurance, legal, and travel/tourism. Unemployment in the city has been significantly lower than elsewhere as illustrated on the following chart.



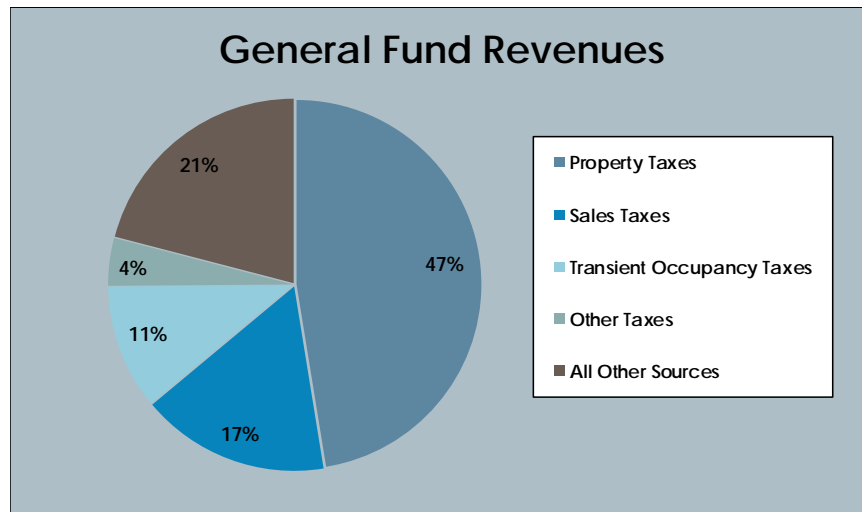
More detailed information concerning the city’s demographics and statistics are contained within the Statistical Section of this report.

LOCAL ECONOMY

The unemployment rate in Orange County was 3.6 percent in September 2017, and below the year-ago estimate of 4.0 percent. This compares with an unadjusted unemployment rate of 4.7 percent for California and 4.1 percent for the nation during the same period. Steady job growth and inventory shortages are driving up the demand for new housing. The building of new single-family homes and multi-family residences remains solid, but at a slower pace and at higher price points than the level needed to address housing shortages. Most analysts agree that sales of new vehicles are likely to continue their drift downward as higher interest rates, tighter credit for subprime borrowers, longer-term loans and lower used car prices combine to trim demand. General consumer sales continue to trend flat in part due to continued expansion of the on-line sales at the expense of brick and mortar stores.

TOP THREE REVENUE SOURCES

General Fund revenues were approximately \$204 million during FY 2016-17. The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu, and Transient Occupancy Taxes (TOT), represent 75 percent of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees, and other taxes represent nearly 79 percent of all General Fund revenues while only 21 percent is generated by other revenue sources.



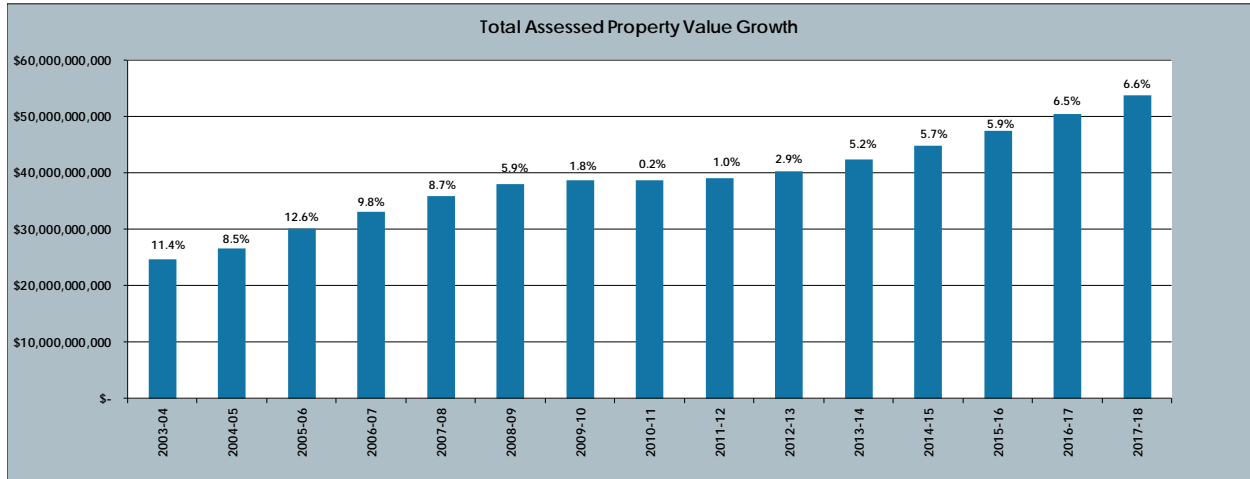
Property Taxes

Unlike many cities, property taxes, not sales taxes, are the number one source of revenue for the City of Newport Beach, representing almost half (47 percent) of all General Fund revenues. Due to the limited supply of scenic coastal property and the unique access to the scenic Newport Bay, the Newport Beach community has been developed into affluent residential neighborhoods and high-end commercial districts.

Consistent and vigorous demand for coastal property has allowed the City to enjoy long-term growth trends with its number one revenue source. Value changes in Newport Beach show continued appreciation in property values in FY 2016-17 and the restoration of values previously reduced under the assessed valuation appeal process provided by Proposition 8. Over the past 10 years, assessed valuation increased an average of 4.2 percent per annum and 6.9 percent over a twenty-year period. Newport Beach's assessed property values increased 6.5 percent and came in second in Orange County in total local assessed value at \$50.5 billion for FY 2016-17.

After 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 percent per year. This practice creates a constant lag and buffer between assessed and market values, effectively insulating the tax base from more market volatility.

While property tax growth rates fell sharply during the Great Recession, the City has experienced positive AV growth during each of the past 20 years (see chart below with the past 15 years of AV growth demonstrated). This positive growth occurred while many other cities experienced decreases in their AV during 2008 through 2011. Note that while growth slowed, the assessed value never declined throughout the recession.



The City realized a notable increase in secured property tax, coming in at an increase of 5.4 percent. Residential uses increased 7.1 percent, or a total of \$2.9 billion, and represented 88.7 percent of the growth experienced in the City. Median home sales prices of \$2,000,000 in the city far exceed the countywide median sales price of \$756,000.

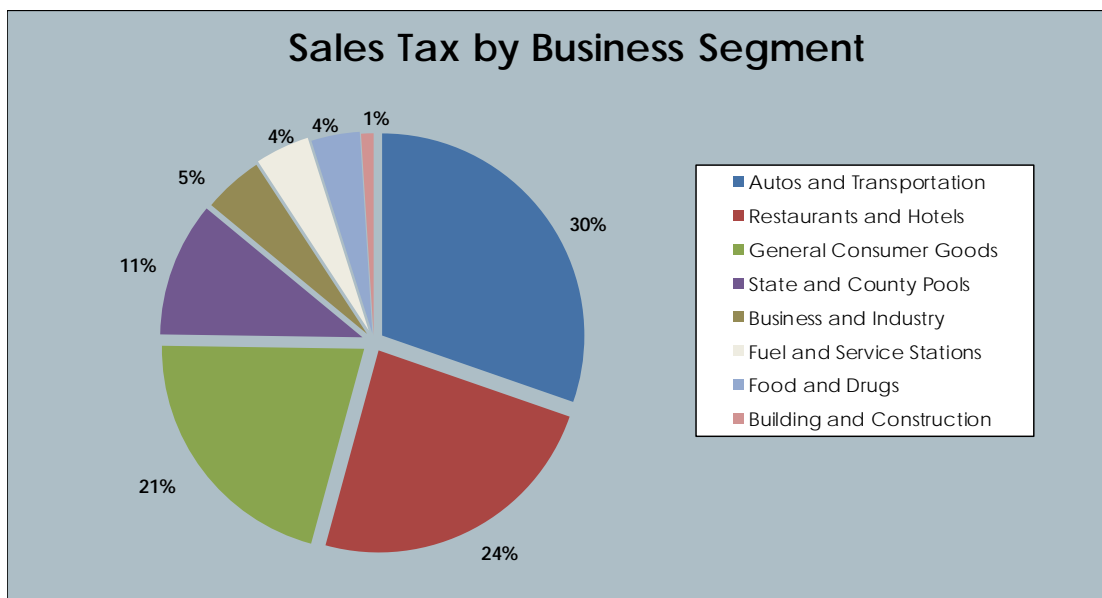
CITY OF NEWPORT BEACH Median Home Sales* Comparative Month Ending September			
Year	Single Family Residence Sales	Median Sales Price	% Change
2007	877	\$ 1,625,000	
2008	599	\$ 1,450,000	-10.77%
2009	848	\$ 1,100,000	-24.14%
2010	1,152	\$ 1,253,000	13.91%
2011	1,190	\$ 1,189,000	-5.11%
2012	1,667	\$ 1,260,000	5.97%
2013	1,546	\$ 1,500,000	19.05%
2014	1,354	\$ 1,600,000	6.67%
2015	1,157	\$ 1,666,250	4.14%
2016	1,124	\$ 1,783,500	7.04%
2017	1,213	\$ 2,000,000	12.14%

* Source: HdL Coren & Cone

Property tax revenue increased \$5.4 million or 6 percent higher than the prior fiscal year.

Sales Taxes

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, "Autos and Transportation," accounts for 30 percent of total sales taxes and is represented by 198 new and used auto, boat and aircraft dealers, supply stores and repair shops. The next largest segments, "Restaurants and Hotels" and "General Consumer Goods," account for 24 and 21 percent of total sales taxes, respectively. The next largest sales tax segment, "State and County Pools" accounts for 11 percent of total sales. These pools assign revenue from out of state sellers to local jurisdictions based on each jurisdiction's share of total taxable sales. Growth in countywide pool allocations is expected to remain strong as online shopping for goods shipped from out-of-state fulfillment centers continues to accelerate. Sales Taxes in total represent 16.5 percent of all General Fund revenues.



Sales Tax revenue decreased \$3.1 million or 8.4 percent from the prior year. This decrease is primarily due to the prior year one-time receipt of an approximately \$2.9 million true-up payment from the state known as the "triple-flip." This complex, decade-old funding mechanism shifted a portion of sales tax from cities to the state for the payment of economic recovery bonds issued by the state. Excluding the prior year one-time triple-flip payment, the City realized a \$0.2 million, or 0.6 percent, decrease from the prior year. Most analysts agree that sales of new vehicles have drifted downward as higher interest rates, tighter credit for subprime borrowers, longer term loans, and lower used car prices combine to trim demand. Sales were also impacted due to the continued expansion of on-line sales at the expense of brick and mortar stores.

Transient Occupancy Taxes (TOT)

TOT accrues to the City at a rate of 10 percent of room charges with 18 percent of this collection going to the local destination marketing organization (Newport Beach & Co.) 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 20 inns, motels, hotels, and resorts and accounts for 90 percent of TOT revenues. The residential category is made up of some 884 vacation rentals representing 10 percent of TOT revenue; together, they accounted for \$22.4 million in TOT revenue during FY 2016-17.

TOT collections increased \$1.3 million or 6.2 percent over the prior year.

LONG TERM FINANCIAL PLANNING

Newport Beach continues to be a stable, prosperous, and financially secure municipality due to its strong underlying tax base, disciplined fiscal decisions, and governance. The City's long term financial planning is guided by its strong financial policies, prudent budgeting decisions, and proactive planning in such critical areas as facilities replacement and pensions.

Financial Policies

The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, revenue initiatives, competitive contracting, facility replacement planning, and more. The budget surplus utilization policy directs the use of surplus funds resulting from unrestricted General Fund annual revenues exceeding total actual expenditures, encumbrances, and commitments for that year. Roughly fifty percent of the budget surplus is typically used to address long-term obligations such as pension liabilities, other post-employment benefits, bonded debt, lease obligations, and other long-term needs. The remaining surplus is typically used to address one-time infrastructure or neighborhood capital improvements, guided by a philosophy that these expenditures improve the community's safety, aesthetics, transportation, or quality of life. The City's debt policy establishes criteria for the issuance of debt and assures that the amount of any debt is affordable and cost effective. The City's debt policy was recognized by the California Debt and Investment Advisory Commission as one of only 14 counties and cities in California whose policies have 20 or more debt management best practice elements. The City's debt and other financial policies can be found on the City's website in the City Council section under City Government at:

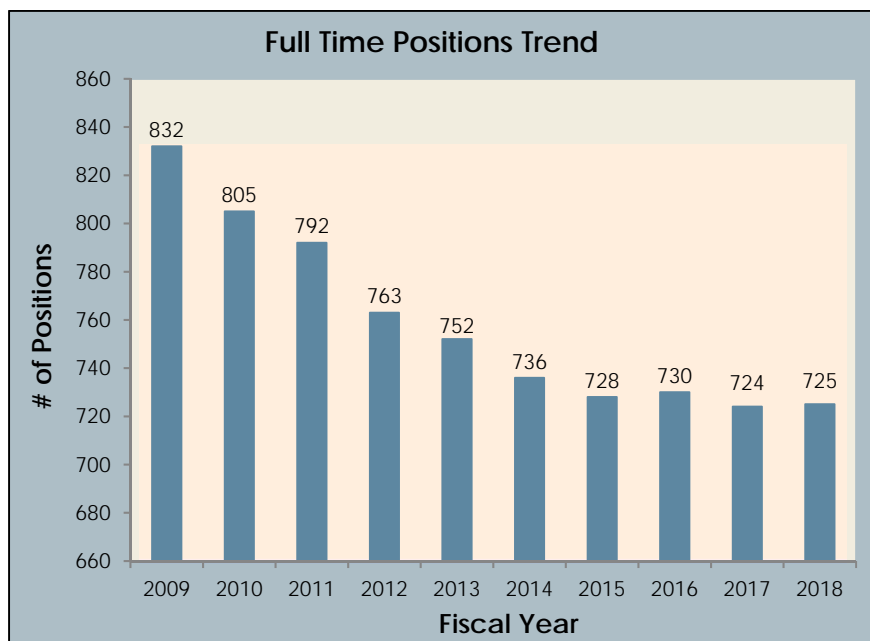
www.newportbeachca.gov/policies

Annual Budget

The annual budget serves as the foundation for the City of Newport Beach's financial planning and control and allows the City Council to prioritize City expenditures so that they are aligned with core community values. Per current policy, appropriations for operating expenditures are balanced in relation to current revenue sources and do not over-rely on one-time revenue sources or reserves. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, 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.

General Fund revenues ended the year higher than budgeted due to the continued strength of the economy resulting in higher property and transient occupancy taxes. 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 to save, both during prosperous and difficult economic periods.

Expenditures were lower than budgeted due to the effective management of operating expenditures, control of labor costs, and outsourcing. Through a combination of early retirement plans, attrition, outsourcing, and lay-offs in recent years, the full-time work force has been reduced 13 percent since FY 2008-09 as depicted in the chart below:



The City Council may authorize the use of Contingency reserves during emergency situations as set forth by the Council Reserve Policy. Current policy requires that the Contingency Reserve equal 25 percent of the General Fund annual “Operating Budget.” Credit rating agencies consider a high level of available “fund balance” to be a credit strength. In 2017, Moody’s rating agency reaffirmed the City’s AAA credit rating noting the City’s superior socioeconomic profile with an extensive tax base, and a very healthy financial position. It also noted the City’s negligible debt liability with a heavy pension burden in their rationale.

Facilities Financing Planning Program (FFPP) Commitment & Major Construction Initiatives

The City’s FFPP is a comprehensive master facilities replacement schedule that projects the timing of construction of facility projects; projects the schedule of any planned debt issuance; includes all relevant revenue sources and expenditures on a yearly, project-by-project basis; and determines the long-term “level funding” annual budget commitment that is required to support the program. The FFPP was the winner of the prestigious “Helen Putnam Award – Internal Administration category” from the League of California Cities in 2008.

The City continued its financial commitment to the Facilities Financial Planning Reserve (FFPR) in FY 2016-17 by allocating resources to debt service, Marina Park, other parks and community centers, and other projects.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/16	\$ 17,709,221
Sources	
Licenses, Permits and Fees	3,339,621
Donations - Developer Contributions	16,329,034
Transfer In from General Fund	8,500,000
Transfer In from Sunset Ridge Park Fund	2,626,372
Interest Income	40,458
Other	61
Total Sources	30,835,546
Uses	
2010 Civic Center COPs Debt Service ¹	(8,165,038)
Marina Park	(8,590,005)
Parks and Community Centers	(658,502)
Public Arts and Cultural Facilities	(321,977)
Misc - Other Facilities	(165,394)
Total Uses	(17,900,916)
Ending Balance 6/30/17	\$ 30,643,851

¹ The transfer is net of the Build America Bonds subsidy, which is recorded in the Debt Service Fund

Overall, the FFPR balance is increasing \$12.9 million from the prior fiscal year due largely to the Uptown Newport developer contribution in FY 2016-17.

Pensions

As of the actuarial valuation date of June 30th, 2016, the City had an Unfunded Accrued Liability (UAL) of \$321.5 million. The City has taken a number of actions in recent years to mitigate the impact of rising pension costs including:

- Established lower benefit formulas for new hires.
- Eliminated the Employer Paid Member Contribution (EPMC).
- Employees contributed 61.3 percent of the Normal Cost of the plan, approaching \$8.6 million annually.
- Reduced the number of full-time staff by 107 Full Time Equivalent (FTE) positions between 2009 and today.
- Adopted a fixed and shorter amortization period of the unfunded liability.
- Contributing no less than Actuarial Determined Contribution (ADC) each & every year.
- Analyzed our schedule of amortization bases annually in an effort to avoid negative amortization.
- Amortized all gains/losses no longer than a 20-year closed period.
- Avoided asset smoothing or “rate phase-in” schedules if possible. Otherwise, the City’s goal is to not exceed 5 years for any one smoothing cycle.
- Established a General Fund Surplus Utilization Policy F-5 to set aside one-half of any annual budget surplus to fund debts such as the pension liability.
- Maintaining a contingency reserve to protect against economic recessions and to avoid negative impacts of asset smoothing and rate phased-in schedules.

Local governments with pensions have a total pension liability, which is the obligation to pay deferred pension benefits in the future. When the total pension liability is greater than the pension plan’s assets there is a net pension liability, also known as unfunded pension liability. As required by GASB 68, the City reports the net pension liability in the government wide financial statements, as well as in the proprietary fund statements, in the CAFR – see note (10) of Notes to the Financial Statements.

As with past practice, the City will continue to fund our pension obligation at an amount equal to or greater than the minimum employer contribution rate. The City has not and will never intentionally short-fund its pension obligations. The City evaluates the cost and benefits of paying down the unfunded pension liability on a faster schedule annually.

TECHNOLOGICAL ENHANCEMENTS

The City continued the implementation of a new Enterprise Resource Planning (ERP) software solution in FY 2016-17. This project continued and concluded in FY 2017-18. An ERP is a business management software system that integrates all of the City’s core functional requirements for financials, human capital management, citizen services and revenues. The City’s legacy financial management system was implemented over 20 years ago. The City has grown since then and developed operational needs beyond the capabilities of the legacy system.

The City will realize improved integration between the financial system and other core functions, stronger decision support (better and timelier information), expanded use of web and mobile device applications to improve customer convenience, and numerous workflow process improvements that will streamline and enhance workplace efficiency. This improved integration will also greatly enhance the reporting capability the City will have to provide more accurate information greater transparency.

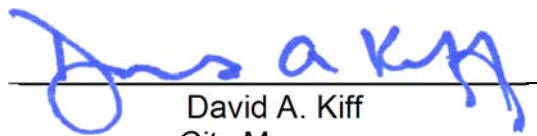
AWARDS AND ACKNOWLEDGMENTS

Awards: The City has prepared a comprehensive annual financial report for the past 24 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 comprehensive annual financial report for the fiscal year ended June 30, 2017. 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 comprehensive annual financial report 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 everyone in the City's Financial Reporting Division. In addition, members of the Finance Department would like to thank the City Manager, and the Mayor, and the 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.



David A. Kiff
City Manager



Dan Matusiewicz
Finance Director

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Newport Beach
California**

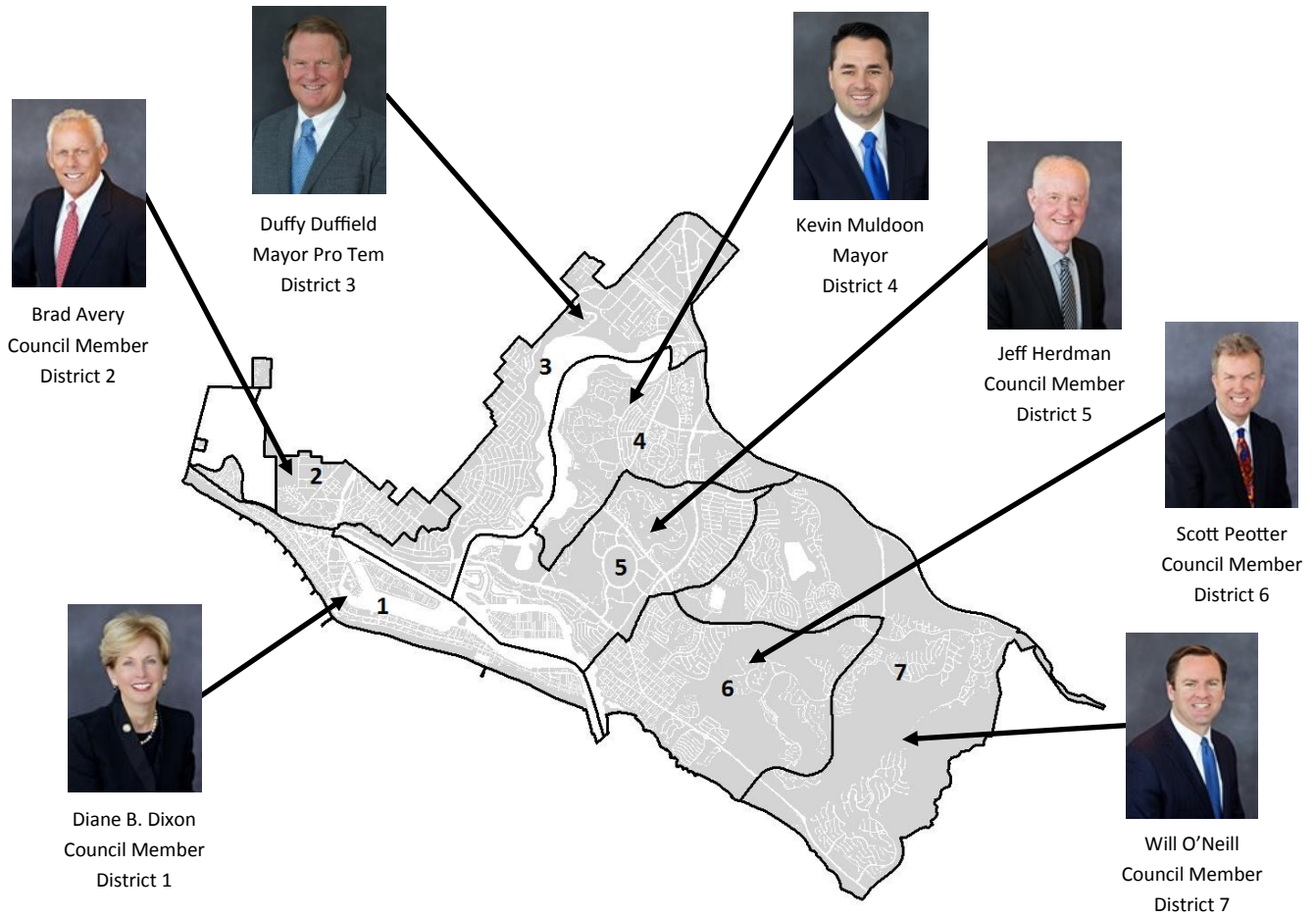
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Newport Beach City Officials

City Council Members



City Executive Staff



Aaron Harp
City Attorney

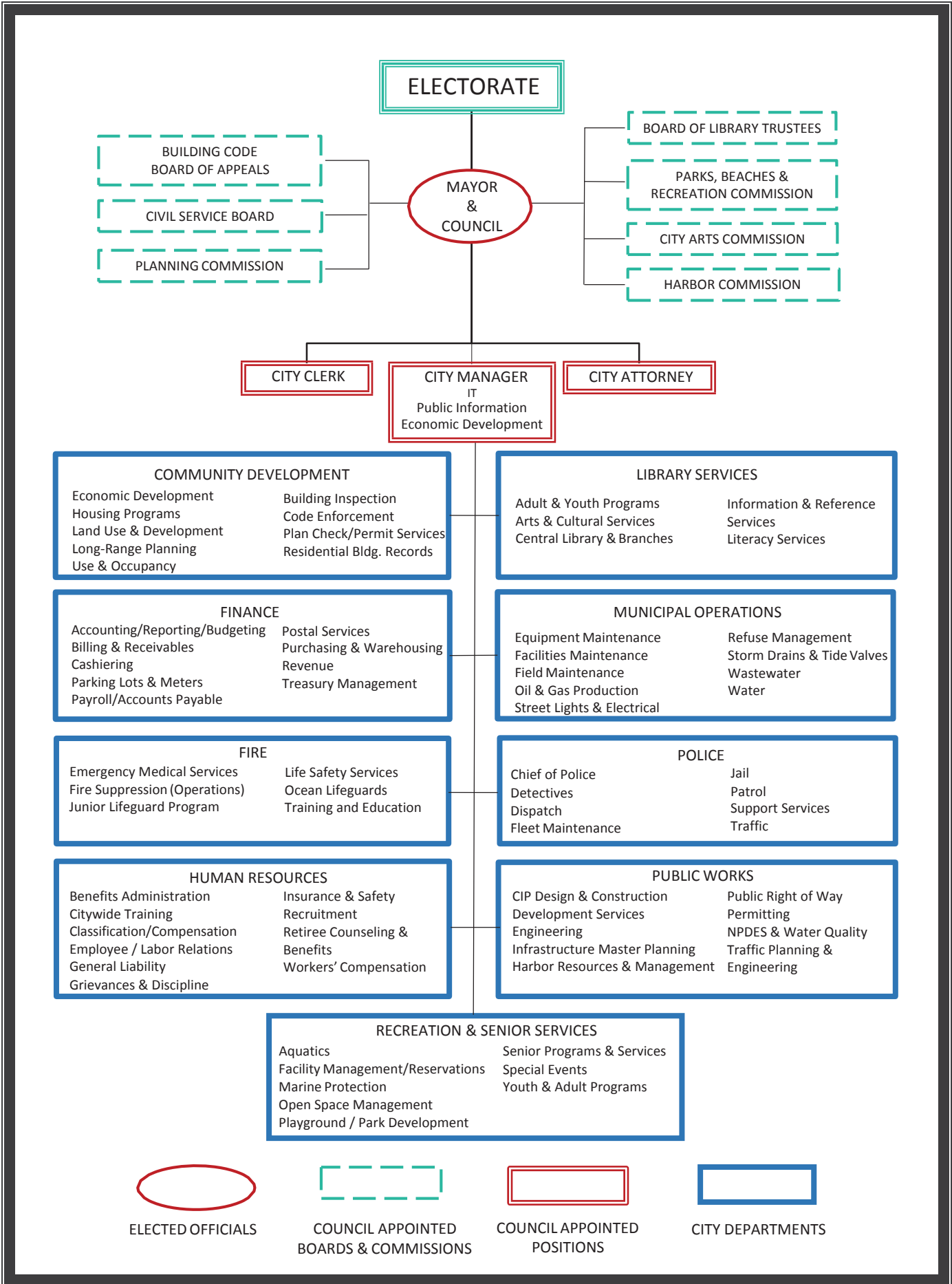


Dave Kiff
City Manager



Leilani Brown
City Clerk

- Carol Jacobs Assistant City Manager
- Dan Matusiewicz Finance Director/Treasurer
- Kimberly Brandt Community Development Director
- Chip Duncan Fire Chief
- Barbara Salvini Human Resources Director
- Tim Hetherton Library Services Director
- George Murdoch, Mike Pisani Municipal Operations Co-Directors
- Jon T. Lewis Police Chief
- Dave Webb Public Works Director
- Laura Detweiler Recreation & Senior Services Director



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FINANCIAL SECTION

Independent Auditors' Report

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach, California (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to 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, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Tide and Submerged Land-Operating Special Revenue Fund, Tide and Submerged Land-Harbor Capital Special Revenue Fund, and Combined Transportation Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the City made a restatement that resulted in a decrease in previously reported net position of the governmental and business-type activities and a decrease in previously reported net position of the water, wastewater, and internal service proprietary funds. Our opinions are not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios and the schedules of plan contributions for the City's defined benefit pension plans, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI 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 RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and individual fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The combining statements and individual fund schedules (supplementary information), as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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

White Nelson Dick Evans LLP

Irvine, California
December 26, 2017

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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, 2017. 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*, the *Required Supplementary Information*, 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 accrual 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 accrual basis of accounting, changes in net position are recognized as soon as the event occurs regardless of the timing of related cash flows.

The Statement of Net Position includes all of the City's assets (including non-spendable assets like streets, roads, and land rights), deferred outflows of resources, liabilities (including long-term liabilities that may be paid over twenty years), and deferred inflows of resources. 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 position and how they have changed. Net position – the difference between the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the City's financial health. Over time, increases or decreases in the City's net position 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 category 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 – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements such as State and Federal law or bond covenants. Other funds are utilized simply to control and manage resources intended for particular 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.

Fund Financial Statements have a short-term focus measuring inflows of current spendable assets. The resulting net difference between current financial assets and deferred outflows of resources, and current financial liabilities and deferred inflows of resources, 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 – Business-like services for which the City provides goods or services to the general public 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 and other equipment, risk management, retiree insurance, telecommunications systems, information technology services, 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 assets and liabilities, and a statement of changes in fiduciary assets and liabilities. 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.

Required Supplementary Information – In addition to the Basic Financial Statements, we have included a Required Supplementary Information section, which includes the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Plan Contributions.

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

The government-wide financial statements provide long-term and short-term information about the City’s overall financial condition. This analysis addresses the financial statements of the City as a whole.

Net Position Discussion

As shown in Figure 1, the City’s combined net position for year ended June 30, 2017 was \$2.3 billion, increasing \$38.1 million or 1.69% over the prior year. Net position can serve

as an important indicator of whether the City's overall financial condition is improving or deteriorating over time.

Current and other assets increased \$35 million. This increase is primarily due to increases in cash and investments, accounts receivable (net of allowance), prepaid items, interest income, and net other postemployment benefits, offset by a decrease in intergovernmental receivables. Capital assets increased \$2.5 million, much of which is related to the net effect of infrastructure additions related to the road system and the deletion of the old City Hall Building.

Current Liabilities increased \$2.1 million primarily due to an increase in accounts payable, deposits payable, and unearned revenue, offset by a decrease in accrued payroll.

Long-term liabilities increased \$37.2 million. The increase is primarily due to an increase in the net pension liability. See Note (10) of Notes to the Financial Statements for more information.

Figure 1
Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$ 219,891	\$ 248,811	\$ 34,198	\$ 40,257	\$ 254,089	\$ 289,068
Capital assets	2,309,083	2,312,396	117,056	116,239	2,426,139	2,428,635
Total assets	2,528,974	2,561,207	151,254	156,496	2,680,228	2,717,703
Deferred Outflows of Resources	29,795	58,783	930	2,050	30,725	60,833
Current liabilities	24,032	26,496	2,581	2,240	26,613	28,736
Long-term liabilities	406,498	442,478	8,201	9,451	414,699	451,929
Total liabilities	430,530	468,974	10,782	11,691	441,312	480,665
Deferred Inflows of Resources	18,674	11,484	827	483	19,501	11,967
Net Position						
Net investment in capital assets	2,193,773	2,201,553	117,056	116,239	2,310,829	2,317,792
Restricted	44,035	45,754	-	-	44,035	45,754
Unrestricted	(128,243)	(107,775)	23,520	30,134	(104,723)	(77,641)
Total net position, before restatement	2,109,565	2,139,532	140,576	146,373	2,250,141	2,285,905
Restatement	(2,226) ¹	-	(90) ¹	-	(2,316) ¹	-
Total net position, after restatement	\$ 2,107,339	\$ 2,139,532	\$ 140,486	\$ 146,373	\$ 2,247,825	\$ 2,285,905

¹ Prior year net position was restated to adjust for deferred outflow of PERS contribution in FY15-16.

- The largest portion of the City's net position, at \$2.3 billion or 101.39% of net position reflects the net investment in capital assets (e.g., land, right of way, street trees, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to residents. Therefore, they do not represent a financial resource to the City and consequently are not readily available for funding current obligations.
- Restricted net position totaled about \$46 million or 2.00% of net position.

- As of June 30, 2017, unrestricted net position has a deficit of \$78 million representing (3.40%) of net position. The deficit is a cumulative effect of the GASB 68 reporting requirements; however, the deficit decreased \$27.1 million from the prior year mainly due to increased revenues in the General Fund, the Facilities Financing Planning Reserve Fund and the Combined Transportation Fund, and various cost-savings in the General Fund.

GOVERNMENTAL ACTIVITIES

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

Figure 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 50,534	\$ 54,694	\$ 27,566	\$ 28,532	\$ 78,100	\$ 83,226
Operating grants and capital contributions	17,827	11,632	-	-	17,827	11,632
Capital grants and contributions	2,718	27,993	-	-	2,718	27,993
General Revenues:						
Taxes:						
Property taxes	91,517	96,964	-	-	91,517	96,964
Sales tax	33,938	33,703	-	-	33,938	33,703
Sales tax in-lieu	2,870	-	-	-	2,870	-
Transient occupancy taxes	21,083	22,382	-	-	21,083	22,382
Other taxes	8,399	8,533	-	-	8,399	8,533
Investment related income	960	590	364	78	1,324	668
Other	4,001	2,291	2,375	-	6,376	2,291
Total revenues	<u>233,847</u>	<u>258,782</u>	<u>30,305</u>	<u>28,610</u>	<u>264,152</u>	<u>287,392</u>
Expenses:						
General government	19,335	20,444	-	-	19,335	20,444
Public safety	91,046	102,494	-	-	91,046	102,494
Public works	45,444	54,040	-	-	45,444	54,040
Community development	9,944	12,056	-	-	9,944	12,056
Community services	22,700	26,583	-	-	22,700	26,583
Interest	7,615	7,472	-	-	7,615	7,472
Water	-	-	21,605	22,004	21,605	22,004
Wastewater	-	-	3,818	4,219	3,818	4,219
Total expenses	<u>196,084</u>	<u>223,089</u>	<u>25,423</u>	<u>26,223</u>	<u>221,507</u>	<u>249,312</u>
Excess (deficiency) of revenues over expenses	37,763	35,693	4,882	2,387	42,645	38,080
Transfers	-	(3,500)	23	3,500	23	-
Increases in net position	37,763	32,193	4,905	5,887	42,668	38,080
Net position at beginning of year	2,065,602	2,109,565	135,671	140,576	2,201,273	2,250,141
Restatement	6,200 ¹	(2,226) ²	-	(90) ²	6,200 ¹	(2,316) ²
Net position at beginning of year, as restated	<u>2,071,802</u>	<u>2,107,339</u>	<u>135,671</u>	<u>140,486</u>	<u>2,207,473</u>	<u>2,247,825</u>
Net position at end of year	<u>\$ 2,109,565</u>	<u>\$ 2,139,532</u>	<u>\$ 140,576</u>	<u>\$ 146,373</u>	<u>\$ 2,250,141</u>	<u>\$ 2,285,905</u>

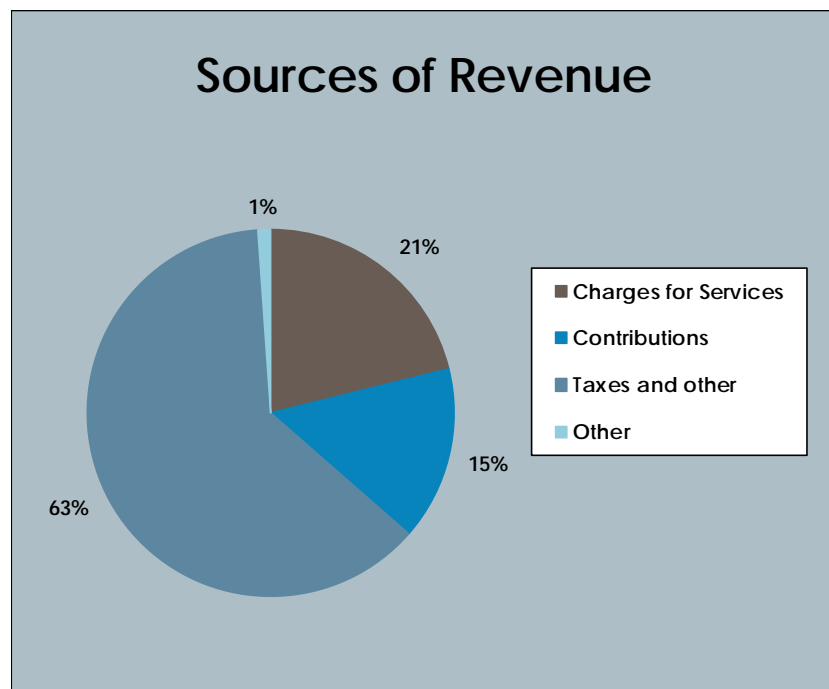
¹ Prior year net position was restated to adjust for deferred outflow of PERS contribution and compensated absence liability in FY14-15.

² Prior year net position was restated to adjust for deferred outflow of PERS contribution in FY15-16.

Revenues Associated with Governmental Activities Discussion

Figure 3 illustrates how the \$258.8 million in Governmental Activities revenue was derived. As shown on the chart, \$54.7 million or 21.1% of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another \$39.6 million or 15.3% 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 \$164.5 million or 63.6% represented general revenues of the City including taxes, intergovernmental revenues, and other miscellaneous revenues.

Figure 3
Governmental Activities Revenue Sources
Year Ended June 30, 2017



As illustrated in Figure 2, grants and contributions to the City increased \$19.1 million from the prior year primarily related to an increase of one-time developer fees and contributions and an increase of grant receipts.

The City's governmental general revenues increased \$1.7 million from the prior year due to increases in property tax and transient occupancy taxes offset by decreases in sales tax and sales tax in-lieu and other miscellaneous revenues.

Property tax is the largest individual revenue source for the City and collections finished the year \$5.4 million higher than the previous year. Notably due to an increase in secured taxes as the housing market continues to improve.

At \$33.7 million, sales taxes represent the second largest individual revenue source for the City. Sales taxes and sales tax in-lieu decreased \$3.1 million from the previous year due to the elimination of sales tax in-lieu. The largest sales tax category, "Autos and Transportation", accounts for approximately 30% of total sales tax. The next largest segment, "Restaurants and Hotels", account for 24% of total sales tax and the third largest segment, "General Consumer Goods", accounts for 21% of total sales tax revenue.

Transient occupancy taxes (TOT), the City's third largest revenue source, finished the year at \$22.4 million, which is an increase of \$1.3 million from the previous fiscal year. The increase stems from a net increase of \$443,520 in residential TOT and an \$855,643 increase in hotel TOT due mainly from rising occupancy rates in the City's hotels, motels, cottages, and resorts and a generally improving travel and tourism business sector.

Expenses Associated with Governmental Activities Discussion

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, information technology services, executive management, legal services, records management, risk management, finance, and accounting.

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 Municipal Operations) providing engineering, construction and maintenance of public streets, highways, buildings, beaches, parks, and related infrastructure; as well as traffic engineering, and street lighting.

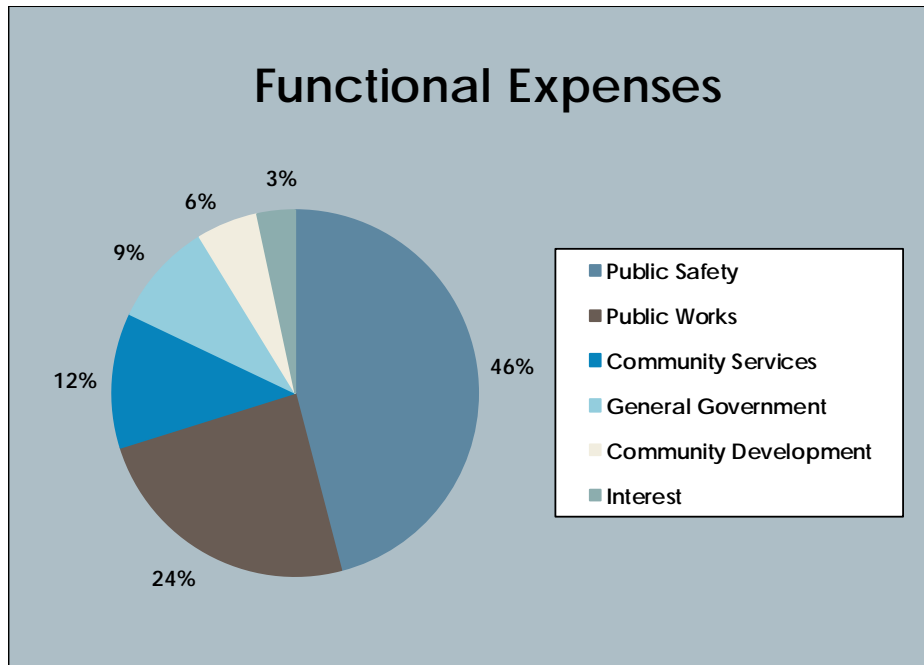
Community Development is comprised of two departments (Planning and Building) that provide planning and zoning services, economic development services, and building plan check and code enforcement services.

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 Municipal Operation Department providing water and wastewater services. These are considered business-type activities and are discussed further in the Business-Type Activities section.

Figure 4 illustrates how the \$223.1 million of Governmental Activities expenses were derived.

Figure 4
Governmental Activities Functional Expenses
Year Ended June 30, 2017



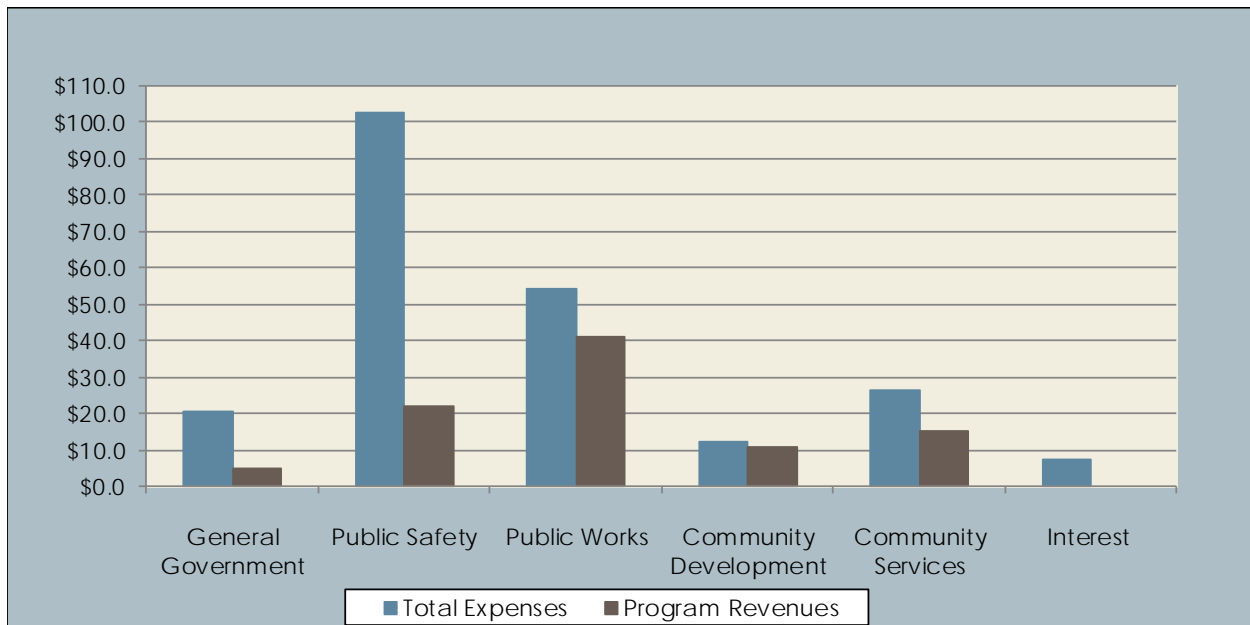
As illustrated in Figure 2, the current year expenses for all governmental activities totaled \$223.1 million. The increase of \$27.0 million (14%) from the prior year is mostly due to a combination of increased repairs and maintenance, an increase in general fund expenditures, the reduction in reporting of pension expense as required by GASB 68, and an increase in internal services fund expenditures.

Figures 5 and 6 illustrate 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)**

	2016		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 19,335	\$ (15,613)	\$ 20,444	\$ (15,354)
Public safety	91,046	(69,859)	102,494	(80,354)
Public works	45,444	(23,963)	54,040	(12,946)
Community development	9,944	(713)	12,056	(1,029)
Community services	22,700	(7,243)	26,583	(11,614)
Interest	7,615	(7,615)	7,472	(7,472)
	<u>\$ 196,084</u>	<u>\$ (125,006)</u>	<u>\$ 223,089</u>	<u>\$ (128,769)</u>

**Figure 6
Program Expenses and Revenue – Governmental Activities
Year Ended June 30, 2017
(in millions)**

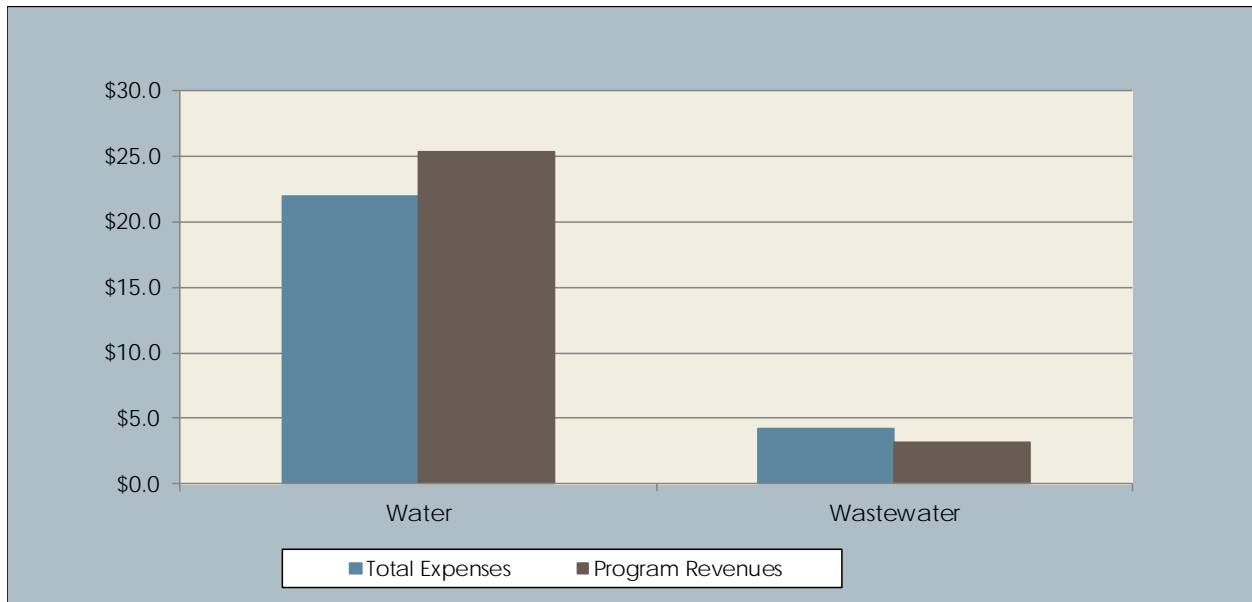


BUSINESS-TYPE ACTIVITIES

As noted earlier, the City combines the Water Enterprise Fund and Wastewater Enterprise Fund into Business-type Activities for the presentation of the Government-wide Financial Statements. Business-type activities are mainly funded by charging fees to customers to recover the cost of providing services.

As illustrated in Figure 7, Water related program revenues represent \$25.4 million (89%), while Wastewater program revenues represent \$3.1 million (11%) of the total Business-type activities program revenue of \$28.5 million.

Figure 7
Program Expenses and Revenue – Business-type Activities
Year Ended June 30, 2017
(in millions)



As illustrated in Figure 2, current year expenses for Business-type activities totaled \$26.2 million, an increase of \$800,000 over prior year. This is attributable to an increase in purchase of water and system maintenance, offset by a decrease in maintenance and supplies.

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

Water

Of the \$22.0 million in water related expenses, \$9.2 million (42%) is for the purchase of water, \$4.3 million (20%) covers employee related costs, \$4.7 million (21%) is for maintenance, supplies, and depreciation of the water system, \$2.0 million (9%) is for professional services, and the remaining \$1.8 million (8%) is collectively attributable to miscellaneous other expenses.

Wastewater

Of the \$4.2 million in wastewater related expenses, \$2.1 million (50%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.5 million (36%) is for employee related costs, and the remaining \$647,610 (14%) 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 shown in Figure 8, the City's Governmental Funds reported combined fund balances of \$169.2 million, an increase of \$24.2 million from the prior year. The increase is the net result of increases in fund balances in the General Fund, Tide and Submerged Land – Operating Fund, Tide and Submerged Land – Harbor Capital Fund, Facilities Financial Planning Reserve Fund, Civic Center COP Fund, non-major capital projects funds, and non-major permanent funds in aggregate; offset by decreases in the Combined Transportation Fund, and non-major special revenue funds in aggregate. The General Fund represented \$89.4 million or 53% of the combined fund balances of the Governmental Funds.

Figure 8
Governmental Funds Fund Balance
(in thousands)

	2016	2017	Change
General Fund	\$ 81,839	\$ 89,378	\$ 7,539
Tide and Submerged Land - Operating	4,455	4,501	47
Tide and Submerged Land - Harbor Capital	(7,829)	(5,721)	2,108
Combined Transportation	2,723	169	(2,554)
Facilities Financial Planning Reserve	17,709	30,644	12,935
Civic Center COP	2,363	2,364	1
Non-major special revenue	18,946	16,700	(2,246)
Non-major capital projects	18,575	24,975	6,400
Non-major permanent	6,177	6,186	9
	<u>\$ 144,958</u>	<u>\$ 169,196</u>	<u>\$ 24,238</u>

Nonspendable Fund Balance – The City has \$19.1 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$19.1 million nonspendable fund balance, \$305,140 is for prepaid items, \$238,693 is for inventories, \$13.9 million is for long-term loan receivables, and \$4.6 million is for permanent endowments.

Restricted Fund Balance – The City has \$35.7 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 \$35.7 million restricted fund balance, close to \$3.8 million is restricted in the General Fund, of which \$1.1 million is for Affordable Housing, \$1.6 million is for Oceanfront Encroachment and \$1.1 million is restricted for support of NBTV programming; \$3.9 million is in the Tide and Submerged Land – Operating Fund, of which \$3.2 million is restricted for other and \$725,939 is restricted for the Upper Newport Bay restoration; \$168,925 is restricted for Combined Transportation Fund; \$2.4 million is restricted for Civic Center COP debt service; and \$6.7 million for park improvements in the Facilities Financial Planning Reserve Fund. Of the remaining \$18.7 million in restricted fund balance, \$17.0 million is restricted for various special revenue funds, \$243,483 is restricted for an Assessment District Fund, and \$1.5 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has \$60.1 million in fund balance classified as committed to indicate that the City Council has committed how the money will be spent. Of the \$60.1 million committed fund balance, \$10.6 million is committed to the General Fund, of which \$5.0 million is for Seawall construction/maintenance, \$3.9 million is for pension related items, and \$1.7 million is for encumbrances; \$23.9 million is committed to the Facilities Financial Planning Reserve Fund; \$10.8 million is committed to the Unrestricted Capital Improvements Fund; \$5.8 million is committed to the Fire Station Fund; \$1.7 million is committed to the Civic Center and Park Fund; \$1.6 million is committed to the Facilities Maintenance Fund; \$1.3 million is committed to the Marina Park Fund; \$1.3 million is committed to the Neighborhood Enhancement Fund; \$935,034 is committed to the Parks and Community Centers Fund; \$804,578 is committed to Public Art & Cultural Facilities Fund; \$600,000 is committed to the oil and gas reserves in the Tide and Submerged Land - Operating Fund; \$586,779 is committed to the Balboa Village Parking Management District Fund; \$138,394 for Sunset Ridge Park Fund; and \$89,695 is committed to various capital projects.

Assigned Fund Balance – The City has \$567,132 in fund balance which is not restricted or committed and is classified as assigned to indicate the City Manager’s intent to be used for specific purposes.

Unassigned Fund Balance – The remaining \$53.7 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted, committed, or assigned.

Additional information on the City’s Fund Balance can be found in Note (16) of the Notes to the Financial Statements.

- Overall General Fund Revenues finished \$5.2 million or 2.6% higher than the prior year, while expenditures finished \$6.2 million or 3.8% higher than the prior year. The net result is that General Fund income before transfers and other financing sources and uses decreased by \$993,136. Actual General Fund revenues were \$4.7 million over estimated revenues primarily due to conservative property tax

estimates and higher than expected revenue for licenses, permits, and fees, property income, and private contributions to the library. Expenditures came in at \$12.6 million under budget primarily due to lower labor costs, a reduction in professional and contract services, utilities, supplies and equipment, and special department expenses. In total, the General Fund increased \$7.5 million ending the year with \$89.4 million fund balance.

- The Tide and Submerged Land - Operating fund balance decreased \$46,896 and ended the current year with \$4.5 million in fund balance.
- The Tide and Submerged Land – Harbor Capital Fund increased \$2.1 million due to Balboa Island Seawall construction/maintenance project which is still in the design phase, with construction and maintenance deferred to next year. The fund closed the fiscal year at a \$5.7 million deficit balance due to a gap between certain limited incremental revenues from the Tidelands Operating Fund. The General Fund has provided the Tide and Submerged Land – Harbor Capital Fund an advance for harbor related capital improvements. The advance will be paid back to the General Fund from incremental revenues.
- The Facilities Financial Planning Reserve fund balance increased \$12.9 million to \$30.6 million. This was largely due to the receipt of developer contributions.

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 position in the Water Fund increased \$3.1 million due to water rates including a charge for future major water capital improvements according to the Water Master Plan.
- Net Position in the Wastewater Fund increased \$2.3 million due to a one-time transfer from the General Fund offset by an operating deficit.

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

- Total Net position in the Internal Service Funds decreased \$6.6 million in the current year. An operating loss of \$7.4 million was mostly generated due to increases in workers' compensation, and claims and judgments, offset by \$286,647 in non-operating revenues (gain on sale of vehicles and investment income) and \$547,780 in net transfers.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$450,418 from the original budget during the year ended June 30, 2017. Significant factors contributing to this fluctuation are highlighted as follows:

- Final budgeted sales tax decreased by \$1.6 million from the original budget due to economic indicators showing a decline in sales of vehicles and a growing trend in on-line sales.
- Transient occupancy taxes increased \$577,140 from the original budget due to higher than expected occupancy rates in the first half of the year.
- Final budgeted intergovernmental revenue increased \$472,127 due to anticipated increase in reimbursements and grants from other governmental agencies.
- Final budgeted charges for services increased \$376,237 from the original budget due to the introduction of a new boating program class.
- Other revenue increased by \$641,436 from the original budget primarily due to higher than expected private donations to the library.

Final budgeted expenditures for the General Fund decreased \$14.3 million from the original budget during the year ended June 30, 2017. Significant factors contributing to this fluctuation are as follows:

- General Fund capital project expenditures being moved to a separate capital project fund, was the main reason for the decrease.
- Another significant factor contributing to this fluctuation includes the routine reclassification of General Fund expenditures as Tidelands expenditures. This reclassification occurs at year end once all such eligible expenditures can be properly attributed to Tidelands activity. These amounts were offset by anticipated increases in professional services and records management.

Variance with Final Budget

Actual revenues came in at \$4.7 million above final budgeted revenues for the year ended June 30, 2017. Significant factors contributing to this favorable variance are summarized as follows:

- Unfavorable variances totaling \$1.1 million in sales tax and transient occupancy was due to lower than anticipated luxury vehicle sales, increase in on-line sales,

and lower occupancies in the second half of the year as a result of some hotel renovations.

- A favorable variance of \$3.0 million in property taxes was due to valuation changes caused by an increase in property renovations and the restoration of home values to their true valuations.
- Other taxes, including business license, marine charter, and franchise tax came in at \$211,110 higher than expected.
- An \$807,100 favorable variance in licenses, permits and fees was realized due to an increase of permits.
- Investment income was higher than expected by \$233,107.
- A \$795,515 favorable variance was realized in property income related to increased facilities' rentals and parking revenues.
- A favorable variance of \$913,993 in other revenues was due to private refunds and rebates.

Actual General Fund expenditures of \$169.0 million were significantly less than final budgetary estimates of \$181.6 million. Significant factors contributing to this \$12.6 million variance are summarized as follows:

- A \$2.2 million favorable variance was realized in General Government due to salary savings, reductions in professional services, outside counsel, and special department expenses.
- A \$4.5 million favorable variance in Public Safety was generated by a reduction in salary savings, contracts, and supplies and equipment.
- A \$2.4 million favorable variance in Public Works was due to salary savings, a reduction in professional and contract services, maintenance and repairs, and utilities.
- A \$1.1 million favorable variance in Community Development was due to salary savings, a reduction in professional and contract services, and equipment.
- A \$2.3 million favorable variance in Community Services was generated due to salary savings, a reduction in professional services and contract services, contract recreation instructors and supplies, and equipment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2017, amounts to \$2.4 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, an 800 MHz radio communications system, parking pay stations, and meters and bridges. The total net investment in capital assets increased \$2.5 million over the prior fiscal year.

Figure 9
Capital Assets at Year End
(net of depreciation, in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 1,890,772	\$ 1,890,292	\$ 2,219	\$ 2,219	\$ 1,892,991	\$ 1,892,511
Structures	199,995	194,602	486	471	200,481	195,073
Equipment	21,102	20,989	74	159	21,176	21,148
Infrastructure	186,135	194,475	109,692	113,123	295,827	307,598
Work in progress	11,079	12,038	4,584	267	15,663	12,305
Totals	\$ 2,309,083	\$ 2,312,396	\$ 117,055	\$ 116,239	\$ 2,426,138	\$ 2,428,635

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

- Capital asset additions totaled \$37.4 million in both the Governmental and Business Type Activities in the current year. Of the \$37.4 million, \$9.6 million represents additions of non-depreciable assets such as work in progress. The remaining \$27.8 million is comprised of additions from infrastructure of \$23.4 million, equipment of \$4.1 million, and structures of \$254,116.
- Of the \$30.9 million of additions in governmental assets in the current year, additions in infrastructure contributed \$17.3 million, which was mostly due to upgrades in the road system. The remaining \$13.6 million added in the current year as governmental assets, is comprised of \$9.4 million of work in progress, \$4.0 million of equipment and \$254,116 of structure additions.
- The \$6.5 million of business-type asset additions in the current year is mostly comprised of infrastructure additions with \$4.6 million related to water system infrastructure additions and \$1.5 million related to wastewater infrastructure additions. The remaining \$0.4 million of business-type asset additions is comprised of work in progress additions of \$267,397 and equipment additions of \$102,850.

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 \$112.0 million for all governmental activities.

Figure 10
Outstanding Debt at Year End
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Certificates of participation	\$ 113,655	\$ 110,595	\$ -	\$ -	\$ 113,655	\$ 110,595
Bond premium	482	362	-	-	482	362
Pre-annexation agreement	1,200	-	-	-	1,200	-
CDBG Loan	1,207	1,066	-	-	1,207	1,066
Totals	\$ 116,544	\$ 112,023	\$ -	\$ -	\$ 116,544	\$ 112,023

The City's total debt decreased \$4.5 million during the current fiscal year. The decrease is the result of expected debt service payments. 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

Economy

Economic growth remained strong in the third quarter of 2017, growing by 3.3%, despite hurricanes that battered the Southeast and U.S. territories during the quarter. Although the storms reduced spending on both home and business construction, a surge of new-car buying took place in September as Texas flood victims replaced damaged vehicles. Analysts expect that economic momentum should continue into the fourth quarter, with 2.7% growth. Consumer spending is likely to remain strong, given the jump in consumer sentiment surveys in October. Business investment in equipment is picking up and extra spending to repair damage from the hurricanes will continue to boost the economy. Analysts predict that 2018 will also be a good year for business spending, with a high level of equipment purchases and increasing business construction. Spending on inventories will rise as well. Despite the low 1.4% inflation rate for core consumer items, the Fed will decide that GDP growth is strong enough to justify boosting the short-term federal funds rate to 3% by 2020 (from 1.25% now), unless the economy slows sharply. The Fed's rate hike will push up the bank prime lending rate to 6.25% by 2020, weighing on auto sales and other consumer spending that is financed in the short term. However,

the long-term rates that finance mortgages are likely to stay low if, as analysts expect, inflation remains tepid.

Looking forward, analysts warn to be on the lookout for irrational exuberance in the stock market that could signal the peak of the business cycle. It remains to be seen whether President Trump's proposed tax cuts will create the jobs he promises. Management will maintain a generally conservative outlook due to the economic uncertainties associated with what some economists call the latter stages of the economic recovery.

Local Revenue Trend

Merchandise marketing that specifically targets consumer preferences is driving greater volumes of online purchases. Customers increasingly prefer to browse and make shopping decisions on their mobile devices rather than at regional and local shopping centers. Most analysts agree that sales of new vehicles are likely to continue their drift downward in fiscal years 2018 and 2019 as higher interest rates, tighter credit for subprime borrowers, longer-term loans and lower used car prices combine to trim demand. Management expects sales tax receipts to grow at a slower rate than in recent years as the result of these dynamics. Transient occupancy tax receipts began a downward trend in second half of fiscal year 2017 and this trend is expected to continue through the year 2019. The revenue decline is due to the confluence of multiple hotel renovations that will decrease the number of available rooms. Barring any recession that may dampen demand as hotels resume their full capacity, transient occupancy tax receipts should return to their traditional annual growth pattern. The sustained demand for coastal property, along with infill development and housing turnover in Newport Beach will result in continued strong property tax growth through at least fiscal year 2020.

Discretionary Appropriations

The annual budget serves as the foundation for financial planning and control, and allows the City Council to prioritize expenditures in alignment with core community values. The budget as adopted is reflective of strong revenues, healthy reserves, and a sound debt position. This budget reflects a strong local economy that continues to provide stable revenues which support a wide variety of programs and initiatives. It also includes competitive wages for City employees that will further our goal of attracting and retaining a well-qualified workforce to meet the high expectations of our community.

The City Council adopted an FY 2017-2018 budget that maintains a deliberate resource balance between these important municipal expenses:

- Addressing long-term obligations such as pension liabilities, other post-employment benefits, and debt service;
- Keeping a level of operations that reflects the community's desire for an active, safe, and attractive community; and
- Investing in infrastructure to maintain a high-quality natural and physical environment.

An aspect of the City's balanced approach to fiscal management is managing resources as efficiently as possible, responsibly managing debt, and working collaboratively with employees to recalibrate the compensation structure and share in the costs of pension obligations.

Fiscal Year 2017-2018 will mark the third year of an accelerated plan to pay down the City's unfunded pension liability within 19 years. With the lowering of the CalPERS 7.5 percent discount rate towards 7.0 percent over five years, the proposed budget also includes an additional \$9.1 million for all funds, including increases to the normal pension cost, to pay down the City's unfunded liability faster. This additional contribution should save \$15 million over 20 years compared to the default 30-year CalPERS payment plan. Employee pension contributions are increasing \$0.6 million to a total of \$10 million per year. Overall, the City's total debt burden is low and remains affordable. The economy benefits from the City's mature, wealthy tax base and strong employment among a diversity of business sectors, as well as retail shopping and tourism activity. Residential and commercial property values are among the highest in the country. Our overall assessed valuation (AV) has been stable despite the economic downturn of between 2009 and 2012, with growth in the each of the last 22 years.

A strong financial profile is a particularly important factor considered by rating agencies in their evaluation of the creditworthiness of local government debt. The rating agencies Fitch, Moody's, and Standard & Poor's which have all assigned the City the highest quality credit rating of AAA. Both Fitch and Moody's reaffirmed their AAA ratings in 2017. Expenditure controls within the past decade have included early retirement incentive plans, increased employee contributions to pension plans, contracting services, and freezing vacant positions when necessary, usually during recessionary periods. Financial operations produced net surpluses (after transfers) in the last eight years due to conservative budgeting, successful negotiation of labor concessions, and a stable and growing tax revenue base. The City has used surpluses for important one-time things, like paying more towards retirement obligations or investing in IT and communications. Financial management policies are robust and have continued to improve in recent years.

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, 100 Civic Center Drive, Newport Beach, CA 92660, (949) 644-3146. 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

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FINANCIAL SECTION

Government-Wide Financial Statements

FINANCIAL SECTION

CITY OF NEWPORT BEACH
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments (note 4)	\$ 214,828,225	\$ 33,488,077	\$ 248,316,302
Receivables:			
Accounts (net of allowance)	10,088,383	6,387,870	16,476,253
Interest	755,666	-	755,666
Intergovernmental receivables	10,049,181	-	10,049,181
Cash with fiscal agent (note 4)	8,069,571	-	8,069,571
Internal balances	(381,021)	381,021	-
Investment in joint ventures (note 14)	145,391	-	145,391
Inventory	593,986	-	593,986
Net other post employment benefits assets (note 11)	2,852,574	-	2,852,574
Prepaid items	1,808,748	-	1,808,748
Capital assets (note 5):			
Non-depreciable	1,902,330,142	2,486,847	1,904,816,989
Depreciable	627,369,603	181,121,784	808,491,387
Accumulated depreciation	(217,304,051)	(67,369,687)	(284,673,738)
Total assets	<u>2,561,206,398</u>	<u>156,495,912</u>	<u>2,717,702,310</u>
Deferred Outflows of Resources:			
Deferred amount from pension plans (note 10)	<u>58,782,579</u>	<u>2,050,273</u>	<u>60,832,852</u>
Total deferred outflows of resources	<u>58,782,579</u>	<u>2,050,273</u>	<u>60,832,852</u>
Liabilities:			
Accounts payable	13,339,203	2,111,163	15,450,366
Accrued payroll	1,891,980	102,274	1,994,254
Accrued interest payable	3,710,450	-	3,710,450
Deposits payable	3,511,060	26,192	3,537,252
Unearned revenue	4,043,409	-	4,043,409
Noncurrent liabilities (note 6):			
Due within one year	14,966,845	-	14,966,845
Due in more than one year:			
Net pension liability (note 10)	289,446,603	9,450,973	298,897,576
Other	138,064,395	-	138,064,395
Total liabilities	<u>468,973,945</u>	<u>11,690,602</u>	<u>480,664,547</u>
Deferred Inflows of Resources:			
Deferred amount from pension plans (note 10)	11,386,965	482,584	11,869,549
Deferred amount from gain on refunding	96,849	-	96,849
Total deferred inflows of resources	<u>11,483,814</u>	<u>482,584</u>	<u>11,966,398</u>
Net Position:			
Net investment in capital assets	2,201,552,683	116,238,944	2,317,791,627
Restricted for:			
Public safety	1,484,775	-	1,484,775
Public works	26,179,536	-	26,179,536
Community services	8,744,822	-	8,744,822
Community development	3,158,414	-	3,158,414
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,556,408	-	1,556,408
Unrestricted	(107,775,201)	30,134,055	(77,641,146)
Total net position	<u>\$ 2,139,531,218</u>	<u>\$ 146,372,999</u>	<u>\$ 2,285,904,217</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 20,443,569	\$ 5,089,123	\$ -	\$ -	\$ 5,089,123
Public safety	102,494,314	19,899,242	2,157,768	83,197	22,140,207
Public works	54,039,601	5,214,426	8,384,107	27,495,218	41,093,751
Community development	12,056,086	10,838,114	186,490	2,657	11,027,261
Community services	26,583,440	13,653,466	903,823	412,245	14,969,534
Interest on long-term debt	7,472,188	-	-	-	-
Total governmental activities	<u>223,089,198</u>	<u>54,694,371</u>	<u>11,632,188</u>	<u>27,993,317</u>	<u>94,319,876</u>
Business-type activities:					
Water	22,004,013	25,371,307	-	-	25,371,307
Wastewater	4,218,926	3,161,114	-	-	3,161,114
Total business-type activities	<u>26,222,939</u>	<u>28,532,421</u>	<u>-</u>	<u>-</u>	<u>28,532,421</u>
Total primary government	<u>\$ 249,312,137</u>	<u>\$ 83,226,792</u>	<u>\$ 11,632,188</u>	<u>\$ 27,993,317</u>	<u>\$ 122,852,297</u>

General revenues:
Taxes:
Property tax
Sales tax
Transient occupancy tax
Business license tax
Franchise tax
Other taxes
Investment income
Other
Transfers
Total general revenues and transfers
Change in net position

Net Position at beginning of year, as restated (note 17)

Net Position at end of year

See accompanying notes to basic financial statements

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

Governmental Activities	Business-type Activities	Total
\$ (15,354,446)	\$ -	\$ (15,354,446)
(80,354,107)	-	(80,354,107)
(12,945,850)	-	(12,945,850)
(1,028,825)	-	(1,028,825)
(11,613,906)	-	(11,613,906)
(7,472,188)	-	(7,472,188)
<u>(128,769,322)</u>	<u>-</u>	<u>(128,769,322)</u>
-	3,367,294	3,367,294
-	(1,057,812)	(1,057,812)
-	<u>2,309,482</u>	<u>2,309,482</u>
<u>(128,769,322)</u>	<u>2,309,482</u>	<u>(126,459,840)</u>
96,964,060	-	96,964,060
33,702,895	-	33,702,895
22,382,361	-	22,382,361
4,149,016	-	4,149,016
4,026,005	-	4,026,005
358,209	-	358,209
589,001	77,752	666,753
2,290,482	-	2,290,482
(3,500,000)	3,500,000	-
<u>160,962,029</u>	<u>3,577,752</u>	<u>164,539,781</u>
32,192,707	5,887,234	38,079,941
<u>2,107,338,511</u>	<u>140,485,765</u>	<u>2,247,824,276</u>
<u>\$ 2,139,531,218</u>	<u>\$ 146,372,999</u>	<u>\$ 2,285,904,217</u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

Fund Financial Statements Governmental Funds

FINANCIAL SECTION

GOVERNMENTAL FUNDS

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 – Operating Fund** is a Special Revenue Fund used to account for revenues related to the operation of the City's tidelands, including beaches and marinas, and the related expenditures. Revenue from tideland operations includes, but is not limited to, rents from moorings, piers, and leases, as well as income from parking lots, meters, and the sale of oil.

The **Tide and Submerged Land – Harbor Capital Fund** is a Special Revenue Fund used to account for incremental increases in revenue from certain property lease, pier, and mooring rentals that exceed Council designated base year revenue amounts, as well as other designated revenues and the related expenditures for capital projects, maintenance, and servicing of loan advances from the General fund.

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 **Facilities Financial Planning Reserve Fund** is used to account for the receipt and expenditure of funds for the replacement of facilities. In prior years, this fund was called the Facilities Replacement Fund.

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.

Other Governmental Funds

Other 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, 2017

	Special Revenue Funds		
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital
Assets			
Cash and investments (note 4)	\$ 74,478,501	\$ 5,821,912	\$ 8,215,913
Receivables:			
Accounts (net of allowance)	4,249,630	484,333	-
Interest	755,666	-	-
Intergovernmental receivables	7,215,633	-	621,392
Cash with fiscal agent (note 4)	-	-	-
Advance to other funds (note 12)	13,926,659	-	-
Due from other funds (note 12)	1,263,462	-	-
Prepaid items	268,665	-	-
Inventory	238,693	-	-
Total assets	<u>\$ 102,396,909</u>	<u>\$ 6,306,245</u>	<u>\$ 8,837,305</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 5,999,168	\$ 1,072,366	\$ 68,205
Accrued payroll	1,715,080	16,613	-
Deposits payable	3,226,795	165,265	-
Unearned revenue	2,077,826	550,595	-
Advance from other funds (note 12)	-	-	13,926,659
Due to other funds (note 12)	-	-	-
Total liabilities	<u>13,018,869</u>	<u>1,804,839</u>	<u>13,994,864</u>
Deferred Inflows of Resources:			
Unavailable revenue	-	-	563,521
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>563,521</u>
Fund balances (deficits):			
Nonspendable:			
Prepaid items	268,665	-	-
Inventories	238,693	-	-
Long-term loan receivable	13,926,659	-	-
Permanent endowment	-	-	-
Restricted:			
Affordable housing	1,075,680	-	-
Oceanfront encroachment	1,637,234	-	-
Upper Newport Bay restoration	-	725,939	-
Other	1,084,095	3,175,467	-
Committed:			
Seawalls	5,000,000	-	-
PERS	3,914,695	-	-
Oil and gas	-	600,000	-
Other	1,655,943	-	-
Assigned:	567,132	-	-
Unassigned:	<u>60,009,244</u>	<u>-</u>	<u>(5,721,080)</u>
Total fund balances (deficits)	<u>89,378,040</u>	<u>4,501,406</u>	<u>(5,721,080)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 102,396,909</u>	<u>\$ 6,306,245</u>	<u>\$ 8,837,305</u>

See accompanying notes to basic financial statements

<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
<u>Combined Transportation</u>	<u>Facilities Financial Planning Reserve</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ 89,805	\$ 24,808,303	\$ -	\$ 53,984,627	\$ 167,399,061
1,631,595	19,764	-	3,664,309	10,049,631
-	-	-	-	755,666
321,276	-	-	421,735	8,580,036
-	-	8,069,571	-	8,069,571
-	-	-	-	13,926,659
-	5,835,548	-	-	7,099,010
-	-	-	36,475	305,140
-	-	-	-	238,693
<u>\$ 2,042,676</u>	<u>\$ 30,663,615</u>	<u>\$ 8,069,571</u>	<u>\$ 58,107,146</u>	<u>\$ 216,423,467</u>
\$ 242,155	\$ -	\$ 15	\$ 5,247,777	\$ 12,629,686
-	-	-	-	1,731,693
-	-	-	119,000	3,511,060
-	19,764	-	1,395,224	4,043,409
-	-	-	-	13,926,659
-	-	5,705,522	302,480	6,008,002
<u>242,155</u>	<u>19,764</u>	<u>5,705,537</u>	<u>7,064,481</u>	<u>41,850,509</u>
<u>1,631,596</u>	<u>-</u>	<u>-</u>	<u>3,181,690</u>	<u>5,376,807</u>
<u>1,631,596</u>	<u>-</u>	<u>-</u>	<u>3,181,690</u>	<u>5,376,807</u>
-	-	-	36,475	305,140
-	-	-	-	238,693
-	-	-	-	13,926,659
-	-	-	4,629,781	4,629,781
-	-	-	-	1,075,680
-	-	-	-	1,637,234
-	-	-	-	725,939
168,925	6,743,054	2,364,034	18,772,720	32,308,295
-	-	-	-	5,000,000
-	-	-	-	3,914,695
-	-	-	-	600,000
-	23,900,797	-	25,009,250	50,565,990
-	-	-	-	567,132
-	-	-	(587,251)	53,700,913
<u>168,925</u>	<u>30,643,851</u>	<u>2,364,034</u>	<u>47,860,975</u>	<u>169,196,151</u>
<u>\$ 2,042,676</u>	<u>\$ 30,663,615</u>	<u>\$ 8,069,571</u>	<u>\$ 58,107,146</u>	<u>\$ 216,423,467</u>

See accompanying notes to basic financial statements

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CITY OF NEWPORT BEACH
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Fund balances of governmental funds	\$	169,196,151
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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.</p>		2,295,611,922
<p>Long-term debts have not been reported in the governmental fund activity. Amounts exclude long-term debt activity from internal service funds which have been added below:</p>		
Certificates of participation payable		(110,595,000)
Premium on certificates		(361,659)
CDBG loan		(1,066,000)
<p>Pension related debt applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension are only reported in the Statement of Net Position as the changes in these amounts affect only the government-wide statements for governmental activities. Amounts exclude internal service fund activity which has been added below:</p>		
Deferred outflows of resources		57,434,051
Deferred inflows of resources		(11,069,556)
Pension liability		(283,230,396)
<p>Deferred inflows related to gain on refunding is not reported on governmental funds</p>		(96,849)
<p>Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.</p>		(3,710,450)
<p>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.</p>		5,376,807
<p>Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance, fleet management and information technology, to individual funds. The assets (including capital assets) and liabilities of the internal service funds must be added to the statement of net position.</p>		22,277,827
<p>Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.</p>		145,391
<p>Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.</p>		(381,021)
Net position of governmental activities	\$	<u><u>2,139,531,218</u></u>

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, 2017

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Tide and Submerged Land - Operating</u>	<u>Tide and Submerged Land - Harbor Capital</u>
Revenues:			
Taxes and assessments:			
Property tax	\$ 96,964,060	\$ -	\$ -
Sales tax	33,702,895	-	-
Transient occupancy tax	22,382,361	-	-
Other taxes	8,533,230	-	-
Intergovernmental	2,284,666	-	-
Licenses, permits and fees	5,222,315	105,387	-
Charges for services	19,191,209	5,856	-
Fines and forfeitures	3,587,151	3,549	-
Investment income	585,152	34,716	10,131
Property income	10,002,773	11,214,450	2,335,965
Donations	148,855	-	350,000
Other	1,769,677	-	-
	<u>204,374,344</u>	<u>11,363,958</u>	<u>2,696,096</u>
Total revenues			
Expenditures:			
Current:			
General government	14,266,027	820,370	-
Public safety	88,752,387	9,548,011	-
Public works	33,036,654	2,480,022	-
Community development	11,565,887	4,098	-
Community services	21,115,067	2,489,386	-
Capital outlay	-	2,737,980	588,411
Debt service (note 6):			
Principal	-	-	-
Interest and fiscal charges	210,170	-	-
	<u>168,946,192</u>	<u>18,079,867</u>	<u>588,411</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>35,428,152</u>	<u>(6,715,909)</u>	<u>2,107,685</u>
Other financing sources (uses):			
Transfers in (note 13)	462,792	6,762,805	-
Transfers out (note 13)	(28,352,305)	-	-
Proceeds from sale	-	-	-
	<u>(27,889,513)</u>	<u>6,762,805</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	7,538,639	46,896	2,107,685
Fund balances (deficits), beginning	<u>81,839,401</u>	<u>4,454,510</u>	<u>(7,828,765)</u>
Fund balances (deficits), ending	<u>\$ 89,378,040</u>	<u>\$ 4,501,406</u>	<u>\$ (5,721,080)</u>

See accompanying notes to basic financial statements

<u>Special Revenue</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
<u>Combined Transportation</u>	<u>Facilities Financial Planning Reserve</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 96,964,060
-	-	-	-	33,702,895
-	-	-	-	22,382,361
-	-	-	601,672	9,134,902
2,192,207	-	2,360,267	10,236,513	17,073,653
-	3,339,621	-	1,177,585	9,844,908
-	-	-	-	19,197,065
-	-	-	-	3,590,700
1,520	40,458	3,850	96,719	772,546
-	-	-	-	23,553,188
-	16,329,034	-	-	16,827,889
-	-	-	507,645	2,277,322
<u>2,193,727</u>	<u>19,709,113</u>	<u>2,364,117</u>	<u>12,620,134</u>	<u>255,321,489</u>
-	-	-	-	15,086,397
-	-	-	450,583	98,750,981
-	-	-	444,348	35,961,024
-	-	-	126,794	11,696,779
-	-	-	2,831	23,607,284
4,747,365	-	-	22,749,216	30,822,972
-	-	3,060,000	1,341,000	4,401,000
-	-	7,468,025	26,762	7,704,957
<u>4,747,365</u>	<u>-</u>	<u>10,528,025</u>	<u>25,141,534</u>	<u>228,031,394</u>
<u>(2,553,638)</u>	<u>19,709,113</u>	<u>(8,163,908)</u>	<u>(12,521,400)</u>	<u>27,290,095</u>
-	11,126,433	8,165,038	18,825,378	45,342,446
-	(17,900,916)	-	(3,137,005)	(49,390,226)
-	-	-	995,802	995,802
-	<u>(6,774,483)</u>	<u>8,165,038</u>	<u>16,684,175</u>	<u>(3,051,978)</u>
(2,553,638)	12,934,630	1,130	4,162,775	24,238,117
<u>2,722,563</u>	<u>17,709,221</u>	<u>2,362,904</u>	<u>43,698,200</u>	<u>144,958,034</u>
<u>\$ 168,925</u>	<u>\$ 30,643,851</u>	<u>\$ 2,364,034</u>	<u>\$ 47,860,975</u>	<u>\$ 169,196,151</u>

See accompanying notes to basic financial statements

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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, 2017

Net change in fund balances - total governmental funds \$ 24,238,117

Amounts reported for governmental activities in the statement of activities differ from the amounts reported in governmental funds 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. 3,076,956

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance costs of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the Statement of Net Position. The amounts are the net effect of these differences in the treatment of long-term debt:

Repayment of principal 4,401,000

Premium on bonds is recognized as revenues in the period received; however, in the statement of activities, it is amortized over the life of the bond. 120,553

Gain on refunding is amortized over the remaining life of the debt in the Statement of Activities 50,529

Accrued interest for debt service is the net change in accrued interest for the current period. 61,687

Pension expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. 4,599,927

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. 2,643,903

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. (6,534,029)

Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities. (10,956)

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. (454,980)

Change in net position of governmental activities \$ 32,192,707

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
General Fund
Budgetary Comparison Statement
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Taxes and assessments:				
Property	\$ 93,985,344	\$ 93,985,344	\$ 96,964,060	\$ 2,978,716
Sales	36,173,778	34,612,648	33,702,895	(909,753)
Transient occupancy	22,001,307	22,578,447	22,382,361	(196,086)
Other taxes	8,322,120	8,322,120	8,533,230	211,110
Intergovernmental	1,897,945	2,370,072	2,284,666	(85,406)
Licenses, permits and fees	4,415,215	4,415,215	5,222,315	807,100
Charges for services	18,883,530	19,259,767	19,191,209	(68,558)
Fines and forfeitures	3,552,124	3,552,124	3,587,151	35,027
Investment income	352,045	352,045	585,152	233,107
Property income	9,287,258	9,207,258	10,002,773	795,515
Donations	110,000	134,608	148,855	14,247
Other	214,248	855,684	1,769,677	913,993
	<u>199,194,914</u>	<u>199,645,332</u>	<u>204,374,344</u>	<u>4,729,012</u>
Total revenues				
Expenditures:				
General government:				
City council	1,167,949	1,199,121	859,855	339,266
City clerk	962,967	995,328	962,483	32,845
City attorney	2,430,588	2,434,088	2,045,185	388,903
City manager	3,013,473	2,784,197	2,066,094	718,103
Finance	6,154,324	6,087,838	5,679,121	408,717
Human resources	2,911,794	2,924,576	2,653,289	271,287
Total General government	<u>16,641,095</u>	<u>16,425,148</u>	<u>14,266,027</u>	<u>2,159,121</u>
Public safety:				
Police	56,411,985	54,204,450	51,039,799	3,164,651
Fire	45,176,164	39,049,173	37,712,588	1,336,585
Total Public safety	<u>101,588,149</u>	<u>93,253,623</u>	<u>88,752,387</u>	<u>4,501,236</u>
Public works:				
MOD- general services	29,350,784	28,148,723	26,283,666	1,865,057
Public works	7,581,501	7,269,163	6,752,988	516,175
Total Public works	<u>36,932,285</u>	<u>35,417,886</u>	<u>33,036,654</u>	<u>2,381,232</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
General Fund
Budgetary Comparison Statement
For the Year Ended June 30, 2017
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Community development:				
Community development	10,726,753	11,232,511	10,106,011	1,126,500
Code and water quality enforcement	1,448,941	1,448,941	1,459,876	(10,935)
Total Community development	<u>12,175,694</u>	<u>12,681,452</u>	<u>11,565,887</u>	<u>1,115,565</u>
Community services:				
Parking operations	1,656,987	1,467,365	1,367,514	99,851
Library services	7,929,387	8,873,369	7,965,503	907,866
Recreation and senior services	13,009,985	13,110,899	11,782,050	1,328,849
Total community services	<u>22,596,359</u>	<u>23,451,633</u>	<u>21,115,067</u>	<u>2,336,566</u>
Capital outlay	5,550,000	-	-	-
Debt service:				
Interest and fiscal charges	337,792	337,792	210,170	127,622
Total expenditures	<u>195,821,374</u>	<u>181,567,534</u>	<u>168,946,192</u>	<u>12,621,342</u>
Excess (deficiency) of revenues over expenditures	<u>3,373,540</u>	<u>18,077,798</u>	<u>35,428,152</u>	<u>17,350,354</u>
Other financing sources (uses):				
Transfers in	24,000	566,581	462,792	(103,789)
Transfers out	(12,986,443)	(28,352,305)	(28,352,305)	-
Total other financing sources (uses)	<u>(12,962,443)</u>	<u>(27,785,724)</u>	<u>(27,889,513)</u>	<u>(103,789)</u>
Net change in fund balance	(9,588,903)	(9,707,926)	7,538,639	17,246,565
Fund balance, beginning	81,839,401	81,839,401	81,839,401	-
Fund balance, ending	<u>\$ 72,250,498</u>	<u>\$ 72,131,475</u>	<u>\$ 89,378,040</u>	<u>\$ 17,246,565</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Tide and Submerged Land - Operating
Budgetary Comparison Statement
For the Year Ended June 30, 2017

	<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>
Revenues:				
Licenses, permits and fees	\$ 27,300	\$ 27,300	\$ 105,387	\$ 78,087
Charges for services	8,000	8,000	5,856	(2,144)
Fines and forfeitures	-	-	3,549	3,549
Investment income	15,812	15,812	34,716	18,904
Property income	12,353,639	12,353,639	11,214,450	(1,139,189)
	<u>12,404,751</u>	<u>12,404,751</u>	<u>11,363,958</u>	<u>(1,040,793)</u>
Total revenues	<u>12,404,751</u>	<u>12,404,751</u>	<u>11,363,958</u>	<u>(1,040,793)</u>
Expenditures:				
General government	-	820,370	820,370	-
Public safety	-	9,548,011	9,548,011	-
Public works	857,790	2,832,344	2,480,022	352,322
Community development	-	-	4,098	(4,098)
Community services	2,315,917	2,525,743	2,489,386	36,357
Capital outlay	2,100,000	5,696,233	2,737,980	2,958,253
	<u>5,273,707</u>	<u>21,422,701</u>	<u>18,079,867</u>	<u>3,342,834</u>
Total expenditures	<u>5,273,707</u>	<u>21,422,701</u>	<u>18,079,867</u>	<u>3,342,834</u>
Excess (deficiency) of revenues over expenditures	<u>7,131,044</u>	<u>(9,017,950)</u>	<u>(6,715,909)</u>	<u>2,302,041</u>
Other financing sources:				
Transfers in	-	6,762,805	6,762,805	-
Total other financing sources	<u>-</u>	<u>6,762,805</u>	<u>6,762,805</u>	<u>-</u>
Net change in fund balance	7,131,044	(2,255,145)	46,896	2,302,041
Fund balance, beginning	<u>4,454,510</u>	<u>4,454,510</u>	<u>4,454,510</u>	<u>-</u>
Fund balance, ending	<u>\$ 11,585,554</u>	<u>\$ 2,199,365</u>	<u>\$ 4,501,406</u>	<u>\$ 2,302,041</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Tide and Submerged Land - Harbor Capital
Budgetary Comparison Statement
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 29,879	\$ 29,879	\$ 10,131	\$ (19,748)
Property income	2,240,549	2,240,549	2,335,965	95,416
Donations	-	350,000	350,000	-
	<u>2,270,428</u>	<u>2,620,428</u>	<u>2,696,096</u>	<u>75,668</u>
Expenditures:				
Capital outlay	6,985,600	9,015,493	588,411	8,427,082
Net change in fund balance	(4,715,172)	(6,395,065)	2,107,685	8,502,750
Fund balance (deficit), beginning	<u>(7,828,765)</u>	<u>(7,828,765)</u>	<u>(7,828,765)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (12,543,937)</u>	<u>\$ (14,223,830)</u>	<u>\$ (5,721,080)</u>	<u>\$ 8,502,750</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH
 Combined Transportation
 Budgetary Comparison Statement
 For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 4,408,955	\$ 5,094,409	\$ 2,192,207	\$ (2,902,202)
Investment income	19,753	19,753	1,520	(18,233)
Total revenues	<u>4,428,708</u>	<u>5,114,162</u>	<u>2,193,727</u>	<u>(2,920,435)</u>
Expenditures:				
Capital outlay	<u>1,750,000</u>	<u>8,085,090</u>	<u>4,747,365</u>	<u>3,337,725</u>
Excess (deficiency) of revenues over expenditures	2,678,708	(2,970,928)	(2,553,638)	417,290
Net change in fund balance	2,678,708	(2,970,928)	(2,553,638)	417,290
Fund balance, beginning	<u>2,722,563</u>	<u>2,722,563</u>	<u>2,722,563</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 5,401,271</u>	<u>\$ (248,365)</u>	<u>\$ 168,925</u>	<u>\$ 417,290</u>

FINANCIAL SECTION

Fund Financial Statements Proprietary Funds

FINANCIAL SECTION



PROPRIETARY FUNDS

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 Position
June 30, 2017

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and investments	\$ 29,872,860	\$ 3,615,217	\$ 33,488,077	\$ 47,429,164
Receivables:				
Accounts (net of allowance)	5,703,754	684,116	6,387,870	38,752
Intergovernmental receivables	-	-	-	1,469,145
Inventories	-	-	-	355,293
Net other pension employment benefits assets	-	-	-	2,852,574
Prepaid items	-	-	-	1,503,608
Total current assets	35,576,614	4,299,333	39,875,947	53,648,536
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	-
Equipment	226,055	34,107	260,162	36,334,630
Software	-	-	-	3,510,251
Infrastructure	132,961,901	47,211,325	180,173,226	-
Work in progress	267,397	-	267,397	164,489
Less accumulated depreciation	(49,772,771)	(17,596,916)	(67,369,687)	(23,225,598)
Total capital assets (net of accumulated depreciation)	86,590,428	29,648,516	116,238,944	16,783,772
Total assets	122,167,042	33,947,849	156,114,891	70,432,308
Deferred outflows of resources:				
Deferred amount from pension plans	1,481,377	568,896	2,050,273	1,348,528
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	1,974,512	136,651	2,111,163	709,517
Accrued payroll	76,842	25,432	102,274	160,287
Deposits payable	26,192	-	26,192	-
Due to other funds (note 12)	-	-	-	1,091,008
Workers' compensation - current	-	-	-	3,369,038
General liability - current	-	-	-	6,139,621
Compensated absences - current	-	-	-	2,123,186
Total current liabilities	2,077,546	162,083	2,239,629	13,592,657
Noncurrent liabilities:				
Workers' compensation (note 6)	-	-	-	14,047,962
General liability (note 6)	-	-	-	5,942,685
Compensated absences (note 6)	-	-	-	9,386,089
Net pension liability (note 10)	6,828,588	2,622,385	9,450,973	6,216,207
Total noncurrent liabilities	6,828,588	2,622,385	9,450,973	35,592,943
Total liabilities	8,906,134	2,784,468	11,690,602	49,185,600
Deferred inflows of resources:				
Deferred amount from pension plans	348,680	133,904	482,584	317,409
Net Position				
Net investment in capital assets	86,590,428	29,648,516	116,238,944	16,783,772
Unrestricted	27,803,177	1,949,857	29,753,034	5,494,055
Total net position	\$ 114,393,605	\$ 31,598,373	145,991,978	\$ 22,277,827
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			381,021	
Net position of business-type activities			\$ 146,372,999	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Revenues,
Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	<u>Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total Enterprise Funds</u>	<u>Activities Internal Service Funds</u>
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 25,223,228	\$ -	\$ 25,223,228	\$ -
Charges for services	-	-	-	23,824,113
Sewer service and connection fees	-	3,161,114	3,161,114	-
Retiree reimbursements	-	-	-	246,259
Employee contributions	-	-	-	127,120
Other	148,079	-	148,079	150,647
Total operating revenues	<u>25,371,307</u>	<u>3,161,114</u>	<u>28,532,421</u>	<u>24,348,139</u>
Operating expenses:				
Purchase of water	9,275,641	-	9,275,641	-
Salaries and benefits	4,378,697	1,517,192	5,895,889	3,123,267
Depreciation	1,727,839	608,070	2,335,909	3,358,563
Professional services	1,990,425	409,695	2,400,120	324,097
Maintenance and supplies	2,087,356	845,155	2,932,511	2,348,600
System maintenance	1,005,670	716,064	1,721,734	-
Fleet parts and supplies	-	-	-	305,170
800 MHz	-	-	-	289,873
Telecommunication	-	-	-	486,708
Hardware	-	-	-	173,685
Software	-	-	-	690,843
Workers' compensation	-	-	-	5,542,044
Claims and judgments	-	-	-	8,441,827
Compensated absences	-	-	-	2,418,521
OPEB ARC - Cash subsidy	-	-	-	4,201,927
Other	1,878,200	237,915	2,116,115	-
Total operating expenses	<u>22,343,828</u>	<u>4,334,091</u>	<u>26,677,919</u>	<u>31,716,595</u>
Operating income (loss)	<u>3,027,479</u>	<u>(1,172,977)</u>	<u>1,854,502</u>	<u>(7,368,456)</u>
Nonoperating revenues (expenses):				
Investment income	69,907	7,845	77,752	109,627
Gain on sale of capital assets	-	-	-	177,020
Total nonoperating revenues (expenses)	<u>69,907</u>	<u>7,845</u>	<u>77,752</u>	<u>286,647</u>
Income (loss) before transfers	<u>3,097,386</u>	<u>(1,165,132)</u>	<u>1,932,254</u>	<u>(7,081,809)</u>
Transfers in (note 13)	-	3,500,000	3,500,000	607,780
Transfers out (note 13)	-	-	-	(60,000)
Total transfers in (out)	<u>-</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>547,780</u>
Change in net position	<u>3,097,386</u>	<u>2,334,868</u>	<u>5,432,254</u>	<u>(6,534,029)</u>
Net position, beginning of year	111,361,134	29,288,434		28,870,950
Restatement (note 17)	(64,915)	(24,929)		(59,094)
Net position, beginning of year as restated	<u>111,296,219</u>	<u>29,263,505</u>		<u>28,811,856</u>
Net position, end of year	<u>\$ 114,393,605</u>	<u>\$ 31,598,373</u>		<u>\$ 22,277,827</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			454,980	
Change in net position of business-type activities			<u>\$ 5,887,234</u>	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2017

	<u>Enterprise Funds</u>			Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	Total Enterprise Funds	
Cash flows from operating activities:				
Cash received from customers or user departments	\$ 24,146,911	\$ 3,082,269	\$ 27,229,180	\$ 24,095,991
Cash payments to employees for services	(4,590,505)	(1,603,001)	(6,193,506)	(8,204,092)
Cash payments to suppliers for goods and services	(14,800,175)	(1,881,137)	(16,681,312)	(16,052,241)
Cash received (payments made) for other operating activities	(1,730,121)	(237,915)	(1,968,036)	952,640
Net cash provided (used) by operating activities	<u>3,026,110</u>	<u>(639,784)</u>	<u>2,386,326</u>	<u>792,298</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	3,500,000	3,500,000	1,256,604
Cash paid to other funds	-	-	-	(60,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>1,196,604</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(71,937)	(1,447,340)	(1,519,277)	(3,605,430)
Proceeds from sale of capital assets	-	-	-	187,918
Net cash used for capital and related financing activities	<u>(71,937)</u>	<u>(1,447,340)</u>	<u>(1,519,277)</u>	<u>(3,417,512)</u>
Cash flows from investing activities:				
Investment income	69,907	7,845	77,752	109,627
Net cash provided by investing activities	<u>69,907</u>	<u>7,845</u>	<u>77,752</u>	<u>109,627</u>
Net increase (decrease) in cash and cash equivalents	3,024,080	1,420,721	4,444,801	(1,318,983)
Cash and cash equivalents, beginning	<u>26,848,780</u>	<u>2,194,496</u>	<u>29,043,276</u>	<u>48,748,147</u>
Cash and cash equivalents, ending	<u>\$ 29,872,860</u>	<u>\$ 3,615,217</u>	<u>\$ 33,488,077</u>	<u>\$ 47,429,164</u>
Reconciliation of cash equivalents to the statement of net position:				
Cash and investments reported on statement of net position	<u>\$ 29,872,860</u>	<u>\$ 3,615,217</u>	<u>\$ 33,488,077</u>	<u>\$ 47,429,164</u>
Cash and cash equivalents	<u>\$ 29,872,860</u>	<u>\$ 3,615,217</u>	<u>\$ 33,488,077</u>	<u>\$ 47,429,164</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 3,027,479</u>	<u>\$ (1,172,977)</u>	<u>\$ 1,854,502</u>	<u>\$ (7,368,456)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,727,839	608,070	2,335,909	3,358,563
Changes in operating assets and liabilities:				
(Increase) in accounts receivable	(1,080,009)	(78,845)	(1,158,854)	(768,653)
Decrease in inventories	-	-	-	808
(Increase) in net other pension employment benefits	-	-	-	(170,645)
(Increase) in prepaid items	-	-	-	(845,469)
Increase (decrease) in accounts payable and accrued payroll	(433,558)	88,198	(345,360)	(161,424)
Increase in deposits payable	3,692	-	3,692	-
Increase in workers' compensation	-	-	-	2,636,000
Increase in general liability	-	-	-	3,878,836
Increase in compensated absences	-	-	-	432,402
(Decrease) in net of pension liability and deferred cash flows	(219,333)	(84,230)	(303,563)	(199,664)
Total adjustments	<u>(1,369)</u>	<u>533,193</u>	<u>531,824</u>	<u>8,160,754</u>
Net cash provided (used) by operating activities	<u>\$ 3,026,110</u>	<u>\$ (639,784)</u>	<u>\$ 2,386,326</u>	<u>\$ 792,298</u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

Fund Financial Statements Fiduciary Funds

FINANCIAL SECTION



FIDUCIARY FUNDS

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, 2017

Assets	Totals
Cash and investments (note 4)	\$ 1,292,919
Cash with fiscal agent (note 4)	<u>3,789,037</u>
Total assets	<u><u>\$ 5,081,956</u></u>
Liabilities	
Due to bondholders	\$ 4,520,346
Due to others	<u>561,610</u>
Total liabilities	<u><u>\$ 5,081,956</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, 2017

(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 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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 financial statements, rather than as an other 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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s practice to consider restricted-net position to have been depleted before unrestricted-net position is applied.

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, deferred inflows/outflows of resources, 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 funds are excluded from government-wide financial statements. 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, for which it uses an availability criteria of 90 days. The fiscal year sales tax clean-up payment is received in September, beyond the City’s 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.

Property taxes, sales taxes, franchise taxes, gas taxes, motor vehicle license fees, transient occupancy taxes, grants, and interest associated with the current fiscal period are all considered to be subject to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 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 deferred outflows of resources, and current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance 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 fund balance. 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.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect “available spendable resources”, 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.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

amount of net appreciation on investments that is available to support City programs is \$1,556,408. 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 Balance Sheet. 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, deferred outflows of resources, all liabilities and deferred inflows of resources (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 position.

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 expenditures. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as reductions of the related liabilities, rather than as expenditures.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses and have no measurement focus.

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, 2017

Major Governmental Funds – Governmental funds are generally used to account for tax supported activities. The following governmental funds meet 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 Funds

Tide and Submerged Land – Operating

The Tide and Submerged Land – Operating Fund is a special revenue fund used to account for revenues related to the operation of the City's tidelands, including beaches and marinas, and the related expenditures. Revenue from tideland operations includes, but is not limited to, rents from moorings, piers, and leases, as well as income from parking lots, meters, and the sale of oil.

Tide and Submerged Land – Harbor Capital

The Tide and Submerged Land - Harbor Capital Fund is used to account for incremental increases in revenue from certain property lease, pier, and mooring rentals that exceed Council designated base year revenue amounts, as well as other designated revenues and the related expenditures for capital projects, maintenance, and servicing of loan advances from the General Fund.

Combined Transportation Fund

The Combined Transportation Fund is used to account for 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.

Capital Project Funds

Facilities Financial Planning Reserve Fund

The Facilities Financial Planning Reserve Fund is used to account for the receipt and expenditure of funds for the replacement of facilities. In prior years, this fund was called the Facilities Replacement Fund.

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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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.

Other Governmental Funds – Other Governmental Funds are those funds which do not meet the criteria of a major fund. The following governmental fund types are used for non-major funds:

Other Special Revenue Funds – Other Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes.

Other Capital Projects Funds – Other 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.

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.

Internal Service Funds – The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation, compensated absences, retiree insurance, the cost of maintaining and replacing the City's rolling stock fleet, parking equipment, coordinated communications systems equipment, certain fire equipment, recreation equipment, as well as the cost of maintaining and replacing the City's information technology systems. 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. **New Accounting Pronouncements**

Current Year Standards

In fiscal year 2016-2017, the City implemented the following Government Accounting Standards Board (GASB) Statements:

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

- GASB Statement No.73- *“Accounting And Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68”*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, effective for periods beginning after June 15, 2016, and did not impact the City.
- GASB Statement No. 74 – *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”* effective for periods beginning after June 15, 2016, and did not impact the City.
- GASB Statement No.77 – *“Tax Abatement Disclosures”*, effective for periods beginning after December 15, 2015, and did not impact the City.
- GASB Statement No. 78 – *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015, and did not impact the City.
- GASB Statement No. 79 – *“Certain External Investment Pools and Pool Participants”*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015, and did not impact the City.
- GASB Statement No. 80 – *“Blending Requirements for Certain Component Units”*, effective for periods beginning after June 15, 2016, and did not impact the City.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City’s financial reporting requirements in the future:

- GASB Statement No. 75 – *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB Statement No. 81 – *“Irrevocable Split-Interest Agreements”*, effective for periods beginning after December 15, 2016.
- GASB Statement No. 82 – *“Pension Issues”*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

- GASB Statement No. 83 – ‘*Certain Asset Retirement Obligations*’, effective for periods beginning after June 15, 2018.
- GASB Statement No. 84 – ‘*Fiduciary Activities*’, effective for periods beginning after December 15, 2018.
- GASB Statement No. 85 – ‘*Omnibus 2017*’, effective for periods beginning after June 15, 2017
- GASB Statement No. 86 – ‘*Certain Debt Extinguishment Issues*’, effective for periods beginning after June 15, 2017.
- GASB Statement No. 87 – ‘*Leases*’, effective for periods beginning after December 15, 2019.

e. Accounts Receivables (net of allowance)

Accounts receivables represent all service and capital project billings other than intergovernmental receivables stated below. The City set up an allowance for doubtful accounts to accurately reflect the estimated accounts receivable deemed to be uncollectible and ensure that the income statement and balance sheet are fairly stated at the amount expected to be collected in receivables. The estimated allowance is based upon historical data and bad debt experience. Invoices with an outstanding balance over 90 days past due are analyzed the following year to calculate the percent collected within one year. The percentage is then applied to current year past due invoices and a bad debt expense is charged to departments with outstanding balances. Receivables with governmental organizations are excluded from the allowance as they are more likely to be received due to the governments’ credit worthiness. As of June 30, 2017, the balance for Allowance for Doubtful Accounts was as follows:

General Fund:	\$864,305
Tide and Submerged Land – Operating:	\$5,843
Water Fund:	\$212,010
Waste Water Fund:	\$27,563
Equipment Maintenance Internal Service Fund:	\$10,106

f. Cash and Investments

Cash and Cash Equivalents

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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Investments

Investments are generally stated at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 \$35,972,682 at June 30, 2017. 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 or 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.

g. 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, 2017, the balance of this account was \$10,049,181.

h. 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 and internal service fund inventories are recorded as expenditures when consumed.

i. 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 if it has an expected useful life of three years or more. The cost of normal maintenance

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

and repairs that do not add to the value of the asset's life 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 acquisition 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 ranges of useful life for depreciation purposes for each capital asset class are as follows:

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

j. 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.

k. 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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Due dates	November 1	1 st installment
	March 1	2 nd installment
Collection dates	December 10	1 st installment
	April 10	2 nd installment

i. 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 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.

m. 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.

n. Unearned 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.

o. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has two items that qualify for reporting in this category, the first item is the

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

deferred outflow related to pensions, which is the amount equal to employer contributions made after the measurement date of the net pension liability. The second item is a deferred outflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. The first item is *unavailable revenues*, which is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants receivable and rent collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt. The third item is a deferred inflow related to pensions resulting from the difference between actual and expected experience. The fourth item is a deferred inflow related to pensions resulting from the changes in assumptions. The third and fourth items are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the plans.

p. Fund Balance Classifications

Due to the implementation of GASB No. 54, the governmental fund balance is made up of 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, 2017

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 or modify a fund balance commitment by legislation (Council action) and can only rescind a fund balance commitment by new legislation requiring the same voting consensus. The City considers a resolution to constitute a formal action of the City Council for the purposes of establishing committed fund balance.

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's Reserve Policy gives the City Manager the authority to establish, modify, or rescind a fund balance assignment.

Unassigned fund balance

That residual portion of a fund balance that is not otherwise restricted, committed or assigned. Positive unassigned fund balance is available to be used for any purpose. Only the general fund may report a positive unassigned fund balance. Funds, except the general fund, may report negative unassigned fund balance in certain circumstances.

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 uses 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 position are available, the City applies restricted net position first.

q. 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

r. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Newport Beach's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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

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

The "total fund balances" of the City's governmental funds \$169,196,151 differs from "net position" of governmental activities \$2,139,531,218 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital Related Items

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

Cost of capital assets	\$2,489,690,375
Accumulated depreciation	<u>(194,078,453)</u>
Total capital assets, net*	<u>\$2,295,611,922</u>

*Amount excludes net capital assets of \$16,783,772 from Internal Service funds

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 position. Balances at June 30, 2017 were:

Certificates of participation	\$110,595,000
Bond premium	361,659
CDBG loan	<u>1,066,000</u>
Total	<u>\$112,022,659</u>

Deferred Inflows - Refunding

Deferred inflows related to gain on refunding is not reported in governmental funds.

(\$96,849)

Accrued Interest

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

Accrued interest added	<u>\$3,710,450</u>
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Investment in Joint Venture

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

Net equity in joint venture	<u>\$145,391</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 the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds.

Unavailable revenue	<u>\$5,376,807</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 position because they primarily serve governmental activities of the City.

Internal Service Funds	<u>\$22,277,827</u>
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Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability – GASB 68

Pension related debt applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.

Deferred Outflows of Resources	\$57,434,051
Deferred Inflows of Resources	(11,069,556)
Pension Liability	(283,230,396)

Internal Balance

Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.

Internal Balance	<u>(\$381,021)</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, 2017

**Explanation of Differences Between Government Funds
Balance Sheet and the Statement of Net Position**

	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Assets and Deferred Outflows of Resources				
Cash and investments	\$ 167,399,061	\$ -	\$ -	\$ -
Receivables:				
Accounts (net of allowance)	10,049,631	-	-	-
Advances to other funds	13,926,659	-	-	-
Interest	755,666	-	-	-
Intergovernmental receivables	8,580,036	-	-	-
Cash with fiscal agent	8,069,571	-	-	-
Interfund balances	7,099,010	-	-	-
Investment in joint venture	-	-	-	-
Inventory	238,693	-	-	-
Net other pension employment benefits (assets)	-	-	-	-
Prepaid items	305,140	-	-	-
Capital assets	-	2,489,690,375	-	-
Accumulated depreciation	-	-	(194,078,453)	-
	<u>\$ 216,423,467</u>	<u>\$ 2,489,690,375</u>	<u>\$ (194,078,453)</u>	<u>\$ -</u>
Deferred Outflows of Resources:				
Deferred amount from pension plans	-	-	-	57,434,051
	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,434,051</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,434,051</u>
	<u>\$ 216,423,467</u>	<u>\$ 2,489,690,375</u>	<u>\$ (194,078,453)</u>	<u>\$ 57,434,051</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position				
Liabilities:				
Accounts payable	\$ 12,629,686	\$ -	\$ -	\$ -
Accrued payroll	1,731,693	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	3,511,060	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Unearned revenue	4,043,409	-	-	-
Interfund balance	6,008,002	-	-	-
Advance from other funds	13,926,659	-	-	-
Long-term liabilities	-	-	-	395,253,055
	<u>41,850,509</u>	<u>-</u>	<u>-</u>	<u>395,253,055</u>
Deferred Inflows of Resources:				
Unavailable revenue	5,376,807	-	-	-
Deferred amount from pension plans	-	-	-	11,069,556
Deferred gain from refunding	-	-	-	96,849
	<u>5,376,807</u>	<u>-</u>	<u>-</u>	<u>11,166,405</u>
Total deferred inflows of resources	<u>5,376,807</u>	<u>-</u>	<u>-</u>	<u>11,166,405</u>
Fund balances / net position	<u>169,196,151</u>	<u>2,489,690,375</u>	<u>(194,078,453)</u>	<u>(348,985,409)</u>
Total liabilities, deferred inflows of resources and fund balances / net position	<u>\$ 216,423,467</u>	<u>\$ 2,489,690,375</u>	<u>\$ (194,078,453)</u>	<u>\$ 57,434,051</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

<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 Position</u>
\$ -	\$ -	\$ -	\$ 47,429,164	\$ -	\$ 214,828,225
-	-	-	38,752	-	10,088,383
-	-	-	-	(13,926,659)	-
-	-	-	-	-	755,666
-	-	-	1,469,145	-	10,049,181
-	-	-	-	-	8,069,571
-	-	-	-	(7,480,031)	(381,021)
-	145,391	-	-	-	145,391
-	-	-	355,293	-	593,986
-	-	-	2,852,574	-	2,852,574
-	-	-	1,503,608	-	1,808,748
-	-	-	40,009,370	-	2,529,699,745
-	-	-	<u>(23,225,598)</u>	-	<u>(217,304,051)</u>
<u>\$ -</u>	<u>\$ 145,391</u>	<u>\$ -</u>	<u>\$ 70,432,308</u>	<u>\$ (21,406,690)</u>	<u>\$ 2,561,206,398</u>
-	-	-	1,348,528	-	58,782,579
-	-	-	1,348,528	-	58,782,579
<u>\$ -</u>	<u>\$ 145,391</u>	<u>\$ -</u>	<u>\$ 71,780,836</u>	<u>\$ (21,406,690)</u>	<u>\$ 2,619,988,977</u>
\$ -	\$ -	\$ -	\$ 709,517	\$ -	\$ 13,339,203
-	-	-	160,287	-	1,891,980
3,710,450	-	-	-	-	3,710,450
-	-	-	-	-	3,511,060
-	-	-	6,139,621	-	6,139,621
-	-	-	3,369,038	-	3,369,038
-	-	-	2,123,186	-	2,123,186
-	-	-	-	-	4,043,409
-	-	-	1,091,008	(7,099,010)	-
-	-	-	-	(13,926,659)	-
-	-	-	35,592,943	-	430,845,998
<u>3,710,450</u>	<u>-</u>	<u>-</u>	<u>49,185,600</u>	<u>(21,025,669)</u>	<u>468,973,945</u>
-	-	(5,376,807)	-	-	-
-	-	-	317,409	-	11,386,965
-	-	-	-	-	96,849
-	-	<u>(5,376,807)</u>	<u>317,409</u>	-	<u>11,483,814</u>
<u>(3,710,450)</u>	<u>145,391</u>	<u>5,376,807</u>	<u>22,277,827</u>	<u>(381,021)</u>	<u>2,139,531,218</u>
<u>\$ -</u>	<u>\$ 145,391</u>	<u>\$ -</u>	<u>\$ 71,780,836</u>	<u>\$ (21,406,690)</u>	<u>\$ 2,619,988,977</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

b. Explanation of Differences Between Enterprise Funds and Government-wide Statement of Net Position

Net position of the City's Enterprise Funds of \$145,991,978 differs from net position of the business-type activities of \$146,372,999 reported in the government-wide statement of net position. The difference, \$381,021 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 Position**

	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Government-wide Statement of Net Position</u>
Assets and Deferred Outflows of Resources			
Cash and investments	\$ 33,488,077	\$ -	\$ 33,488,077
Receivables:			
Accounts (net of allowance)	6,387,870	-	6,387,870
Interfund balances	-	381,021	381,021
Capital assets, net	116,238,944	-	116,238,944
Total assets	<u>156,114,891</u>	<u>381,021</u>	<u>156,495,912</u>
Deferred outflows of resources:			
Deferred amount from pension plans	<u>2,050,273</u>	<u>-</u>	<u>2,050,273</u>
Total assets and deferred outflows of resources	<u>\$ 158,165,164</u>	<u>\$ 381,021</u>	<u>\$ 158,546,185</u>
Liabilities and Deferred Inflows of Resources			
Liabilities:			
Accounts payable	\$ 2,111,163	\$ -	\$ 2,111,163
Accrued payroll	102,274	-	102,274
Deposits payable	26,192	-	26,192
Net pension liability	9,450,973	-	9,450,973
Total liabilities	<u>11,690,602</u>	<u>-</u>	<u>11,690,602</u>
Deferred outflows of resources:			
Deferred amount from pension plans	<u>482,584</u>	<u>-</u>	<u>482,584</u>
Net Position			
Net investment in capital assets	\$ 116,238,944	\$ -	\$ 116,238,944
Unrestricted	29,753,034	381,021	30,134,055
Total net position	<u>\$ 145,991,978</u>	<u>\$ 381,021</u>	<u>\$ 146,372,999</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

c. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds \$24,238,117 differs from the “change in net position” for governmental activities \$32,192,707 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 to the statement of net activities.

Capital outlay	\$ 27,271,926
Transfers out of WIP	<u>(8,373,043)</u>
Capital outlays expended	<u>18,898,883</u>
Governmental funds - asset deletions	<u>(9,189,110)</u>
Net change in capital related items	<u>\$ 9,709,773</u>
Depreciation expense	\$ (12,672,236)
Deletions in governmental funds accumulated depreciation	<u>6,039,419</u>
Net change in accumulated depreciation	<u>\$ (6,632,817)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Long-Term Debt Transactions

Payment of debt service is reported as an expenditure in governmental funds and 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 and increases 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 position.

Civic Center certificates of participation	\$3,060,000
Pre-annexation agreement	1,200,000
CDBG loan	141,000
Amortization of gain on refunding	50,529
Amortization of debt premium	<u>120,553</u>
Total debt payments	<u>\$4,572,082</u>

Accrued Interest

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

Net change in accrued interest	<u>\$61,687</u>
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Investment in Joint Venture

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

Net change in investment in joint venture	<u>(\$10,956)</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>\$2,643,903</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Pension Expense

Pension expense reported in the governmental funds includes the annual required contribution. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in the pension amounts for deferred outflows of resources and deferred inflows of resources.

Pension expense	<u>\$4,599,927</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 activities, to individual funds. The adjustments for internal service funds “close” 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>(\$6,534,029)</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. Reclassifications and eliminations are used by management to consolidate internal service funds into the Statement of Activities.

Net change in reclassifications and eliminations to consolidate internal service funds	<u>(\$454,980)</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

**Explanation of Differences Between Government Funds
Operating Statement 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>
Revenues:				
Taxes and assessments	\$ 162,184,218	\$ -	\$ -	\$ -
Intergovernmental	17,073,653	-	-	-
Licenses and permits	9,844,908	-	-	-
Charges for services	19,197,065	-	-	-
Fines and forfeitures	3,590,700	-	-	-
Investment income	772,546	-	-	-
Net increase in fair value of investments	-	-	-	-
Property income	23,553,188	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	16,827,889	-	-	-
Gain on sale of capital assets	-	-	-	-
Capital contributions	-	-	-	-
Other	2,277,322	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	255,321,489	-	-	-
Expenditures:				
Current:				
General government	15,086,397	1,251,801	1,714,335	(545,961)
Public safety	98,750,981	7,000	619,033	(2,603,549)
Public works	35,961,024	6,364,487	2,643,764	(658,553)
Community development	11,696,779	1,068,529	(683,859)	(357,265)
Community services	23,607,284	497,293	2,339,544	(434,599)
Capital outlay	30,822,972	(18,898,883)	-	-
Debt service:				
Principal retirement	4,401,000	-	-	(4,401,000)
Interest and fiscal charges	7,704,957	-	-	-
Amortization of gain on refunding	-	-	-	(50,529)
Amortization of debt premium	-	-	-	(120,553)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	228,031,394	(9,709,773)	6,632,817	(9,172,009)
Other financing sources (uses):				
Transfers in	45,342,446	-	-	-
Transfers out	(49,390,226)	-	-	-
Proceeds from sale	995,802	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(3,051,978)	-	-	-
Net change in fund balances / net position	24,238,117	9,709,773	(6,632,817)	9,172,009
Fund balances / net position, beginning of year as restated	144,958,034	2,479,980,602	(187,445,636)	(358,157,418)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances / net position, end of year	\$ 169,196,151	\$ 2,489,690,375	\$ (194,078,453)	\$ (348,985,409)

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

<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 Activities</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,184,218
-	-	2,643,903	-	-	19,717,556
-	-	-	-	-	9,844,908
-	-	-	-	(454,980)	18,742,085
-	-	-	-	-	3,590,700
-	-	-	109,627	-	882,173
-	-	-	-	-	-
-	-	-	-	-	23,553,188
-	(10,956)	-	-	-	(10,956)
-	-	-	-	-	16,827,889
-	-	-	177,020	-	177,020
-	-	-	-	-	-
-	-	-	-	-	2,277,322
-	(10,956)	2,643,903	286,647	(454,980)	257,786,103
-	-	-	904,285	2,032,712	20,443,569
-	-	-	4,191,254	1,529,595	102,494,314
-	-	-	1,410,258	8,318,621	54,039,601
-	-	-	331,902	-	12,056,086
-	-	-	530,757	43,161	26,583,440
-	-	-	-	(11,924,089)	-
-	-	-	-	-	-
(61,687)	-	-	-	(171,082)	7,472,188
-	-	-	-	50,529	-
-	-	-	-	120,553	-
(61,687)	-	-	7,368,456	-	223,089,198
-	-	-	607,780	(45,950,226)	-
-	-	-	(60,000)	45,950,226	(3,500,000)
-	-	-	-	-	995,802
-	-	-	547,780	-	(2,504,198)
61,687	(10,956)	2,643,903	(6,534,029)	(454,980)	32,192,707
(3,772,137)	156,347	2,732,904	28,811,856	73,959	2,107,338,511
<u>\$ (3,710,450)</u>	<u>\$ 145,391</u>	<u>\$ 5,376,807</u>	<u>\$ 22,277,827</u>	<u>\$ (381,021)</u>	<u>\$ 2,139,531,218</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

d. Explanation of Differences Between Enterprise Funds Operating Statement and the Statement of Activities

The change in net position for the City's enterprise funds \$5,432,254 differs from the change in net position of the business-type activities \$5,887,234 reported in the government-wide statement of activities. The difference, \$454,980, 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**

	Total Enterprise Funds	Internal Service Fund	Business-type activities Statement of Activities
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 25,223,228	\$ -	\$ 25,223,228
Sewer service and connection fees	3,161,114	-	3,161,114
Other	148,079	-	148,079
Total operating revenues	<u>28,532,421</u>	<u>-</u>	<u>28,532,421</u>
Operating expenses:			
Purchase of water	9,275,641	-	9,275,641
Salaries and wages	5,895,889	-	5,895,889
Depreciation	2,335,909	-	2,335,909
Professional services	2,400,120	-	2,400,120
Maintenance and supplies	2,932,511	(454,980)	2,477,531
System maintenance	1,721,734	-	1,721,734
Other	2,116,115	-	2,116,115
Total operating expenses	<u>26,677,919</u>	<u>(454,980)</u>	<u>26,222,939</u>
Operating income	1,854,502	454,980	2,309,482
Nonoperating revenues (expenses):			
Investment income	<u>77,752</u>	-	<u>77,752</u>
Total nonoperating revenues (expenses)	<u>77,752</u>	<u>-</u>	<u>77,752</u>
Income before transfers	1,932,254	454,980	2,387,234
Transfers in	<u>3,500,000</u>	-	<u>3,500,000</u>
Change in net position	5,432,254	454,980	5,887,234
Net position, beginning of year, as restated	<u>140,559,724</u>	<u>(73,959)</u>	<u>140,485,765</u>
Net position, end of year	<u>\$ 145,991,978</u>	<u>\$ 381,021</u>	<u>\$ 146,372,999</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

(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 with the exception of the Miscellaneous Grants Special Revenue Fund.
- 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 for these funds.
- 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 re-evaluated 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
June 30, 2017

Expenditures exceeded appropriations in the following governmental funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Supplemental Law Enforcement	\$ 155,000	\$ 158,853	\$ (3,853)

The following funds reported deficit fund balances:

Major Funds

Tide and Submerged Land - Harbor Capital \$ 5,721,080

Other Governmental Funds

Contributions \$ 309,287

Corporate Yard Consolidation \$ 27,250

Newport Uptown Undergrounding \$ 120,688

West Newport Community Center \$ 130,026

Internal Service Funds

Insurance Reserve \$ 6,244,312

Compensated Absences \$ 7,032,207

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, 2017

(4) Cash and Investments

Cash and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 248,316,302
Cash with fiscal agent	8,069,571
Fiduciary funds:	
Cash and investments	1,292,919
Cash with fiscal agent	3,789,037
Total cash and investments	\$ 261,467,829

Cash and investments as of June 30, 2017, consist of the following:

Cash on hand	\$ 24,560
Deposits with financial institutions	4,289,755
Investments	257,153,514
Total cash and investments	\$ 261,467,829

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, whichever is 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	5 years	30%	5%
U.S. Treasury Obligations	5 years	No Limit	No Limit
U.S. Agency Securities	5 years	No Limit	No Limit
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	2 years	30%	5%

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Repurchase Agreements	30 days	No Limit	5%
Reverse Repurchase Agreements	30 days	10%	5%
Medium-Term Notes	5 years	30%	5%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	No Limit
Mortgage Pass-Through Securities	5 years	20%	5%
LA County Pooled Investment Funds	N/A	5%	No Limit
Local Agency Investment Fund (LAIF)	N/A	\$65 million	\$65 million
Supranationals	5 years	20%	10%

* 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	No Limit	No Limit	No Limit
U.S. Agency Securities	No Limit	No Limit	No Limit
Banker's Acceptances	30 days - 360 days	No Limit	No Limit
Commercial Paper	180 days - 270 days	No Limit	10%
Money Market Mutual Funds	N/A	No Limit	No Limit
Investment Agreements	No Limit	No Limit	No Limit
Certificates of Deposit	30 days – 360 days	No Limit	No Limit
Demand Deposits	30 days	No Limit	No Limit
Time Deposits	30 days	No Limit	No Limit
Local Agency Bonds	No Limit	No Limit	No Limit
Forward Delivery Agreement	No Limit	No Limit	No Limit
Forward Purchase Agreement	No Limit	No Limit	No Limit
Repurchase Agreements	No Limit	No Limit	No Limit
Local Agency Investment Fund (LAIF)	N/A	No Limit	No Limit
Municipal Obligations	No Limit	No Limit	No Limit
County Pooled Investment Funds	N/A	No Limit	No Limit

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 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	Fair Value	Investment Maturities (In Years)				Total
		Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 1,095,667	\$ 1,095,667	\$ -	\$ -	\$ -	\$ 1,095,667
U.S. Treasury Obligations	31,948,115	3,394,754	23,296,260	5,257,101	-	31,948,115
U.S. Agency Securities	84,336,227	10,089,409	74,246,818	-	-	84,336,227
Mortgage/Asset Pass-Through	8,898,896	49,057	5,300,815	3,549,024	-	8,898,896
Medium-Term Notes	49,154,772	17,930,699	29,196,933	2,027,140	-	49,154,772
Certificates of Deposit	16,506,798	9,105,110	7,401,688	-	-	16,506,798
Commercial Paper	10,964,440	10,964,440	-	-	-	10,964,440
LAIF	35,972,682	35,972,682	-	-	-	35,972,682
Supranational	6,417,309	999,720	5,417,589	-	-	6,417,309
Investments with Fiscal Agent:						
Money Market Funds	10,678,032	10,678,032	-	-	-	10,678,032
Investment Agreements	1,180,576	-	-	-	1,180,576	1,180,576
	<u>\$ 257,153,514</u>	<u>\$ 100,279,570</u>	<u>\$ 144,860,103</u>	<u>\$ 10,833,265</u>	<u>\$ 1,180,576</u>	<u>\$ 257,153,514</u>

Assuming callable securities (if any) will not be called.

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

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2017, the City did not have any investments (including investments held by fiscal agent) whose fair values were highly sensitive to interest rate fluctuations.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

investment policy, or debt agreements, and the actual rating by Standard & Poor's as of year end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Exempt from Disclosure										Not Rated			
				AAA	AA+	AA	AA-	A+	A	A-	A-1+	A-1				
Money Market Funds	\$ 1,095,667	AAA	\$ -	\$ 1,095,667	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
U.S. Treasury Obligations	31,948,115	N/A	31,948,115	-	-	-	-	-	-	-	-	-	-	-	-	
U.S. Agency Securities	84,336,227	N/A	-	-	82,736,723	-	-	-	-	-	-	-	1,599,504	-	-	
Mortgage/Asset Pass-Through	8,898,896	AAA	-	4,474,385	-	-	-	-	-	-	-	-	-	-	4,424,511	
Medium-Term Notes	49,154,772	A	-	1,472,379	2,467,241	2,025,199	12,020,549	11,884,961	16,137,165	3,147,278	-	-	-	-	-	
Certificates of Deposit	16,506,798	A-1	-	-	-	-	2,510,000	1,700,000	-	-	-	-	7,445,065	3,151,733	1,700,000	
Commercial Paper	10,964,440	A-1	-	-	-	-	-	-	-	-	-	-	2,194,362	8,770,078	-	
LAIF	35,972,682	N/A	-	-	-	-	-	-	-	-	-	-	-	-	35,972,682	
Supranational	6,417,309	AA	-	5,417,589	-	-	-	-	-	-	-	-	999,720	-	-	
Investments with Fiscal Agent:																
Money Market Funds	10,678,032	AAA	-	10,678,032	-	-	-	-	-	-	-	-	-	-	-	-
Investment Agreements	1,180,576	N/A	-	-	-	-	-	-	-	1,180,576	-	-	-	-	-	
	\$ 257,153,514		\$ 31,948,115	\$ 23,138,052	\$ 85,203,964	\$ 2,025,199	\$ 14,530,549	\$ 13,584,961	\$ 17,317,741	\$ 3,147,278	\$ 12,238,651	\$ 11,921,811	\$ 42,097,193			

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 (excluding U.S. Treasuries, mutual funds, and pooled investments) that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	1. \$35,360,582
FHLB	Federal agency securities	2. \$21,350,837

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 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, 2017, none of the City's deposits with

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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.

Fair Value Measurements

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant observable inputs, and Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2017:

	Fair Value	Investments That Are Not Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 1,095,667	\$ 1,095,667	\$ -	\$ -	\$ -
U.S. Treasury Obligations	31,948,115	-	-	31,948,115	-
U.S. Agency Securities	84,336,227	-	-	84,336,227	-
Mortgage/Asset Pass-Through	8,898,896	-	-	8,898,896	-
Medium-Term Notes	49,154,772	-	-	49,154,772	-
Certificates of Deposit	16,506,798	-	-	16,506,798	-
Commercial Paper	10,964,440	-	-	10,964,440	-
LAIF	35,972,682	35,972,682	-	-	-
Supranational	6,417,309	-	-	6,417,309	-
Investments with Fiscal Agent:					
Money Market Funds	10,678,032	10,678,032	-	-	-
Investment Agreements	1,180,576	1,180,576	-	-	-
	<u>\$ 257,153,514</u>	<u>\$ 48,926,957</u>	<u>\$ -</u>	<u>\$ 208,226,557</u>	<u>\$ -</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

(5) Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Non-depreciable:				
Land and rights of way	\$ 1,890,772,421	\$ -	\$ (480,000)	\$ 1,890,292,421
Work in progress	<u>11,078,723</u>	<u>9,378,908</u>	<u>(8,419,910)</u>	<u>12,037,721</u>
	1,901,851,144	9,378,908	(8,899,910)	1,902,330,142
Depreciable:				
Structures	231,602,514	254,116	(2,337,623)	229,519,007
Equipment	45,953,986	3,978,533	(1,744,589)	48,187,930
Infrastructure	<u>338,714,487</u>	<u>17,312,666</u>	<u>(6,364,487)</u>	<u>349,662,666</u>
	616,270,987	21,545,315	(10,446,699)	627,369,603
Less accumulated depreciation for:				
Structures	(31,607,938)	(4,975,603)	1,666,772	(34,916,769)
Equipment	(24,851,795)	(4,081,185)	1,733,690	(27,199,290)
Infrastructure	<u>(152,579,629)</u>	<u>(6,974,010)</u>	<u>4,365,647</u>	<u>(155,187,992)</u>
	(209,039,362)	(16,030,798)	7,766,109	(217,304,051)
Net Depreciable	<u>407,231,625</u>	<u>5,514,517</u>	<u>(2,680,590)</u>	<u>410,065,552</u>
Net Capital Assets	<u>\$ 2,309,082,769</u>	<u>\$ 14,893,425</u>	<u>\$ (11,580,500)</u>	<u>\$ 2,312,395,694</u>

Governmental Activities capital assets net of accumulated depreciation at June 30, 2017 are comprised of the following:

General Capital Assets, net	\$ 2,295,611,922
Internal Service Fund Capital Assets, net	<u>16,783,772</u>
	<u>\$ 2,312,395,694</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2017
Non-depreciable:				
Land and rights of way	\$ 2,219,450	\$ -	\$ -	\$ 2,219,450
Work in progress	4,584,335	267,397	(4,584,335)	267,397
	<u>6,803,785</u>	<u>267,397</u>	<u>(4,584,335)</u>	<u>2,486,847</u>
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	162,750	102,850	(5,438)	260,162
Infrastructure	174,508,668	6,070,422	(405,864)	180,173,226
	<u>175,359,814</u>	<u>6,173,272</u>	<u>(411,302)</u>	<u>181,121,784</u>
Less accumulated depreciation for:				
Structures	(202,713)	(15,357)	-	(218,070)
Equipment	(88,548)	(17,887)	5,438	(100,997)
Infrastructure	(64,816,762)	(2,302,665)	68,807	(67,050,620)
	<u>(65,108,023)</u>	<u>(2,335,909)</u>	<u>74,245</u>	<u>(67,369,687)</u>
Net Depreciable	<u>110,251,791</u>	<u>3,837,363</u>	<u>(337,057)</u>	<u>113,752,097</u>
Net Capital Assets	<u>\$ 117,055,576</u>	<u>\$ 4,104,760</u>	<u>\$ (4,921,392)</u>	<u>\$ 116,238,944</u>

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

	Governmental Activities*	Business-type Activities
General government	\$ 4,767,380	\$ -
Public safety	1,503,422	-
Public works	7,125,142	-
Community development	21,371	-
Community service	2,613,483	-
Water	-	1,727,839
Wastewater	-	608,070
	<u>\$ 16,030,798</u>	<u>\$ 2,335,909</u>

*Internal Service Fund depreciation of \$3,358,563 is allocated to governmental functions above.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

(6) Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of participation payable	\$113,655,000	\$ -	\$ (3,060,000)	\$110,595,000	\$ 3,185,000
Bond premium	482,212	-	(120,553)	361,659	-
Pre-annexation agreement	1,200,000	-	(1,200,000)	-	-
CDBG loan	1,207,000	-	(141,000)	1,066,000	150,000
Workers' compensation payable	14,781,000	5,542,044	(2,906,044)	17,417,000	3,369,038
Claims and judgments payable	8,203,470	8,441,827	(4,562,991)	12,082,306	6,139,621
Compensated absences	11,076,873	2,418,521	(1,986,119)	11,509,275	2,123,186
Total governmental activities	<u>\$150,605,555</u>	<u>\$16,402,392</u>	<u>\$(13,976,707)</u>	<u>\$153,031,240</u>	<u>\$14,966,845</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.

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. Accordingly, the 1998 Library Certificates have been defeased and are no longer outstanding. The remaining proceeds from the Series 2010A Certificates were 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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Center Project. The proceeds of the Certificates were 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 receives refundable credits from the United States Treasury on the interest paid on the 2010B Certificates. As of June 30, 2017 the City has received \$15,871,875 of BABs Subsidy from the United States Treasury and expects to receive subsidy equal to about 33% on future interest payable on the 2010B Certificates. Principal payments are payable annually on July 1 of each year. The remaining principal payments for the Series 2010A, which commenced 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, 2017 amounted to \$110,595,000.

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

Year Ending June 30	Principal	Interest	Total
2018	3,185,000	7,340,517	10,525,517
2019	3,310,000	7,204,077	10,514,077
2020	3,405,000	7,052,048	10,457,048
2021	3,065,000	6,895,351	9,960,351
2022	3,165,000	6,733,265	9,898,265
2023-2026	13,850,000	24,955,179	38,805,179
2027-2030	16,490,000	20,771,058	37,261,058
2031-2034	19,710,000	15,637,984	35,347,984
2035-2038	23,635,000	9,442,944	33,077,944
2039-2041	20,780,000	2,279,424	23,059,424
	<u>\$ 110,595,000</u>	<u>\$ 108,311,847</u>	<u>\$ 218,906,847</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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

year, is payable over a period of fifteen years in equal installments of \$1,200,000. The agreement has been paid off and there is no outstanding balance at June 30, 2017.

- 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. The original loan was refinanced in fiscal year 2015 lowering the average interest rate from 6.5% to 1.5%. Future principal payments range from \$150,000 to \$208,000 through June 30, 2023. The outstanding balance at June 30, 2017, amounts to \$1,066,000.

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

Year Ending June 30	Principal	Interest	Total
2018	150,000	19,322	169,322
2019	160,000	17,561	177,561
2020	171,000	14,890	185,890
2021	182,000	11,480	193,480
2022	195,000	7,387	202,387
2023	208,000	2,548	210,548
	<u>\$ 1,066,000</u>	<u>\$ 73,188</u>	<u>\$ 1,139,188</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 June 30, 2017, is dependent on future developments based upon information from the City's attorney, 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, 2017, for general liability amounted to \$12,082,306 and for workers' compensation was \$17,417,000.

- 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, 2017, is \$11,509,275. Compensated absences are liquidated from the Compensated Absences internal service fund.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

(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, and the assets are recorded in the Special Assessment Agency Fund. Bonds outstanding at June 30, 2017, for each district under the Bond Acts of 1911 and 1915, and other special assessments, are as follows:

<u>Assessment District</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2017</u>
Reassessment District 2012	\$13,583,436	\$7,476,808
No. 95-1 CIOSA Refunding Series A	\$15,495,000	\$65,000

(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.

The City utilizes the California State Association of Counties – Excess Insurance Authority (CSAC-EIA), a joint powers authority, to provide excess insurance for the general liability and workers’ compensation programs. CSAC-EIA provides coverage under the terms of a joint-powers agreement with the City as follows:

<u>Type of Coverage</u>	<u>Self-Insured Retention (SIR)</u>	<u>Coverage Limits</u>
General Liability	\$500,000	\$25,000,000
Workers’ Compensation	\$500,000	Statutory

CSAC-EIA was established for the purpose of creating a risk management pool for all California public entities. CSAC-EIA is governed by a Board of Directors consisting of representatives of its member public entities.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 amounts of payouts and other economic and social factors. The total liability claims payable includes \$29,499,306, which represents the discounted present value at June 30, 2017. The claims are discounted using an interest rate of 3.0 percent.

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Unpaid claims, beginning of fiscal year	\$ 11,872,383	\$ 8,203,470	\$ 14,345,000	\$ 14,781,000
Incurred claims (including IBNR)	7,845,631	8,441,827	3,896,572	5,542,044
Claim payments	<u>(11,514,544)</u>	<u>(4,562,991)</u>	<u>(3,460,572)</u>	<u>(2,906,044)</u>
Unpaid claims, end of fiscal year	<u>\$ 8,203,470</u>	<u>\$ 12,082,306</u>	<u>\$ 14,781,000</u>	<u>\$ 17,417,000</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 \$100,743,376 at June 30, 2017.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

(10) **Pension Plans**

a. **General Information about the Pension Plans**

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City of Newport Beach’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, the Optional Settlement 2W Death Benefit, or the 1957 Survivor Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous		
	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5%@55	2.0%@60	2.0%@62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	12.35% - 13.0%	12.35% - 13.0%	12.35% - 13.0%
Required employer contribution rates	23.28% - 22.63%	23.28% - 22.63%	23.28% - 22.63%
	Safety		
	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
Hire date			
Benefit formula	3.0%@50	2.0%@50; 3.0%@55	2.7%@57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% - 2.7%; 2.4% - 3.0%	2.0% to 2.7%
Required employee contribution rates	11.25% - 14.6%	11.25% - 14.6%	11.25% - 14.6%
Required employer contribution rates	58.706% - 54.606%	58.706% - 54.606%	58.706% - 54.606%

Employees Covered – At the valuation date of June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	605	424
Inactive employees entitled to but not yet receiving benefits	536	86
Active employees	510	269
Total	1,651	779

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

b. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.65%	7.65%
Inflation	2.75%	2.75%
Projected salary Increase	Varies by Age, Service and type of employment	
Investment Rate of Return	7.5% ⁽¹⁾	7.5% ⁽¹⁾
Mortality Rate Table ⁽²⁾	Derived using CalPERS' Membership Date for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

⁽¹⁾ Net of pension plan investment and administrative expenses, including inflation.

⁽²⁾ The mortality table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Changes of Assumptions – There were no changes of assumptions during the measurement period June 30, 2016. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of changes of assumptions related to prior measurement periods.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C Funds) expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Asset Class	New Strategic Allocation	Real Return Years 1-10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	<u>100%</u>		

⁽¹⁾ An expected inflation of 2.5% used for this period.

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

Subsequent Events

In December 2016, CALPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement No. 68 accounting valuations, the discount rate will move to 7% starting with the June 30, 17 measurement date reports and will result in an increase to employer's total pension liabilities.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

c. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan for the measurement period follow:

<u>Miscellaneous Plan:</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$ 352,664,198	\$ 255,626,143	\$ 97,038,055
Changes in the year:			
Service cost	6,303,642	-	6,303,642
Interest on the total pension liability	26,375,073	-	26,375,073
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(2,686,814)	-	(2,686,814)
Changes in assumptions	-	-	-
Plan to Plan Resource Movement	-	(2,387)	2,387
Contribution – employer	-	9,904,636	(9,904,636)
Contribution – employee	-	4,206,942	(4,206,942)
Net investment income	-	1,241,432	(1,241,432)
Benefit payments, including refunds of employee contributions	(16,714,022)	(16,714,022)	-
Administrative Expense	-	(155,791)	155,791
Net changes	<u>13,277,879</u>	<u>(1,519,190)</u>	<u>14,797,069</u>
Balance at June 30, 2016	<u>\$ 365,942,077</u>	<u>\$ 254,106,953</u>	<u>\$ 111,835,124</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

<u>Safety Plan:</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2015	\$ 485,015,571	\$ 317,960,219	\$ 167,055,352
Changes in the year:			
Service cost	8,075,553	-	8,075,553
Interest on the total pension liability	36,239,226	-	36,239,226
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(1,613,985)	-	(1,613,985)
Changes in assumptions	-	-	-
Plan to Plan Resource Movement	-	2,387	(2,387)
Contribution – employer	-	18,496,776	(18,496,776)
Contribution – employee	-	2,826,831	(2,826,831)
Net investment income	-	1,561,480	(1,561,480)
Benefit payments, including refunds of employee contributions	(27,447,982)	(27,447,982)	-
Administrative Expense	-	(193,780)	193,780
Net changes	15,252,812	(4,754,288)	20,007,100
Balance at June 30, 2016	\$ 500,268,383	\$ 313,205,931	\$ 187,062,452

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	6.65%	6.65%
Net Pension Liability	\$160,694,004	\$251,201,884
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$111,835,124	\$187,062,452
1% Increase	8.65%	8.65%
Net Pension Liability	\$71,479,427	\$133,976,315

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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

For the year ended June 30, 2017, the City recognized pension expense of \$24,640,127. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,412,963	\$ -
Differences between actual and expected experience	-	(3,471,727)
Changes in assumptions	-	(2,238,766)
Net differences between projected and actual earnings on plan investments	13,848,279	-
	<u>\$ 24,261,242</u>	<u>\$ (5,710,493)</u>
Total Miscellaneous Plan		
	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 19,338,360	\$ -
Differences between actual and expected experience	-	(1,434,399)
Changes in assumptions	-	(4,724,657)
Net differences between projected and actual earnings on plan investments	17,233,250	-
	<u>\$ 36,571,610</u>	<u>\$ (6,159,056)</u>
Total Safety Plan		
Grand Total	<u>\$ 60,832,852</u>	<u>\$ (11,869,549)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

\$60,832,852 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Amount		Year Ended
Misc.	Safety	June 30
(2,506,849)	205,042	2017
699,837	205,041	2018
6,324,890	6,350,463	2019
3,619,909	4,313,647	2020
-	-	Thereafter

e. Payable to the Pension Plan

At June 30, 2017, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

f. 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, including establishing and amending contribution requirements. 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, 2017, the City's covered payroll for employees participating in the plan was \$3,557,792. Employees made contributions of \$134,092 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,410,876 at June 30, 2017.

(11) 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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 in a Health Reimbursement Arrangement (“HRA”) sponsored by the City, the single employer of the plan and held in trust and managed by OPTUM (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, except for the Public Employees’ Medical and Hospital Care Act (“PEMHCA”) minimum which is the responsibility of the City.

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 are 1,317 as of June 30, 2017, consisting of 484 miscellaneous employees, 263 safety employees, and 570 retirees and/or termed and their beneficiaries. Copies of the PERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

The City offers 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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

participant's, their spouse's, or qualified dependent'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.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

Valuation Date:	June 30, 2015
Actuarial Cost Method:	Entry Age Normal Cost Method (same as CalPERS)
Amortization Method:	Level percent of payroll
Amortization Period:	Level contribution amount over fixed closed 20 years
Projected Salary Increases:	3.0% per year
Discount Rate:	6.5 % for cash subsidy, pre-funding through CalPERS OPEB Trust
	4.25% for implied subsidy, no pre-funding, benefits paid from the City's General fund
Inflation Rate:	2.8% per year
Health Care Cost Trend Rate:	7.0% grading down to 5.0%

Annual Required Contribution (ARC)

The 2016-17 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 ¹	AOC ¹	Actual Contribution	Percentage Contributed	Annual Covered Payroll	ARC As a % of Payroll	Ending Balance
2014-15								
Cash Subsidy	\$(1,500)	\$ 2,612	\$ 2,659	\$ 2,763	106%	\$67,149	3.9%	\$ (1,604)
Net OPEB Obligation	<u>\$(1,500)</u>	<u>\$ 2,612</u>	<u>\$ 2,659</u>	<u>\$ 2,763</u>	<u>105.8%</u>	<u>\$72,611</u>	<u>3.6%</u>	<u>\$ (1,604)</u>
2015-16								
Cash Subsidy	\$(1,604)	\$ 2,713	\$ 2,769	\$ 3,846	142%	\$69,163	3.9%	(2,681)
Net OPEB Obligation	<u>\$(1,604)</u>	<u>\$ 2,713</u>	<u>\$ 2,769</u>	<u>\$ 3,846</u>	<u>141.8%</u>	<u>\$69,163</u>	<u>3.9%</u>	<u>\$ (2,681)</u>
2016-17								
Cash Subsidy	\$(2,681)	\$ 3,792	\$ 3,961	\$ 3,925	104%	\$72,385	5.2%	(2,645)
Implied Subsidy	-	-	-	207		-	0%	(207)
Net OPEB Obligation	<u>\$(2,681)</u>	<u>\$ 3,792</u>	<u>\$ 3,961</u>	<u>\$ 4,132</u>	<u>109.0%</u>	<u>\$72,385</u>	<u>5.2%</u>	<u>\$ (2,852)</u>

¹ AOC is equal to the ARC adjusted for interest and amortization of the NOO.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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

The NOO (Asset) is the historical difference between the ARC and actual contributions. If the City always contributes the entire ARC, then the NOO (Asset) 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, 2017, NOO (Asset) is determined as follows (in 000's):

<u>Fiscal Year</u>	<u>July 1, NOO</u>	<u>AOC</u>	<u>Prefunding Contributions & Benefit Payments</u>	<u>June 30, NOO (Asset)</u>
2014-15				
Cash Subsidy	\$ (1,500)	\$ 2,659	\$ (2,763)	\$ (1,604)
Total	<u>\$ (1,500)</u>	<u>\$ 2,659</u>	<u>\$ (2,763)</u>	<u>\$ (1,604)</u>
2015-16				
Cash Subsidy	\$ (1,604)	\$ 2,769	\$ (3,846)	\$ (2,681)
Total	<u>\$ (1,604)</u>	<u>\$ 2,769</u>	<u>\$ (3,846)</u>	<u>\$ (2,681)</u>
2016-17				
Cash Subsidy	\$ (2,681)	\$ 3,961	\$ (3,925)	\$ (2,645)
Implied Subsidy	-	-	\$ (207)	\$ (207)
Total	<u>\$ (2,681)</u>	<u>\$ 3,961</u>	<u>\$ (4,132)</u>	<u>\$ (2,852)</u>

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 2016-17 AOC is determined as follows (in 000's):

	<u>ARC</u>	<u>Interest on NOO</u>	<u>Amortization of NOO</u>	<u>Total AOC</u>	<u>AOC as % of Payroll</u>
Cash Subsidy	\$3,792	\$ (174)	\$ 343	\$ 3,961	5.5%
Implied Subsidy	-	-	-	-	0.0%
Total	<u>\$3,792</u>	<u>\$ (174)</u>	<u>\$ 343</u>	<u>\$ 3,961</u>	<u>5.5%</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Three-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 (\$ Amounts in thousands).

<u>Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll</u>
6/30/2013						
Cash Subsidy	\$35,564	\$ 9,979	\$25,585	28.0%	\$65,193	39.0%
Implied Subsidy	-	-	-	0.0%	\$65,193	0.0%
Total	<u>\$35,564</u>	<u>\$9,979</u>	<u>\$25,585</u>	<u>28.0%</u>	\$65,193	<u>39.0%</u>
6/30/2015						
Cash Subsidy	\$35,522	\$14,891	\$20,631	41.9%	\$70,277	29.4%
Implied Subsidy	7,116	-	\$7,116	0.0%	\$70,277	10.1%
Total	<u>\$42,638</u>	<u>\$14,891</u>	<u>\$27,747</u>	<u>34.9%</u>	\$70,277	<u>39.5%</u>
6/30/2017						
Cash Subsidy	\$37,260	\$14,891	\$22,369	40.0%	\$72,385	30.9%
Implied Subsidy	7,346	-	\$7,346	0.0%	\$72,385	10.1%
Total	<u>\$44,606</u>	<u>\$14,891</u>	<u>\$29,715</u>	<u>33.4%</u>	\$72,385	<u>41.1%</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

(12) Interfund Receivables and Payables

At June 30, 2017, interfund advances receivable and payable were as follows:

	Advance from	Advance to
General Fund	\$13,926,659	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	13,926,659
Total	\$13,926,659	\$13,926,659

The General Fund advance to the Tide and Submerged Land – Harbor Capital Fund is primarily for dredging and other high impact projects within the City’s Tidelands. The advance will be paid back to the General Fund from incremental revenue increases generated from certain leases, mooring rents, commercial and residential pier rents and parking meter revenues

Harbor Capital Fund Advance - Repayment
Terms
(Zero Interest Advance)

Fiscal Year	Advance #1 Dredging Projects Repayment	Marina Park Project Repayment	Total Repayment
2018	750,000	250,000	1,000,000
2019	750,000	250,000	1,000,000
2020	750,000	500,000	1,250,000
2021	750,000	500,000	1,250,000
2022	750,000	500,000	1,250,000
2023	750,000	500,000	1,250,000
2024	750,000	500,000	1,250,000
2025	750,000	500,000	1,250,000
2026	750,000	500,000	1,250,000
2027	750,000	500,000	1,250,000
2028	426,659	500,000	926,659
2029	-	500,000	500,000
2030	-	500,000	500,000
Total	\$ 7,926,659	\$ 6,000,000	\$ 13,926,659

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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

	Due from	Due to
General Fund	\$ 1,263,462	\$ -
Facilities Financial Planning Reserve Fund	5,835,548	-
Civic Center COP	-	5,705,522
Internal Service Funds	-	1,091,008
Nonmajor Funds	-	302,480
Total	\$ 7,099,010	\$ 7,099,010

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

(13) Interfund Transfers

Interfund transfers at June 30, 2017, consisted of the following:

		Transfers In							
		General Fund	Tide and Submerged Land - Operating	Wastewater Enterprise Fund	Facilities Financial Planning Reserve	Civic Center COP	Internal Service Funds	Non-Major Funds	Total
Transfers Out	General Fund	\$ -	\$ 6,762,805	\$ 3,500,000	\$ 8,500,000	\$ -	\$ 500,000	\$ 9,089,500	\$28,352,305
	Facilities Financial Planning Reserve	-	-	-	-	8,165,038	-	9,735,878	17,900,916
	Non-Major Funds	402,792	-	-	2,626,433	-	107,780	-	3,137,005
	Internal Service Funds	60,000	-	-	-	-	-	-	60,000
	Total	\$ 462,792	\$ 6,762,805	\$ 3,500,000	\$11,126,433	\$ 8,165,038	\$ 607,780	\$ 18,825,378	\$49,450,226

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred \$6,762,805 to subsidize the maintenance and operation of the Tide and Submerged Land-Operating Fund; \$3,500,000 to the Wastewater Enterprise Fund; \$8,500,000 to the Facilities Financial Planning Reserve Fund to cash fund construction projects for General Fund supported facilities; \$6,350,000 to the Unrestricted Capital Improvements Fund for General Fund capital improvements; \$500,000 to the Equipment Maintenance internal service fund for 800 MHZ radios and infrastructure; \$2,739,500 to Non-major funds which includes \$1,739,500 to the Neighborhood Enhancement Fund and \$1,000,000 to the Facilities Maintenance Fund.

The Facilities Financial Planning Reserve Fund transferred \$8,165,038 to the Civic Center COP Fund for the debt service payments related to the Civic Center Certificates of Participation; \$9,735,878 to Non-major funds which includes \$8,590,005 to the Marina

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

Park Fund; \$625,000 to the Contributions Fund, \$321,977 to the Public Arts and Cultural Facilities Fund; \$165,394 to the Corp Yard Consolidation Fund and \$33,502 to the West Newport Community Center Fund.

The Unrestricted Capital Improvements Fund transferred \$400,000 to the General Fund.

The Information Technology Fund internal service fund transferred \$60,000 to the General Fund.

Various other transfers from Non-Major Funds include \$2,792 from the Newport Coast Annexation Fund to the General Fund; \$2,626,433 to the Facilities Financial Planning Reserve Fund which is comprised of \$2,626,372 from the Sunset Ridge Park Fund and \$61 from the Lifeguard Headquarters Fund; and \$107,780 from the Air Quality Management District Fund to the Equipment Maintenance Fund.

(14) 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. In 1998, the Authority issued \$45,000,000 of special tax bonds to be repaid by special assessments. 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. In Fiscal Year 2011-12, the Authority issued \$38,330,000 of special tax bonds to refinance the 1998 Series; the City is not obligated in any manner to repay the bonds. At June 30, 2015, the contributions from property owners have been fully spent and no funds are held in trust as cash with fiscal agent. 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.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 \$582,437. The City's 9.59% interest in the net equity of this joint venture at June 30, 2017, amounts to \$145,391. 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 several other public agencies in Orange County for the operation of the Integrated Law and Justice Agency of Orange County (ILJAOC). The ILJAOC went into effect in fiscal year 2007, and consists of 23 member agencies, with an oversight board consisting of 12 members from the participating agencies. 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 was immaterial as of June 30, 2017. The City of Newport Beach acted as the Treasurer/Controller of the ILJAOC from inception through the end of fiscal year 2011-12. Beginning July 1, 2011, the City of Brea, another member agency, was appointed to serve as Treasurer/Controller, and assumed responsibility for all operating activities of the ILJAOC. Complete separate financial statements can be obtained from the City of Brea, 1 Civic Center Circle, Brea, California 92821.

(15) 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.)

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

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 Assessment debt relief has been paid in full and there is no outstanding balance at June 30, 2017.

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 September 27, 2011 and subsequently amended on January 28, 2014 extending the agreement through December 31, 2024. The City pays VNB 18% of the Total Transient Occupancy Tax collected during the fiscal year. For the Fiscal Year ending June 30, 2017, the City paid VNB \$4,905,368.

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
Lido Village Water Main Replacement	\$ 3,601,797	\$ 404,965	\$ 2,871,387
Marina Park	1,839,621	81,062	1,210,302
Park Ave Bridge Replacement	6,869,111	5,191,462	1,192,760
Traffic Signal Rehab Program	680,048	66,215	605,549
Lido Fire Station 2	600,000	13,000	512,800

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

At fiscal year end, the City's encumbrances with contractors were as follows:

	Major Governmental Funds			Non-Major Governmental Funds		Total
	General	Tide and Submerged Land Operating	Combined Transportation	Special Revenue Funds	Capital Project Funds	
Drainage	\$ -	\$ -	\$ -	\$ -	\$ 151,586	\$ 151,586
Streets	-	192,454	168,925	189,881	1,322,952	1,874,212
Miscellaneous and studies	-	-	-	-	67,489	67,489
Parks	-	-	-	-	106,570	106,570
Contract services	502,177	-	-	-	28,501	530,678
Supplies and materials	286,929	-	-	-	-	286,929
Maintenance and repairs	425,090	-	-	-	468,908	893,998
General	441,747	-	-	-	-	441,747
Capital expenditures	-	-	-	-	554,314	554,314
Beaches	-	161,904	-	-	-	161,904
Marinas	-	109,638	-	-	-	109,638
Dredging	-	162,482	-	-	-	162,482
Equipment	-	-	-	130,180	-	130,180
Total encumbrances	\$ 1,655,943	\$ 626,478	\$ 168,925	\$ 320,061	\$ 2,700,320	\$ 5,471,727

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

(16) 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, 2017, is classified as follows:

	Governmental Fund Balance									
	General	Tide and Submerged Land Operating	Tide and Submerged Land Harbor Capital	Combined Transportation	Facilities Financial Planning Reserve	Civic Center COP	Non-Major Governmental Funds			Totals
							Special Revenue Funds	Capital Project Funds	Permanent Funds	
Nonspendable:										
Prepaid items (legally restricted)	\$ 268,665	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,475	\$ -	\$ -	\$ 305,140
Inventories (legally restricted)	238,693	-	-	-	-	-	-	-	-	238,693
Long-term loan receivable (form restricted)	13,926,659	-	-	-	-	-	-	-	-	13,926,659
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:										
Affordable housing	1,075,680	-	-	-	-	-	-	-	-	1,075,680
Oceanfront encroachment	1,637,234	-	-	-	-	-	-	-	-	1,637,234
Upper Newport bay restoration	-	725,939	-	-	-	-	-	-	-	725,939
Cable franchise reserve	1,084,095	-	-	-	-	-	-	-	-	1,084,095
Community development	-	-	-	-	-	-	900,717	-	-	900,717
Streets and highways	-	-	-	-	-	-	233,120	-	-	233,120
Public safety	-	-	-	-	-	-	848,154	-	-	848,154
Parks	-	-	-	-	6,743,054	-	584,790	-	-	7,327,844
Transportation	-	-	-	-	-	-	1,275,033	-	-	1,275,033
Air quality improvement	-	-	-	-	-	-	922,992	-	-	922,992
Environmental liability mitigation	-	-	-	-	-	-	6,909,395	-	-	6,909,395
Dredging	-	-	-	-	-	-	-	-	1,181,812	1,181,812
Libraries	-	-	-	-	-	-	-	-	158,230	158,230
Scholarships	-	-	-	-	-	-	-	-	216,366	216,366
Fiin	-	-	-	-	-	-	1,428,318	-	-	1,428,318
Debt service	-	-	-	-	-	2,364,034	-	-	-	2,364,034
Capital re-appropriations	-	2,548,989	-	-	-	-	3,550,249	243,483	-	6,342,721
Encumbrance reserve:										
Beaches	-	161,904	-	-	-	-	-	-	-	161,904
Marinas	-	109,638	-	-	-	-	-	-	-	109,638
Dredging	-	162,482	-	-	-	-	-	-	-	162,482
Streets	-	192,454	-	168,925	-	-	189,881	-	-	551,260
Equipment	-	-	-	-	-	-	130,180	-	-	130,180
Committed:										
Seawalls	5,000,000	-	-	-	-	-	-	-	-	5,000,000
PERS	3,914,695	-	-	-	-	-	-	-	-	3,914,695
Facilities replacement	-	-	-	-	23,900,797	-	-	-	-	23,900,797
Facilities maintenance	-	-	-	-	-	-	-	310,023	-	310,023
Civic center and park	-	-	-	-	-	-	-	1,607,460	-	1,607,460
Sunset ridge park	-	-	-	-	-	-	-	2,695	-	2,695
Oil and gas liabilities	-	600,000	-	-	-	-	-	-	-	600,000
Public arts and cultural facilities	-	-	-	-	-	-	-	739,893	-	739,893
Marina park	-	-	-	-	-	-	-	841,074	-	841,074
Parks and community centers	-	-	-	-	-	-	-	785,034	-	785,034
Parking management	-	-	-	-	-	-	-	18,851	-	18,851
Neighborhood enhancement	-	-	-	-	-	-	-	10,594	-	10,594
Capital re-appropriations	-	-	-	-	-	-	-	17,993,306	-	17,993,306
Encumbrance reserve:										
Drainage	-	-	-	-	-	-	-	151,586	-	151,586
Streets	-	-	-	-	-	-	-	1,322,952	-	1,322,952
Miscellaneous and studies	-	-	-	-	-	-	-	67,489	-	67,489
Parks	-	-	-	-	-	-	-	106,570	-	106,570
Contract services	502,177	-	-	-	-	-	-	28,501	-	530,678
Supplies and materials	286,929	-	-	-	-	-	-	-	-	286,929
Maintenance and repairs	425,090	-	-	-	-	-	-	468,908	-	893,998
General	441,747	-	-	-	-	-	-	-	-	441,747
Capital expenditures	-	-	-	-	-	-	-	554,314	-	554,314
Assigned:										
Recreation and senior services	567,132	-	-	-	-	-	-	-	-	567,132
Unassigned:	60,009,244	-	(5,721,080)	-	-	-	(309,287)	(277,964)	-	53,700,913
Total fund balances	\$ 89,378,040	\$ 4,501,406	\$ (5,721,080)	\$ 168,925	\$ 30,643,851	\$ 2,364,034	\$ 16,700,017	\$ 24,974,769	\$ 6,186,189	\$ 169,196,151

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2017

(17) Net Position/Fund Balance Restatement

The following schedule summarizes the effects of the prior period adjustment to the Proprietary Fund Financial Statement and Government-wide Statements:

Proprietary Fund:

	<u>Water</u>	<u>Wastewater</u>	<u>Internal Service Funds</u>
Net position at June 30, 2016, as previously reported	\$ 111,361,134	\$ 29,288,434	\$ 31,894,054
Adjustment for deferred outflow of PERS contribution in FY15-16	(64,915)	(24,929)	(59,094)
Net position at July 1, 2016, as restated	<u>\$ 111,296,219</u>	<u>\$ 29,263,505</u>	<u>\$ 31,834,960</u>

Government-wide:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at June 30, 2016, as previously reported	\$ 2,109,564,223	\$ 140,575,609
Adjustment for deferred outflow of PERS contribution in FY15-16	(2,225,712)	(89,844)
Net position at July 1, 2016, as restated	<u>\$ 2,107,338,511</u>	<u>\$ 140,485,765</u>

(18) Subsequent Event

Bonita Canyon Public Facilities Financing Authority

In December 2017, the Bonita Canyon Public Facilities Financing Authority issued \$28,245,000 of special tax bonds to refinance the 2012 Series; the City is not obligated in any manner to repay the bonds. Additional information on the Bonita Canyon Public Facilities Financing Authority can be found in Note (14).



FINANCIAL SECTION

Required Supplementary Information

FINANCIAL SECTION

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years***

Measurement Period	2017	2016	2015
	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability			
Service cost	\$ 6,303,642	\$ 6,087,960	\$ 6,523,874
Interest on total pension liability	26,375,073	25,427,094	24,624,559
Differences between expected and actual experience	(2,686,814)	(4,736,006)	-
Changes in assumptions	-	(6,309,248)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(16,714,022)	(16,374,370)	(15,290,340)
Net Change in Total Pension Liability	13,277,879	4,095,430	15,858,093
Total Pension Liability - beginning	352,664,198	348,568,768	332,710,674
Total Pension Liability - ending (a)	\$ 365,942,077	\$ 352,664,198	\$ 348,568,767
Plan Fiduciary Net Position			
Contributions - employer	\$ 9,904,636	\$ 6,615,920	\$ 5,793,768
Contributions - employee	4,206,942	4,321,646	4,319,336
Net investment income	1,241,432	5,687,908	38,237,161
Administrative expense	(155,791)	(287,862)	-
Plan to plan resource movement	(2,387)	26,981	-
Benefit payments	(16,714,022)	(16,374,370)	(15,290,340)
Net change in Plan Fiduciary Net Position	(1,519,190)	(9,777)	33,059,925
Plan Fiduciary Net Position - beginning	255,626,143	255,635,920	222,575,995
Plan Fiduciary Net Position - ending (b)	\$ 254,106,953	\$ 255,626,143	\$ 255,635,920
Net pension liability - ending (a)-(b)	\$ 111,835,124	\$ 97,038,055	\$ 92,932,847
Plan fiduciary net position as a percentage of the total pension liability	69.44%	72.48%	73.34%
Covered - employee payroll	\$ 40,031,404	\$ 38,512,011	\$ 37,775,051
Net pension liability as percentage of covered - employee payroll	279.37%	251.97%	246.02%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Benefit Changes:

There were no changes to benefits.

Change in Assumptions:

From Fiscal Year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date, and the June 30, 2016 measurement date, is without reduction of pension plan administrative expenses.

From Fiscal Year June 30, 2016 to June 30, 2017:

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees

**SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years***

	2017	2016	2015
Actuarially determined contribution	\$ 10,412,963	\$ 9,943,342	\$ 7,117,065
Contributions in relation to the actuarially determined contributions	<u>(10,412,963)</u>	<u>(9,943,342)</u>	<u>(7,117,065)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 41,727,563	\$ 40,031,404	\$ 38,512,011
Contributions as a percentage of covered - employee payroll	24.95%	24.84%	18.48%

Notes to Schedule:

Valuation date:	6/30/2014	6/30/2013	6/30/2012
-----------------	-----------	-----------	-----------

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age **
Amortization method	Level percentage of payroll, closed **
Remaining amortization period	27 years as of the Valuation Date
Asset valuation method	Market Value ***
Inflation	2.75% **
Salary increases	Depending on age, service, and type of employment** service, and type of employment **
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2.5%@55 and 2.0%@60) and 52 years (2.0%@62) **
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board**

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** The valuation for June 30, 2012 and 2013 (applicable to fiscal year ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

*** The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years, 2016 and 2017, respectively).

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years *

Defined Benefit Plan for Safety Employees

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years***

	2017	2016	2015
Measurement Period	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability			
Service cost	\$ 8,075,553	\$ 8,077,826	\$ 8,091,585
Interest on total pension liability	36,239,226	35,098,055	33,807,462
Differences between expected and actual experience	(1,613,985)	(316,827)	-
Changes in assumptions	-	(8,359,009)	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(27,447,982)	(25,838,982)	(24,529,802)
Net Change in Total Pension Liability	15,252,812	8,661,063	17,369,245
Total Pension Liability - beginning	485,015,571	476,354,508	458,985,263
Total Pension Liability - ending (a)	\$ 500,268,383	\$ 485,015,571	\$ 476,354,508
Plan Fiduciary Net Position			
Contributions - employer	\$ 18,496,776	\$ 21,529,513	\$ 12,089,637
Contributions - employee	2,826,831	2,969,503	3,122,237
Net investment income	1,561,480	7,049,577	47,151,493
Administrative expense	(193,780)	(357,866)	-
Plan to plan resource movement	2,387	-	-
Benefit payments	(27,447,982)	(25,838,982)	(24,529,802)
Net change in Plan Fiduciary Net Position	(4,754,288)	5,351,745	37,833,565
Plan Fiduciary Net Position - beginning	317,960,219	312,608,474	274,774,909
Plan Fiduciary Net Position - ending (b)	\$ 313,205,931	\$ 317,960,219	\$ 312,608,474
Net pension liability - ending (a)-(b)	\$ 187,062,452	\$ 167,055,352	\$ 163,746,034
Plan fiduciary net position as a percentage of the total pension liability	62.61%	65.56%	65.63%
Covered - employee payroll	\$ 30,816,246	\$ 30,189,633	\$ 29,944,665
Net pension liability as percentage of covered - employee payroll	607.03%	553.35%	546.83%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Benefit Changes:

There were no changes to benefits.

Change in Assumptions:

From Fiscal Year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date, and the June 30, 2016 measurement date, is without reduction of pension plan administrative expenses.

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2017
Last 10 Years *

Defined Benefit Plan for Safety Employees

**SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years***

	2017	2016	2015
Actuarially determined contribution	\$ 19,338,360	\$ 18,466,207	\$ 13,393,374
Contributions in relation to the actuarially determined contributions	(19,338,360)	(18,466,207)	(13,393,374)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
 Covered - employee payroll	 \$ 32,450,020	 \$ 30,816,246	 \$ 30,189,633
Contributions as a percentage of covered - employee payroll	59.59%	59.92%	44.36%

Notes to Schedule:

Valuation date:	6/30/2014	6/30/2013	6/30/2012
-----------------	-----------	-----------	-----------

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age **
Amortization method	Level percentage of payroll, closed **
Remaining amortization period	27 years as of the Valuation Date
Asset valuation method	Market Value ***
Inflation	2.75% **
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (3.0%@50, 2.0%@50, 2.7%@57) **
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

** The valuation for June 30, 2012 and 2013 (applicable to fiscal year ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

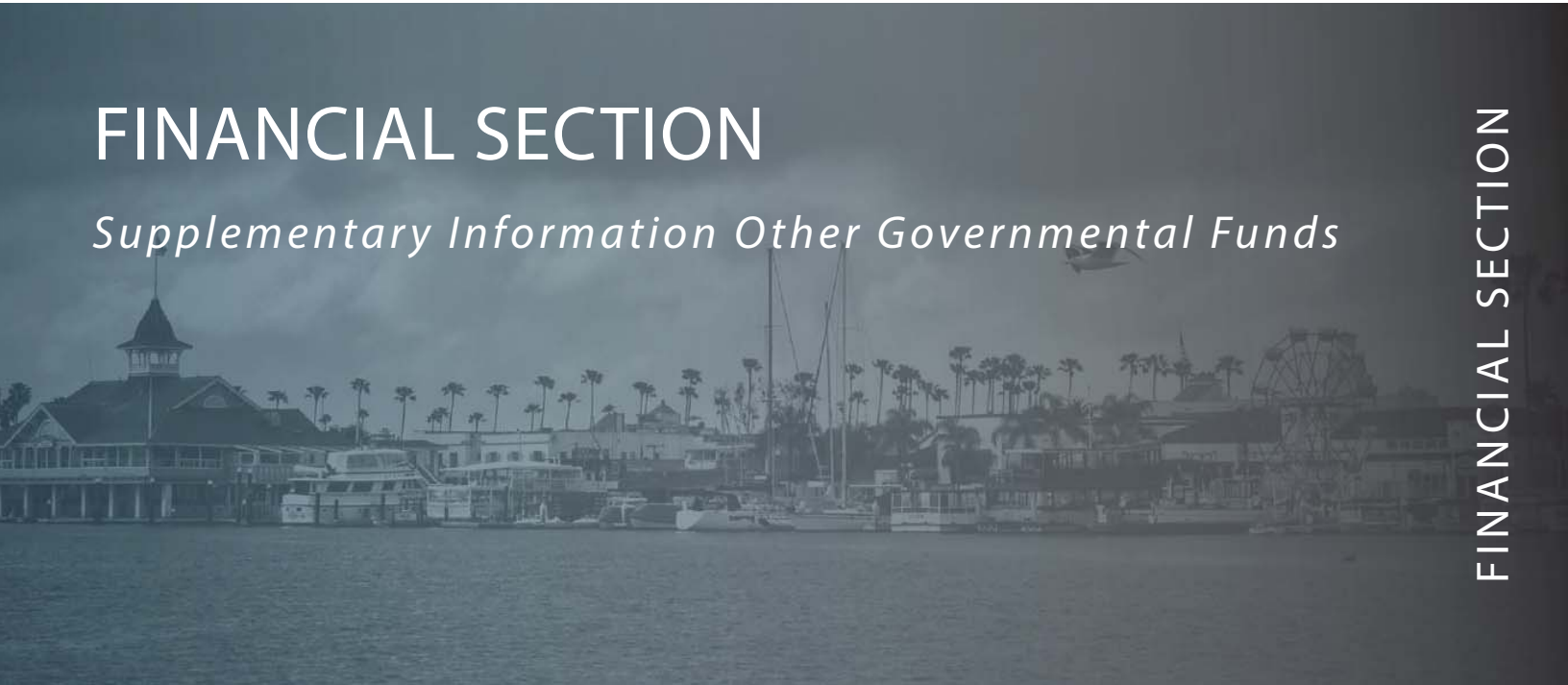
*** The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013 and 2014 valuations (applicable to fiscal years, 2016 and 2017, respectively).

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FINANCIAL SECTION

Supplementary Information Other Governmental Funds

FINANCIAL SECTION



OTHER GOVERNMENTAL FUNDS

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

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

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.

The **Fostering Interest in Nature (FIIN) Fund** is restricted for recreation and education programming as a mitigation effort by the California Coastal Commission.

Other 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 **Fire Station Fund** is used to account for the design and construction of new fire stations.

The **Facilities Maintenance Fund** is used to account for revenues and expenditures associated with the maintenance of existing facilities.

The **Misc. Santa Ana Heights (SAH) 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 **Civic Center and Park Fund** is used to account for the design and construction of a new Civic Center Complex. In prior years, this fund was called City Hall Improvements Fund.

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

The **Strategic Planning Fund** is used to account for expenditures for study and concept development needed to further refine the Facilities Financing Planning Program. It includes developing both interim and long-term use plans for the old City Hall site on Newport Boulevard.

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.

The **Miscellaneous Facilities Financing Fund** is used to account for expenditures for small scale facility rehabilitation, expansion and/or replacement in accordance with the Facilities Financing Planning Program.

The **Parks and Community Centers Fund** is used to account for expenditures for park and community center rehabilitation, expansion and/or replacement in accordance with the Facilities Financing Planning Program.

The **West Newport Community Center Fund** is used to account for the design and construction of the West Newport Community Center.

The **Corporate Yard Consolidation Fund** is used to account for the design of the corporate yard consolidation.

The **Public Art and Cultural Facilities Fund** is used to account for the design and implementation of the Arts and Culture Master Plan.

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

The **Newport Uptown Undergrounding Fund** is used to account for the receipt and expenditures related to the development within the Newport Uptown Planned Community Development Plan.

The ***Balboa Village Parking Management District Fund*** is used to account for revenues and expenditures associated with parking management improvements in Balboa Village.

The ***Neighborhood Enhancement Fund*** is used to account for projects that will enhance neighborhood aesthetics and functionality.

The ***Unrestricted Capital Improvements Fund*** is used to separately account for general fund capital improvement projects.

Other 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 Funds are 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.

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2017

	Special Revenue			
	State Gas Tax	Asset Forfeiture	OTS DUI Grant	Circulation and Transportation
Assets				
Cash and investments	\$ 3,159,227	\$ 857,955	\$ -	\$ 1,692,863
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	139,454	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 3,159,227</u>	<u>\$ 857,955</u>	<u>\$ 139,454</u>	<u>\$ 1,692,863</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 156,529	\$ 9,801	\$ -	\$ 33,419
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	139,454	-
Total liabilities	<u>156,529</u>	<u>9,801</u>	<u>139,454</u>	<u>33,419</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Restricted:	3,002,698	848,154	-	1,659,444
Committed:				
Committed:	-	-	-	-
Assigned:				
Assigned:	-	-	-	-
Unassigned:				
Unassigned:	-	-	-	-
Total fund balances (deficits)	<u>3,002,698</u>	<u>848,154</u>	<u>-</u>	<u>1,659,444</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,159,227</u>	<u>\$ 857,955</u>	<u>\$ 139,454</u>	<u>\$ 1,692,863</u>

Special Revenue

Building Excise Tax	Community Development Block Grant	Air Quality Management District	Environmental Liability
\$ 1,170,931	\$ 923,418	\$ 1,104,562	\$ 6,924,014
-	-	-	-
-	-	27,355	3,582
-	-	-	36,475
<u>\$ 1,170,931</u>	<u>\$ 923,418</u>	<u>\$ 1,131,917</u>	<u>\$ 6,964,071</u>
\$ -	\$ 22,701	\$ 51,390	\$ 18,201
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>22,701</u>	<u>51,390</u>	<u>18,201</u>
-	-	27,355	-
-	-	-	36,475
-	-	-	-
1,170,931	900,717	1,053,172	6,909,395
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,170,931</u>	<u>900,717</u>	<u>1,053,172</u>	<u>6,945,870</u>
<u>\$ 1,170,931</u>	<u>\$ 923,418</u>	<u>\$ 1,131,917</u>	<u>\$ 6,964,071</u>

(continued)

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2017
(continued)

	Special Revenue			
	Supplemental Law Enforcement	Newport Coast Annexation	Contributions	FIIN
	Enforcement	Annexation	Contributions	FIIN
Assets				
Cash and investments	\$ -	\$ -	\$ 40,622	\$ 1,428,318
Receivables:				
Accounts (net of allowance)	-	-	3,658,192	-
Intergovernmental receivables	55,217	-	196,127	-
Prepaid items	-	-	-	-
	\$ 55,217	\$ -	\$ 3,894,941	\$ 1,428,318
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 1,037,325	\$ -
Deposits payable	-	-	-	-
Unearned revenue	-	-	63,723	-
Due to other funds	4,062	-	-	-
	4,062	-	1,101,048	-
Total liabilities	4,062	-	1,101,048	-
Deferred inflows of resources:				
Unavailable revenue	51,155	-	3,103,180	-
	51,155	-	3,103,180	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted:	-	-	-	1,428,318
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	(309,287)	-
	-	-	(309,287)	1,428,318
Total fund balances (deficits)	-	-	(309,287)	1,428,318
Total liabilities, deferred inflows of resources and fund balances	\$ 55,217	\$ -	\$ 3,894,941	\$ 1,428,318

Capital Projects

Assessment District	Fire Station	Facilities Maintenance	Misc SAH Projects	Civic Center and Park
\$ 326,271	\$ 5,780,979	\$ 1,967,277	\$ 1,331,501	\$ 1,709,355
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 326,271</u>	<u>\$ 5,780,979</u>	<u>\$ 1,967,277</u>	<u>\$ 1,331,501</u>	<u>\$ 1,709,355</u>
\$ 82,788	\$ 998	\$ 358,156	\$ -	\$ 30,384
-	-	-	-	-
-	-	-	1,331,501	-
-	-	-	-	-
<u>82,788</u>	<u>998</u>	<u>358,156</u>	<u>1,331,501</u>	<u>30,384</u>
-	-	-	-	-
-	-	-	-	-
243,483	-	-	-	-
-	5,779,981	1,609,121	-	1,678,971
-	-	-	-	-
-	-	-	-	-
<u>243,483</u>	<u>5,779,981</u>	<u>1,609,121</u>	<u>-</u>	<u>1,678,971</u>
<u>\$ 326,271</u>	<u>\$ 5,780,979</u>	<u>\$ 1,967,277</u>	<u>\$ 1,331,501</u>	<u>\$ 1,709,355</u>

(continued)

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2017
(continued)

	Capital Projects			
	Sunset Ridge Park	Strategic Planning	Lifeguard Headquarters	Misc Facilities Financing
Assets				
Cash and investments	\$ 143,806	\$ 40,582	\$ 17,683	\$ 31,430
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Prepaid items	-	-	-	-
	<u>\$ 143,806</u>	<u>\$ 40,582</u>	<u>\$ 17,683</u>	<u>\$ 31,430</u>
Total assets				
	<u>\$ 143,806</u>	<u>\$ 40,582</u>	<u>\$ 17,683</u>	<u>\$ 31,430</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,412	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u>5,412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities				
	<u>5,412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Committed:	138,394	40,582	17,683	31,430
Assigned:	-	-	-	-
Unassigned:	-	-	-	-
	<u>138,394</u>	<u>40,582</u>	<u>17,683</u>	<u>31,430</u>
Total fund balances (deficits)				
	<u>138,394</u>	<u>40,582</u>	<u>17,683</u>	<u>31,430</u>
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 143,806</u>	<u>\$ 40,582</u>	<u>\$ 17,683</u>	<u>\$ 31,430</u>

Capital Projects

Parks and Community Centers	West Newport Community Center	Corp Yard Consolidation	Public Art and Cultural Facilities	Marina Park
\$ 935,034	\$ -	\$ -	\$ 804,578	\$ 1,340,329
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 935,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,578</u>	<u>\$ 1,340,329</u>
\$ -	\$ -	\$ -	\$ -	\$ 285
-	-	-	-	-
-	-	-	-	-
-	130,026	27,250	-	-
<u>-</u>	<u>130,026</u>	<u>27,250</u>	<u>-</u>	<u>285</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
935,034	-	-	804,578	1,340,044
-	-	-	-	-
-	(130,026)	(27,250)	-	-
<u>935,034</u>	<u>(130,026)</u>	<u>(27,250)</u>	<u>804,578</u>	<u>1,340,044</u>
<u>\$ 935,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804,578</u>	<u>\$ 1,340,329</u>

(continued)

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2017
(continued)

	Capital Projects			
	Newport Uptown Undergrounding	Balboa Village Parking Management District	Neighborhood Enhancement	Unrestricted Capital Improvements
Assets				
Cash and investments	\$ -	\$ 596,598	\$ 1,300,436	\$ 14,167,169
Receivables:				
Accounts (net of allowance)	-	6,117	-	-
Intergovernmental receivables	-	-	-	-
Prepaid items	-	-	-	-
	-	-	-	-
Total assets	\$ -	\$ 602,715	\$ 1,300,436	\$ 14,167,169
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 15,936	\$ 25,023	\$ 3,395,929
Deposits payable	119,000	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	1,688	-	-	-
	-	-	-	-
Total liabilities	120,688	15,936	25,023	3,395,929
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Committed:	-	586,779	1,275,413	10,771,240
Assigned:	-	-	-	-
Unassigned:	(120,688)	-	-	-
	-	-	-	-
Total fund balances (deficits)	(120,688)	586,779	1,275,413	10,771,240
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 602,715	\$ 1,300,436	\$ 14,167,169

Permanent Fund		Total Other Governmental Funds
Bay Dredging	Ackerman Donation	
\$ 5,038,812	\$ 1,150,877	\$ 53,984,627
-	-	3,664,309
-	-	421,735
-	-	36,475
<u>\$ 5,038,812</u>	<u>\$ 1,150,877</u>	<u>\$ 58,107,146</u>
\$ -	\$ 3,500	\$ 5,247,777
-	-	119,000
-	-	1,395,224
-	-	302,480
<u>-</u>	<u>3,500</u>	<u>7,064,481</u>
-	-	3,181,690
-	-	36,475
3,857,000	772,781	4,629,781
1,181,812	374,596	18,772,720
-	-	25,009,250
-	-	-
-	-	(587,251)
<u>5,038,812</u>	<u>1,147,377</u>	<u>47,860,975</u>
<u>\$ 5,038,812</u>	<u>\$ 1,150,877</u>	<u>\$ 58,107,146</u>

CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue			
	State Gas Tax	Asset Forfeiture	OTS DUI Grant	Circulation and Transportation
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,632,711	124,469	337,687	-
Licenses, permits and fees	-	-	-	397,525
Fines and forfeitures	-	-	-	-
Investment income	6,381	2,079	-	3,670
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	1,639,092	126,548	337,687	401,195
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	42,255	249,475	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	3,202,589	-	-	51,204
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	3,202,589	42,255	249,475	51,204
Excess (deficiency) of revenues over expenditures	(1,563,497)	84,293	88,212	349,991
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Proceeds from sale	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(1,563,497)	84,293	88,212	349,991
Fund balances (deficits), beginning	4,566,195	763,861	(88,212)	1,309,453
Fund balances (deficits), ending	<u>\$ 3,002,698</u>	<u>\$ 848,154</u>	<u>\$ -</u>	<u>\$ 1,659,444</u>

Special Revenue

Building Excise Tax	Community Development Block Grant	Air Quality Management District	Environmental Liability
\$ -	\$ -	\$ -	\$ 601,672
-	183,195	110,109	-
408,911	-	-	-
-	-	-	-
2,563	5,219	2,292	16,611
-	-	-	-
-	-	-	24,341
<u>411,474</u>	<u>188,414</u>	<u>112,401</u>	<u>642,624</u>
-	-	-	-
-	-	-	-
-	-	45,639	85,642
-	121,894	-	-
-	-	-	-
50,954	-	-	-
-	141,000	-	-
-	20,605	-	-
<u>50,954</u>	<u>283,499</u>	<u>45,639</u>	<u>85,642</u>
<u>360,520</u>	<u>(95,085)</u>	<u>66,762</u>	<u>556,982</u>
-	-	-	-
-	-	(107,780)	-
-	995,802	-	-
-	995,802	(107,780)	-
360,520	900,717	(41,018)	556,982
810,411	-	1,094,190	6,388,888
<u>\$ 1,170,931</u>	<u>\$ 900,717</u>	<u>\$ 1,053,172</u>	<u>\$ 6,945,870</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017
(continued)

	Special Revenue			
	Supplemental Law Enforcement	Newport Coast Annexation	Contributions	FIIN
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	158,853	-	7,689,489	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	2,792	3,461	3,294
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	158,853	2,792	7,692,950	3,294
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	158,853	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	2,831
Capital outlay	-	-	10,100,828	-
Debt service:				
Principal	-	1,200,000	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	158,853	1,200,000	10,100,828	2,831
Excess (deficiency) of revenues over expenditures	-	(1,197,208)	(2,407,878)	463
Other financing sources (uses):				
Transfers in	-	-	625,000	-
Transfers out	-	(2,792)	-	-
Proceeds from sale	-	-	-	-
Total other financing sources (uses)	-	(2,792)	625,000	-
Net change in fund balances	-	(1,200,000)	(1,782,878)	463
Fund balances (deficits), beginning	-	1,200,000	1,473,591	1,427,855
Fund balances (deficits), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (309,287)</u>	<u>\$ 1,428,318</u>

Capital Projects

Assessment District	Fire Station	Facilities Maintenance	Misc SAH Projects	Civic Center and Park
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,427	13,149	4,651	-	3,817
-	-	-	-	-
480,454	-	-	-	-
<u>481,881</u>	<u>13,149</u>	<u>4,651</u>	<u>-</u>	<u>3,817</u>
-	-	-	-	-
-	-	-	-	-
311,379	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	90,469	1,416,315	-	31,010
-	-	-	-	-
-	-	-	-	6,157
<u>311,379</u>	<u>90,469</u>	<u>1,416,315</u>	<u>-</u>	<u>37,167</u>
<u>170,502</u>	<u>(77,320)</u>	<u>(1,411,664)</u>	<u>-</u>	<u>(33,350)</u>
-	-	1,000,000	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,000,000	-	-
170,502	(77,320)	(411,664)	-	(33,350)
72,981	5,857,301	2,020,785	-	1,712,321
<u>\$ 243,483</u>	<u>\$ 5,779,981</u>	<u>\$ 1,609,121</u>	<u>\$ -</u>	<u>\$ 1,678,971</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017
(continued)

Capital Projects

	Sunset Ridge Park	Strategic Planning	Lifeguard Headquarters	Misc Facilities Financing
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	282	93	41	72
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	282	93	41	72
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	39,001	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	39,001	-	-	-
Excess (deficiency) of revenues over expenditures	(38,719)	93	41	72
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(2,626,372)	-	(61)	-
Proceeds from sale	-	-	-	-
Total other financing sources (uses)	(2,626,372)	-	(61)	-
Net change in fund balances	(2,665,091)	93	(20)	72
Fund balances (deficits), beginning	2,803,485	40,489	17,703	31,358
Fund balances (deficits), ending	<u>\$ 138,394</u>	<u>\$ 40,582</u>	<u>\$ 17,683</u>	<u>\$ 31,430</u>

Capital Projects

Parks and Community Centers	West Newport Community Center	Corp Yard Consolidation	Public Art and Cultural Facilities	Marina Park
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,158	-	-	1,471	3,025
-	-	-	-	-
-	-	-	-	-
<u>2,158</u>	<u>-</u>	<u>-</u>	<u>1,471</u>	<u>3,025</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	130,028	-	-	43,062
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>130,028</u>	<u>-</u>	<u>-</u>	<u>43,062</u>
2,158	(130,028)	-	1,471	(40,037)
-	33,502	165,394	321,977	8,590,005
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>33,502</u>	<u>165,394</u>	<u>321,977</u>	<u>8,590,005</u>
2,158	(96,526)	165,394	323,448	8,549,968
<u>932,876</u>	<u>(33,500)</u>	<u>(192,644)</u>	<u>481,130</u>	<u>(7,209,924)</u>
<u>\$ 935,034</u>	<u>\$ (130,026)</u>	<u>\$ (27,250)</u>	<u>\$ 804,578</u>	<u>\$ 1,340,044</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017
(continued)

	Capital Projects			
	Newport Uptown Undergrounding	Balboa Village Parking Management District	Neighborhood Enhancement	Unrestricted Capital Improvements
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	371,149	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	1,051	2,835	-
Donations	-	-	-	-
Other	-	2,850	-	-
Total revenues	-	375,050	2,835	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,688	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	198,435	952,670	6,442,651
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,688	198,435	952,670	6,442,651
Excess (deficiency) of revenues over expenditures	(1,688)	176,615	(949,835)	(6,442,651)
Other financing sources (uses):				
Transfers in	-	-	1,739,500	6,350,000
Transfers out	-	-	-	(400,000)
Proceeds from sale	-	-	-	-
Total other financing sources (uses)	-	-	1,739,500	5,950,000
Net change in fund balances	(1,688)	176,615	789,665	(492,651)
Fund balances (deficits), beginning	(119,000)	410,164	485,748	11,263,891
Fund balances (deficits), ending	<u>\$ (120,688)</u>	<u>\$ 586,779</u>	<u>\$ 1,275,413</u>	<u>\$ 10,771,240</u>

<u>Permanent Funds</u>		
<u>Bay Dredging</u>	<u>Ackerman Donation</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ 601,672
-	-	10,236,513
-	-	1,177,585
-	-	-
11,628	2,657	96,719
-	-	-
-	-	507,645
<u>11,628</u>	<u>2,657</u>	<u>12,620,134</u>
-	-	-
-	-	450,583
-	-	444,348
-	4,900	126,794
-	-	2,831
-	-	22,749,216
-	-	1,341,000
-	-	26,762
<u>-</u>	<u>4,900</u>	<u>25,141,534</u>
<u>11,628</u>	<u>(2,243)</u>	<u>(12,521,400)</u>
-	-	18,825,378
-	-	(3,137,005)
-	-	995,802
-	-	16,684,175
11,628	(2,243)	4,162,775
<u>5,027,184</u>	<u>1,149,620</u>	<u>43,698,200</u>
<u>\$ 5,038,812</u>	<u>\$ 1,147,377</u>	<u>\$ 47,860,975</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,785,719	\$ 1,785,719	\$ 1,632,711	\$ (153,008)
Investment income	31,648	31,648	6,381	(25,267)
Total revenues	<u>1,817,367</u>	<u>1,817,367</u>	<u>1,639,092</u>	<u>(178,275)</u>
Expenditures:				
Capital outlay	<u>1,475,200</u>	<u>5,972,168</u>	<u>3,202,589</u>	<u>2,769,579</u>
Net change in fund balance	342,167	(4,154,801)	(1,563,497)	2,591,304
Fund balance, beginning	<u>4,566,195</u>	<u>4,566,195</u>	<u>4,566,195</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 4,908,362</u></u>	<u><u>\$ 411,394</u></u>	<u><u>\$ 3,002,698</u></u>	<u><u>\$ 2,591,304</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 22,581	\$ 22,581	\$ 124,469	\$ 101,888
Investment income	5,519	5,519	2,079	(3,440)
Total revenues	<u>28,100</u>	<u>28,100</u>	<u>126,548</u>	<u>98,448</u>
Expenditures:				
Public safety	<u>162,000</u>	<u>162,001</u>	<u>42,255</u>	<u>119,746</u>
Net change in fund balance	(133,900)	(133,901)	84,293	218,194
Fund balance, beginning	<u>763,861</u>	<u>763,861</u>	<u>763,861</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 629,961</u></u>	<u><u>\$ 629,960</u></u>	<u><u>\$ 848,154</u></u>	<u><u>\$ 218,194</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
OTS DUI Grant Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 90,935	\$ 337,687	\$ 337,687	\$ -
Expenditures:				
Public safety	93,837	249,475	249,475	-
Net change in fund balance	(2,902)	88,212	88,212	-
Fund balance (deficit), beginning	(88,212)	(88,212)	(88,212)	-
Fund balance (deficit), ending	<u>\$ (91,114)</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 124,536	\$ 124,536	\$ 397,525	\$ 272,989
Investment income	4,751	4,751	3,670	(1,081)
Total revenues	<u>129,287</u>	<u>129,287</u>	<u>401,195</u>	<u>271,908</u>
Expenditures:				
Capital outlay	<u>-</u>	<u>435,614</u>	<u>51,204</u>	<u>384,410</u>
Net change in fund balance	129,287	(306,327)	349,991	656,318
Fund balance, beginning	<u>1,309,453</u>	<u>1,309,453</u>	<u>1,309,453</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,438,740</u></u>	<u><u>\$ 1,003,126</u></u>	<u><u>\$ 1,659,444</u></u>	<u><u>\$ 656,318</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 760,191	\$ 174,500	\$ 408,911	\$ 234,411
Investment income	3,235	3,235	2,563	(672)
Total revenues	<u>763,426</u>	<u>177,735</u>	<u>411,474</u>	<u>233,739</u>
Expenditures:				
Capital outlay	-	637,095	50,954	586,141
Net change in fund balance	763,426	(459,360)	360,520	819,880
Fund balance, beginning	<u>810,411</u>	<u>810,411</u>	<u>810,411</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,573,837</u></u>	<u><u>\$ 351,051</u></u>	<u><u>\$ 1,170,931</u></u>	<u><u>\$ 819,880</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 361,557	\$ 388,285	\$ 183,195	\$ (205,090)
Investment income	-	-	5,219	5,219
Total revenues	<u>361,557</u>	<u>388,285</u>	<u>188,414</u>	<u>(199,871)</u>
Expenditures:				
Community development	117,311	125,848	121,894	3,954
Capital outlay	-	100,831	-	100,831
Debt service:				
Principal	273,000	273,000	141,000	132,000
Interest and fiscal charges	95,911	95,912	20,605	75,307
Total expenditures	<u>486,222</u>	<u>595,591</u>	<u>283,499</u>	<u>312,092</u>
Excess (deficiency) of revenues over expenditures	(124,665)	(207,306)	(95,085)	112,221
Other financing sources (uses):				
Proceeds from sale	-	-	995,802	995,802
Net change in fund balance	(124,665)	(207,306)	900,717	1,108,023
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	<u>\$ (124,665)</u>	<u>\$ (207,306)</u>	<u>\$ 900,717</u>	<u>\$ 1,108,023</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 110,109	\$ 10,109
Investment income	4,184	4,184	2,292	(1,892)
Total revenues	<u>104,184</u>	<u>104,184</u>	<u>112,401</u>	<u>8,217</u>
Expenditures:				
Public works	<u>607,101</u>	<u>607,101</u>	<u>45,639</u>	<u>561,462</u>
Excess (deficiency) of revenues over expenditures	(502,917)	(502,917)	66,762	569,679
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>(107,780)</u>	<u>(107,780)</u>	<u>-</u>
Net change in fund balance	(502,917)	(610,697)	(41,018)	569,679
Fund balance, beginning	<u>1,094,190</u>	<u>1,094,190</u>	<u>1,094,190</u>	<u>-</u>
Fund balance, ending	<u>\$ 591,273</u>	<u>\$ 483,493</u>	<u>\$ 1,053,172</u>	<u>\$ 569,679</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 604,473	\$ 604,473	\$ 601,672	\$ (2,801)
Investment income	26,503	26,503	16,611	(9,892)
Other revenue	-	35,000	24,341	(10,659)
Total revenues	<u>630,976</u>	<u>665,976</u>	<u>642,624</u>	<u>(23,352)</u>
Expenditures:				
Public works	<u>199,030</u>	<u>224,030</u>	<u>85,642</u>	<u>138,388</u>
Net change in fund balance	431,946	441,946	556,982	115,036
Fund balance, beginning	<u>6,388,888</u>	<u>6,388,888</u>	<u>6,388,888</u>	<u>-</u>
Fund balance, ending	<u>\$ 6,820,834</u>	<u>\$ 6,830,834</u>	<u>\$ 6,945,870</u>	<u>\$ 115,036</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 155,000	\$ 155,000	\$ 158,853	\$ 3,853
Expenditures:				
Public safety	155,000	155,000	158,853	(3,853)
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
Newport Coast Annexation Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 19,595	\$ 19,595	\$ 2,792	\$ (16,803)
Expenditures:				
Principal	1,200,000	1,200,000	1,200,000	-
Excess (deficiency) of revenues over expenditures	(1,180,405)	(1,180,405)	(1,197,208)	(16,803)
Other financing uses:				
Transfers out	(24,000)	(14,752)	(2,792)	11,960
Net change in fund balance	(1,204,405)	(1,195,157)	(1,200,000)	(4,843)
Fund balance, beginning	1,200,000	1,200,000	1,200,000	-
Fund balance (deficit), ending	<u>\$ (4,405)</u>	<u>\$ 4,843</u>	<u>\$ -</u>	<u>\$ (4,843)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Contributions Fund Special Revenue Fund
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Intergovernmental	\$ 3,242,015	\$ 4,891,077	\$ 7,689,489	\$ 2,798,412
Investment income	21,752	21,752	3,461	(18,291)
Total revenues	<u>3,263,767</u>	<u>4,912,829</u>	<u>7,692,950</u>	<u>2,780,121</u>
Expenditures:				
Capital outlay	75,000	13,451,926	10,100,828	3,351,098
Excess (deficiency) of revenues over expenditures	<u>3,188,767</u>	<u>(8,539,097)</u>	<u>(2,407,878)</u>	<u>6,131,219</u>
Other financing sources (uses):				
Transfers in	1,045,230	1,690,579	625,000	(1,065,579)
Transfers out	-	(68,100)	-	68,100
Total other financing sources (uses)	<u>1,045,230</u>	<u>1,622,479</u>	<u>625,000</u>	<u>(997,479)</u>
Net change in fund balance	4,233,997	(6,916,618)	(1,782,878)	5,133,740
Fund balance, beginning	<u>1,473,591</u>	<u>1,473,591</u>	<u>1,473,591</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 5,707,588</u>	<u>\$ (5,443,027)</u>	<u>\$ (309,287)</u>	<u>\$ 5,133,740</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
FIIN Special Revenue Fund
For the Year Ended June 30, 2017

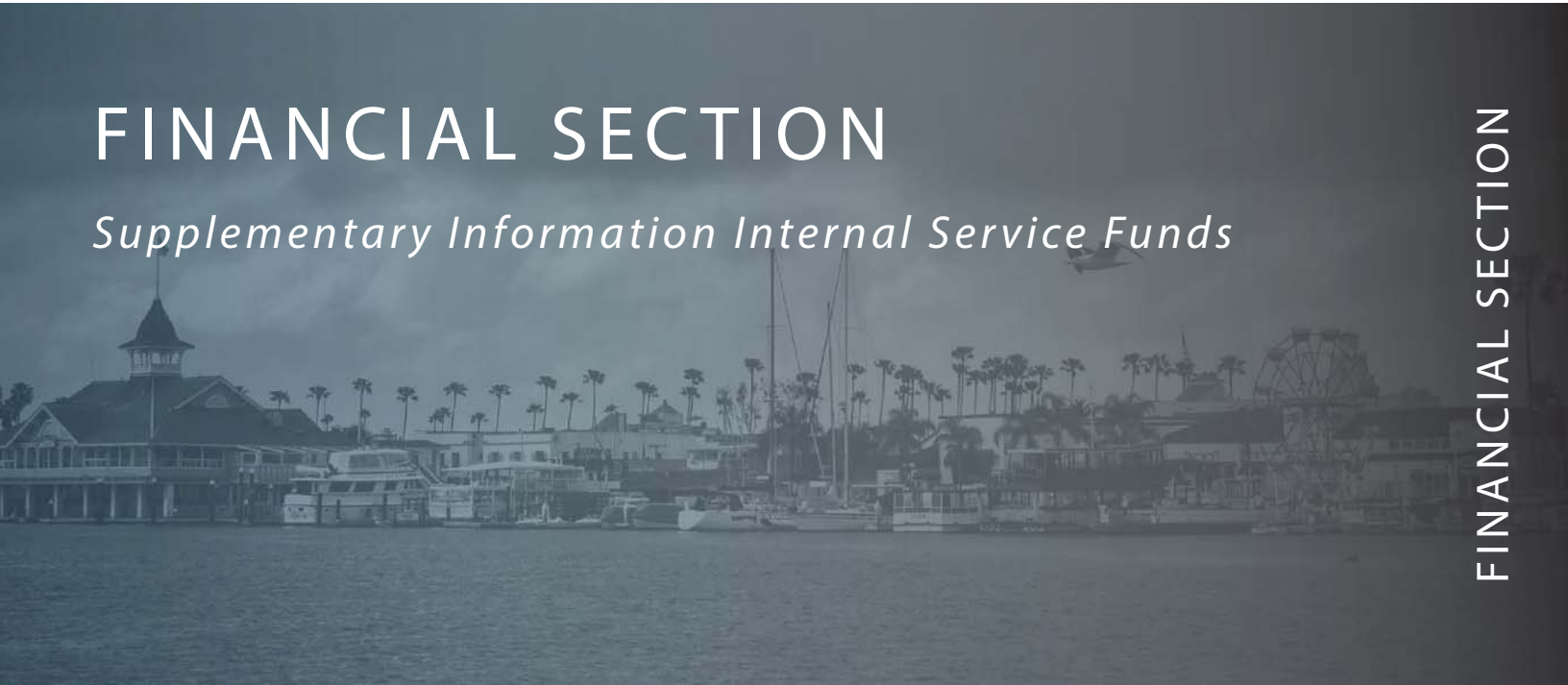
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 3,294	\$ 3,294
Expenditures:				
Community services	7,953	7,953	2,831	5,122
Net change in fund balance	(7,953)	(7,953)	463	8,416
Fund balance, beginning	1,427,855	1,427,855	1,427,855	-
Fund balance, ending	<u>\$ 1,419,902</u>	<u>\$ 1,419,902</u>	<u>\$ 1,428,318</u>	<u>\$ 8,416</u>

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FINANCIAL SECTION

Supplementary Information Internal Service Funds

FINANCIAL SECTION



INTERNAL SERVICE FUNDS

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 benefits.

The ***Equipment Maintenance Fund*** is used to account for the cost of maintaining and replacing the City's rolling stock fleet, parking equipment, coordinated communications system equipment, fire equipment and recreation equipment.

The ***Information Technology Fund*** is used to account for the cost of maintaining and replacing the City's computers, printers, copiers and telecommunication services to other departments.

CITY OF NEWPORT BEACH
All Internal Service Funds
Combining Statement of Net Position
June 30, 2017

Assets	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Current assets:						
Cash and investments	\$ 22,304,232	\$ 4,556,356	\$ -	\$ 14,651,020	\$ 5,917,556	\$ 47,429,164
Receivables:						
Accounts (net of allowance)	-	-	35,625	3,127	-	38,752
Intergovernmental receivables	-	-	1,469,145	-	-	1,469,145
Inventories	-	-	-	355,293	-	355,293
Net other pension employment benefits	-	-	2,852,574	-	-	2,852,574
Prepaid items	1,009,785	-	276,926	-	216,897	1,503,608
Total current assets	<u>23,314,017</u>	<u>4,556,356</u>	<u>4,634,270</u>	<u>15,009,440</u>	<u>6,134,453</u>	<u>53,648,536</u>
Noncurrent assets:						
Capital assets:						
Equipment	-	-	-	33,132,069	3,202,561	36,334,630
Software	-	-	-	-	3,510,251	3,510,251
Work in progress	-	-	-	164,489	-	164,489
Less accumulated depreciation	-	-	-	(19,862,974)	(3,362,624)	(23,225,598)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,433,584</u>	<u>3,350,188</u>	<u>16,783,772</u>
Total assets	<u>23,314,017</u>	<u>4,556,356</u>	<u>4,634,270</u>	<u>28,443,024</u>	<u>9,484,641</u>	<u>70,432,308</u>
Deferred outflows of resources:						
Deferred amount from pension plans	-	-	-	448,850	899,678	1,348,528
Liabilities						
Current liabilities:						
Accounts payable	53,524	79,288	2,679	450,031	123,995	709,517
Accrued payroll	5,499	-	103,119	13,944	37,725	160,287
Due to other funds	-	-	1,091,008	-	-	1,091,008
Workers' compensation - current	3,369,038	-	-	-	-	3,369,038
General liability - current	6,139,621	-	-	-	-	6,139,621
Compensated absences - current	-	2,123,186	-	-	-	2,123,186
Total current liabilities	<u>9,567,682</u>	<u>2,202,474</u>	<u>1,196,806</u>	<u>463,975</u>	<u>161,720</u>	<u>13,592,657</u>
Noncurrent liabilities:						
Workers' compensation	14,047,962	-	-	-	-	14,047,962
General liability	5,942,685	-	-	-	-	5,942,685
Compensated absences	-	9,386,089	-	-	-	9,386,089
Net pension liability	-	-	-	2,069,032	4,147,175	6,216,207
Total noncurrent liabilities	<u>19,990,647</u>	<u>9,386,089</u>	<u>-</u>	<u>2,069,032</u>	<u>4,147,175</u>	<u>35,592,943</u>
Total liabilities	<u>29,558,329</u>	<u>11,588,563</u>	<u>1,196,806</u>	<u>2,533,007</u>	<u>4,308,895</u>	<u>49,185,600</u>
Deferred inflows of resources:						
Deferred amount from pension plans	-	-	-	105,647	211,762	317,409
Net Position						
Invested in capital assets	-	-	-	13,433,584	3,350,188	16,783,772
Unrestricted	(6,244,312)	(7,032,207)	3,437,464	12,819,636	2,513,474	5,494,055
Total net position	<u>\$ (6,244,312)</u>	<u>\$ (7,032,207)</u>	<u>\$ 3,437,464</u>	<u>\$ 26,253,220</u>	<u>\$ 5,863,662</u>	<u>\$ 22,277,827</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2017

	<u>Insurance Reserve</u>	<u>Compensated Absences</u>	<u>Retiree Insurance</u>	<u>Equipment Maintenance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Operating revenues:						
Charges for services	\$ 6,822,155	\$ 2,458,628	\$ 3,925,086	\$ 5,571,555	\$ 5,046,689	\$ 23,824,113
Retiree reimbursements	-	-	246,259	-	-	246,259
Employee contributions	-	-	127,120	-	-	127,120
Other	118,825	-	26,400	3,881	1,541	150,647
Total operating revenues	<u>6,940,980</u>	<u>2,458,628</u>	<u>4,324,865</u>	<u>5,575,436</u>	<u>5,048,230</u>	<u>24,348,139</u>
Operating expenses:						
Salaries and wages	-	-	-	949,953	2,173,314	3,123,267
Depreciation	-	-	-	2,552,060	806,503	3,358,563
Professional services	-	-	-	2,275	321,822	324,097
Maintenance and supplies	-	-	-	1,659,058	689,542	2,348,600
Fleet parts and supplies	-	-	-	305,170	-	305,170
800 MHz	-	-	-	289,873	-	289,873
Telecommunication	-	-	-	219,791	266,917	486,708
Hardware	-	-	-	-	173,685	173,685
Software	-	-	-	-	690,843	690,843
AV equipment	-	-	-	-	11,470	11,470
Workers' compensation	5,542,044	-	-	-	-	5,542,044
Claims and judgments	8,441,827	-	-	-	-	8,441,827
Compensated absences	-	2,418,521	-	-	-	2,418,521
Change in OPEB asset	-	-	4,201,927	-	-	4,201,927
Total operating expenses	<u>13,983,871</u>	<u>2,418,521</u>	<u>4,201,927</u>	<u>5,978,180</u>	<u>5,134,096</u>	<u>31,716,595</u>
Operating income (loss)	<u>(7,042,891)</u>	<u>40,107</u>	<u>122,938</u>	<u>(402,744)</u>	<u>(85,866)</u>	<u>(7,368,456)</u>
Nonoperating revenues:						
Investment income	53,677	10,180	38	31,141	14,591	109,627
Gain on sale of capital assets	-	-	-	177,020	-	177,020
Total nonoperating revenues	<u>53,677</u>	<u>10,180</u>	<u>38</u>	<u>208,161</u>	<u>14,591</u>	<u>286,647</u>
Income (loss) before transfers	<u>(6,989,214)</u>	<u>50,287</u>	<u>122,976</u>	<u>(194,583)</u>	<u>(71,275)</u>	<u>(7,081,809)</u>
Transfers in	-	-	-	607,780	-	607,780
Transfer out	-	-	-	-	(60,000)	(60,000)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>607,780</u>	<u>(60,000)</u>	<u>547,780</u>
Change in net position	<u>(6,989,214)</u>	<u>50,287</u>	<u>122,976</u>	<u>413,197</u>	<u>(131,275)</u>	<u>(6,534,029)</u>
Net position, beginning	744,902	(7,082,494)	3,314,488	25,859,692	6,034,362	28,870,950
Prior year restatement	-	-	-	(19,669)	(39,425)	(59,094)
Restated net position, beginning	<u>744,902</u>	<u>(7,082,494)</u>	<u>3,314,488</u>	<u>25,840,023</u>	<u>5,994,937</u>	<u>28,811,856</u>
Net position, ending	<u>\$ (6,244,312)</u>	<u>\$ (7,032,207)</u>	<u>\$ 3,437,464</u>	<u>\$ 26,253,220</u>	<u>\$ 5,863,662</u>	<u>\$ 22,277,827</u>

CITY OF NEWPORT BEACH
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2017

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Cash flows from operating activities						
Receipts from user departments	\$ 6,822,155	\$ 2,458,628	\$ 4,170,632	\$ 5,597,887	\$ 5,046,689	\$ 24,095,991
Payments to employees	(2,904,377)	(1,973,092)	-	(1,019,143)	(2,307,480)	(8,204,092)
Payments to suppliers	(5,503,404)	-	(5,647,887)	(2,528,152)	(2,372,798)	(16,052,241)
Other operating cash receipts	118,825	-	828,393	3,881	1,541	952,640
Net cash provided (used) by operating activities	<u>(1,466,801)</u>	<u>485,536</u>	<u>(648,862)</u>	<u>2,054,473</u>	<u>367,952</u>	<u>792,298</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	-	648,824	607,780	-	1,256,604
Cash paid to other funds	-	-	-	-	(60,000)	(60,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>648,824</u>	<u>607,780</u>	<u>(60,000)</u>	<u>1,196,604</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(3,417,389)	(188,041)	(3,605,430)
Proceeds from sale of capital assets	-	-	-	187,918	-	187,918
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,229,471)</u>	<u>(188,041)</u>	<u>(3,417,512)</u>
Cash flows from investing activities:						
Investment income	53,677	10,180	38	31,141	14,591	109,627
Net cash provided by investing activities	<u>53,677</u>	<u>10,180</u>	<u>38</u>	<u>31,141</u>	<u>14,591</u>	<u>109,627</u>
Net increase (decrease) in cash and cash equivalents	(1,413,124)	495,716	-	(536,077)	134,502	(1,318,983)
Cash and cash equivalents, beginning	23,717,356	4,060,640	-	15,187,097	5,783,054	48,748,147
Cash and cash equivalents, ending	<u>\$ 22,304,232</u>	<u>\$ 4,556,356</u>	<u>\$ -</u>	<u>\$ 14,651,020</u>	<u>\$ 5,917,556</u>	<u>\$ 47,429,164</u>
Reconciliation of cash equivalents to the statement of net position:						
Cash and investments reported on statement of net position	22,304,232	4,556,356	-	14,651,020	5,917,556	47,429,164
Cash and cash equivalents	<u>\$ 22,304,232</u>	<u>\$ 4,556,356</u>	<u>\$ -</u>	<u>\$ 14,651,020</u>	<u>\$ 5,917,556</u>	<u>\$ 47,429,164</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (7,042,891)	\$ 40,107	\$ 122,938	\$ (402,744)	\$ (85,866)	\$ (7,368,456)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	-	-	2,552,060	806,503	3,358,563
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	-	-	(794,985)	26,332	-	(768,653)
Decrease in inventories	-	-	-	808	-	808
(Increase) in net other pension employment benefits	-	-	(170,645)	-	-	(170,645)
(Increase) decrease in prepaid items	(987,697)	-	109,903	-	32,325	(845,469)
Increase (decrease) in accounts payable and accrued payroll	48,951	13,027	83,927	(55,526)	(251,803)	(161,424)
Increase in workers' compensation	2,636,000	-	-	-	-	2,636,000
Increase in general liability	3,878,836	-	-	-	-	3,878,836
Increase in compensated absences	-	432,402	-	-	-	432,402
(Decrease) in net of pension liability and deferred cash flows	-	-	-	(66,457)	(133,207)	(199,664)
Total adjustments	<u>5,576,090</u>	<u>445,429</u>	<u>(771,800)</u>	<u>2,457,217</u>	<u>453,818</u>	<u>8,160,754</u>
Net cash provided (used) by operating activities	<u>\$ (1,466,801)</u>	<u>\$ 485,536</u>	<u>\$ (648,862)</u>	<u>\$ 2,054,473</u>	<u>\$ 367,952</u>	<u>\$ 792,298</u>

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FINANCIAL SECTION

Supplementary Information Fiduciary Funds

FINANCIAL SECTION

FIDUCIARY FUNDS

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.

CITY OF NEWPORT BEACH
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2017

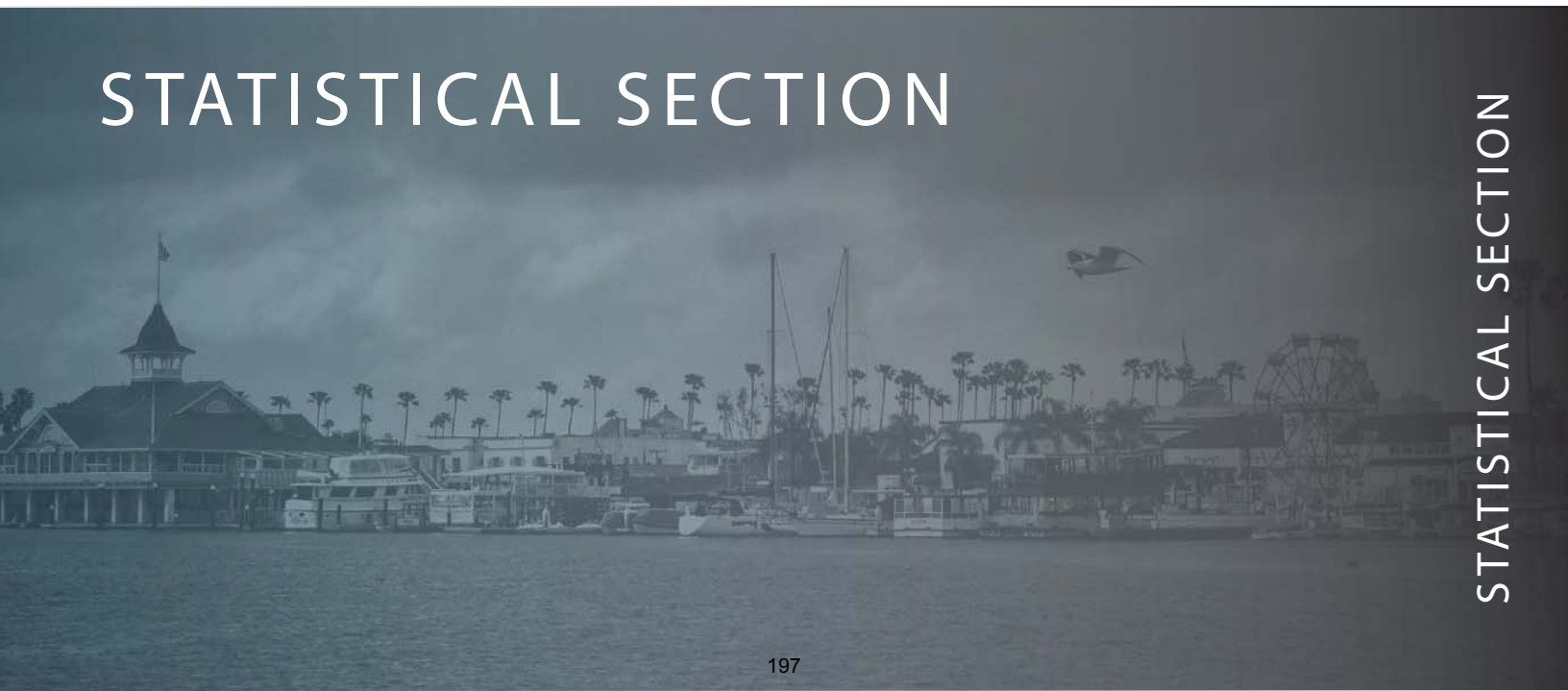
Assets	Special Assessment District	Business Improvement	Totals
Cash and investments	\$ 731,309	\$ 561,610	\$ 1,292,919
Cash with fiscal agent	3,789,037	-	3,789,037
Total assets	<u>\$ 4,520,346</u>	<u>\$ 561,610</u>	<u>\$ 5,081,956</u>
Liabilities			
Due to bondholders	\$ 4,520,346	\$ -	\$ 4,520,346
Due to others	-	561,610	561,610
Total liabilities	<u>\$ 4,520,346</u>	<u>\$ 561,610</u>	<u>\$ 5,081,956</u>

CITY OF NEWPORT BEACH
Statement of Changes in Fiduciary Net Position
All Agency Funds
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Special Assessment District:				
Assets				
Cash and investments	\$ 1,403,781	\$ 1,531,859	\$ (2,204,331)	\$ 731,309
Cash with fiscal agent	<u>4,314,572</u>	<u>2,192,517</u>	<u>(2,718,052)</u>	<u>3,789,037</u>
Total assets	<u>\$ 5,718,353</u>	<u>\$ 3,724,376</u>	<u>\$ (4,922,383)</u>	<u>\$ 4,520,346</u>
Liabilities				
Due to bondholders	<u>\$ 5,718,353</u>	<u>\$ 3,724,376</u>	<u>\$ (4,922,383)</u>	<u>\$ 4,520,346</u>
Business Improvement District:				
Assets				
Cash and investments	<u>\$ 419,317</u>	<u>\$ 4,410,989</u>	<u>\$ (4,268,696)</u>	<u>\$ 561,610</u>
Liabilities				
Due to others	<u>\$ 419,317</u>	<u>\$ 4,410,989</u>	<u>\$ (4,268,696)</u>	<u>\$ 561,610</u>
Totals - All Agency Funds:				
Assets				
Cash and investments	\$ 1,823,098	\$ 5,942,848	\$ (6,473,027)	\$ 1,292,919
Cash with fiscal agent	4,314,572	2,192,517	(2,718,052)	3,789,037
Total assets	<u>\$ 6,137,670</u>	<u>\$ 8,135,365</u>	<u>\$ (9,191,079)</u>	<u>\$ 5,081,956</u>
Liabilities				
Due to bondholders	\$ 5,718,353	\$ 3,724,376	\$ (4,922,383)	\$ 4,520,346
Due to others	419,317	4,410,989	(4,268,696)	561,610
Total liabilities	<u>\$ 6,137,670</u>	<u>\$ 8,135,365</u>	<u>\$ (9,191,079)</u>	<u>\$ 5,081,956</u>

STATISTICAL SECTION

STATISTICAL SECTION



FINANCIAL TRENDS

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 Position by Component
- Changes in Net Position
- 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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 2,050,925,370	\$ 2,061,635,642	\$ 2,084,912,221	\$ 2,087,403,003
Restricted	40,988,923	44,212,747	34,236,929	63,940,282
Unrestricted	87,802,996	96,276,381	86,049,492	67,500,916
Total governmental activities	<u>\$ 2,179,717,289</u>	<u>\$ 2,202,124,770</u>	<u>\$ 2,205,198,642</u>	<u>\$ 2,218,844,201</u>
Business-type activities:				
Net investment in capital assets	\$ 107,313,603	\$ 108,510,361	\$ 108,449,847	\$ 108,976,459
Restricted	-	-	-	-
Unrestricted	13,639,027	11,435,306	10,173,912	9,442,988
Total business-type activities	<u>\$ 120,952,630</u>	<u>\$ 119,945,667</u>	<u>\$ 118,623,759</u>	<u>\$ 118,419,447</u>
Primary government:				
Net investment in capital assets	\$ 2,158,238,973	\$ 2,170,146,003	\$ 2,193,362,068	\$ 2,196,379,462
Restricted	40,988,923	44,212,747	34,236,929	63,940,282
Unrestricted	101,442,023	107,711,687	96,223,404	76,943,904
Total primary government	<u>\$ 2,300,669,919</u>	<u>\$ 2,322,070,437</u>	<u>\$ 2,323,822,401</u>	<u>\$ 2,337,263,648</u>

- ¹ Reflects restatement of net position due to the implementation of GASB 65 in fiscal year ended June 30, 2013.
- ² Reflects restatement of net position due to the implementation of GASB 68 in fiscal year ended June 30, 2015 and an adjustment to record deferred amount from gain on refunding.
- ³ Reflects restatement of net position due to compensated absences and deferred outflow adjustments related to fiscal year ended June 30, 2016.
- ⁴ Reflects restatement of net position due to deferred outflow adjustments related to fiscal year ended June 30, 2017.

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

The City of Newport Beach implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.

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

Fiscal Year					
2012 ¹	2013	2014 ²	2015 ³	2016 ⁴	2017
\$ 2,098,349,998	\$ 2,124,797,794	\$ 2,148,942,928	\$ 2,176,644,408	\$ 2,193,773,102	\$ 2,201,552,683
61,923,719	72,119,674	59,998,344	45,689,702	44,033,677	45,753,736
82,515,232	77,966,414	(184,990,765)	(150,532,773)	(130,468,268)	(107,775,201)
<u>\$ 2,242,788,949</u>	<u>\$ 2,274,883,882</u>	<u>\$ 2,023,950,507</u>	<u>\$ 2,071,801,337</u>	<u>\$ 2,107,338,511</u>	<u>\$ 2,139,531,218</u>
\$ 108,981,237	\$ 111,177,135	\$ 115,948,522	\$ 113,914,514	\$ 117,055,576	\$ 116,238,944
-	-	-	-	-	-
15,089,798	19,172,398	13,160,611	21,756,124	23,430,189	30,134,055
<u>\$ 124,071,035</u>	<u>\$ 130,349,533</u>	<u>\$ 129,109,133</u>	<u>\$ 135,670,638</u>	<u>\$ 140,485,765</u>	<u>\$ 146,372,999</u>
\$ 2,207,331,235	\$ 2,235,974,929	\$ 2,264,891,450	\$ 2,290,558,922	\$ 2,310,828,678	\$ 2,317,791,627
61,923,719	72,119,674	59,998,344	45,689,702	44,033,677	45,753,736
97,605,030	97,138,812	(171,830,154)	(128,776,649)	(107,038,079)	(77,641,146)
<u>\$ 2,366,859,984</u>	<u>\$ 2,405,233,415</u>	<u>\$ 2,153,059,640</u>	<u>\$ 2,207,471,975</u>	<u>\$ 2,247,824,276</u>	<u>\$ 2,285,904,217</u>

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

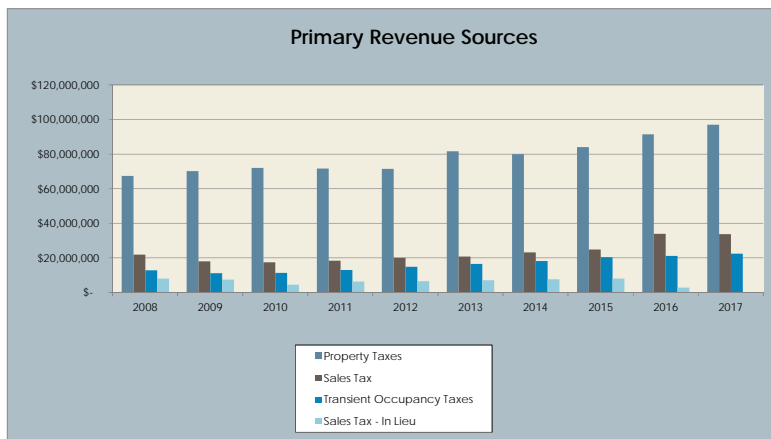
	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental activities:										
General government	\$ 15,556,657	\$ 16,430,529	\$ 17,082,705	\$ 15,857,397	\$ 14,325,966	\$ 15,830,575	\$ 18,834,165	\$ 24,558,041	\$ 19,335,275	\$ 20,443,569
Public safety	75,821,082	79,301,600	79,402,600	78,128,006	75,696,570	83,235,188	87,676,062	96,945,872	91,046,455	102,494,314
Public works	42,631,401	45,600,429	55,445,327	40,341,323	48,913,412	47,794,631	42,953,118	45,774,939	45,443,988	54,039,601
Community development	10,052,871	10,283,528	10,082,454	8,637,525	9,365,676	9,223,098	10,283,481	10,073,248	9,943,868	12,056,086
Community services	19,146,588	20,589,094	17,232,357	17,272,374	21,554,696	22,244,661	21,357,271	22,418,287	22,700,052	26,583,440
Interest on long-term debt	532,569	437,207	372,502	5,078,881	8,204,928	7,989,339	7,888,192	7,711,334	7,615,094	7,472,188
Total governmental activities expenses	163,741,168	172,642,387	179,617,945	165,315,506	178,061,248	186,317,492	188,992,289	207,481,721	196,084,732	223,089,198
Business-type activities:										
Water	20,148,517	18,210,789	18,732,351	19,824,996	18,358,646	20,208,300	22,037,284	21,175,954	21,605,197	22,004,013
Wastewater	3,423,592	3,753,042	3,599,034	3,936,949	3,360,418	3,462,165	3,368,656	3,452,398	3,618,165	4,218,926
Total business-type activities expenses	23,572,109	21,963,831	22,331,385	23,761,945	21,719,064	23,670,465	25,405,940	24,628,352	25,423,362	26,222,939
Total primary government expenses	187,313,277	194,606,218	201,949,330	189,077,451	199,780,312	209,987,957	214,398,229	232,110,073	221,508,094	249,312,137
Program revenues:										
Governmental activities:										
Charges for services:										
General government	3,055,982	2,543,880	2,909,603	2,722,527	2,593,741	2,759,306	3,046,232	3,647,210	3,722,557	5,089,123
Public safety	16,649,400	14,757,266	15,006,601	15,686,314	16,240,135	16,008,421	19,124,113	19,386,017	19,108,222	19,899,242
Public works	5,816,118	5,532,871	6,392,877	2,938,315	4,576,208	5,019,835	5,517,103	5,276,991	5,319,510	5,214,426
Community development	5,597,309	4,852,534	4,806,745	5,599,737	6,202,080	7,057,010	8,043,390	8,608,645	8,419,588	10,836,114
Community services	9,203,513	9,052,330	8,673,465	8,962,818	14,119,869	13,176,050	13,270,316	13,667,775	13,964,018	13,653,466
Operating Grants and Contributions:	15,778,851	13,404,286	15,677,617	10,710,266	11,418,147	11,290,989	15,196,696	10,673,286	17,826,914	11,632,188
Capital Grants and Contributions:	31,037,915 ¹	24,633,716	12,350,100	11,101,239	14,838,783	25,613,846 ²	563,786	38,157,665 ³	2,717,504	27,993,317
Total governmental activities program revenues	86,939,088	74,776,883	65,817,008	57,721,216	69,988,962	80,925,457	64,761,636	98,417,589	71,078,313	94,319,876
Business-type activities:										
Charges for services:										
Water	17,270,511	16,966,621	17,412,634	20,097,227	23,877,685	26,795,767	29,397,882	27,705,129	24,499,952	25,371,307
Wastewater	3,552,780	3,479,565	3,368,327	3,348,433	3,382,905	3,450,638	3,438,670	3,326,362	3,065,762	3,161,114
Total business-type activities program revenues	20,823,291	20,446,186	20,780,961	23,445,660	27,260,590	30,246,405	32,836,552	31,031,491	27,565,714	28,532,421
Total primary government program revenues	107,762,379	95,223,069	86,597,969	81,166,876	97,249,552	111,171,862	97,598,188	130,449,080	98,644,027	122,852,297
Net revenues (expenses):										
Governmental activities	(76,802,080)	(97,865,504)	(113,800,937)	(107,594,290)	(108,072,286)	(105,392,035)	(124,230,653)	(108,064,132)	(125,006,419)	(128,769,322)
Business-type activities	(2,748,818)	(1,517,645)	(1,550,424)	(316,285)	5,541,526	6,575,940	7,430,612	6,403,139	2,142,352	2,309,482
Total net revenues (expenses)	\$ (79,550,898)	\$ (99,383,149)	\$ (115,351,361)	\$ (107,910,575)	\$ (102,530,760)	\$ (98,816,095)	\$ (116,800,041)	\$ (101,660,993)	\$ (122,864,067)	\$ (126,459,840)

¹ 2008 data varies from trend because of increased capital assets related to Santa Ana Heights Annexation.
² 2013 data varies from trend because of increased capital assets related to contribution from State of California.
³ 2015 data varies from trend because of one-time receipt of developer contributions.

The City of Newport Beach implemented GASB 34 for the fiscal year ended June 30, 2002.
The City of Newport Beach implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property tax	\$ 67,388,838	\$ 70,126,680	\$ 71,999,680	\$ 71,630,345	\$ 71,546,249	\$ 81,603,194	\$ 79,889,346	\$ 84,121,461	\$ 91,516,611	\$ 96,964,060
Sales tax	21,855,242	17,925,956	17,440,736	18,455,181	20,107,597	20,764,204	23,142,065	24,832,412	33,937,986	33,702,895
Sales tax in-lieu	8,017,539	7,503,113	4,539,946	6,284,266	6,523,492	7,078,517	7,727,876	8,046,424	2,870,474	-
Transient occupancy tax	12,751,518	11,170,956	11,400,710	13,082,451	14,798,191	16,500,285	18,176,369	20,369,158	21,083,199	22,382,361
Business license tax	4,119,108	4,273,642	4,026,614	4,090,634	4,073,725	4,145,666	4,156,130	4,141,282	4,024,386	4,149,016
Franchise tax	3,853,119	3,961,634	3,715,946	3,730,819	3,845,901	3,820,723	3,998,943	4,189,130	4,047,584	4,026,005
Motor vehicle license fees	304,920	356,237	314,957	403,042	42,911	-	-	-	-	-
Other taxes	373,350	230,115	201,893	226,257	278,521	286,880	216,604	354,919	327,009	358,209
Investment income	3,655,314	1,764,827	706,855	366,081	406,674	219,091	542,915	437,272	584,259	589,001
Net increase in fair value of investments	508,485	1,096,848	707,200	369,235	246,119	-	53,783	61,337	376,311	-
Other	1,858,883	1,862,977	1,820,272	2,601,538	2,789,471	2,748,524	3,803,728	3,161,567	4,001,486	2,290,482
Change in accounting estimates	-	-	-	-	8,484,000	-	-	-	-	-
Capital contributions	-	-	-	-	7,352	319,884	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	(3,500,000)
Total governmental activities	124,686,316	120,272,985	116,874,809	121,239,849	133,149,203	137,486,968	141,707,759	149,714,962	162,769,305	160,962,029
Business-type activities:										
Investment income	588,870	374,893	128,399	52,996	49,718	22,442	128,439	123,445	216,576	77,752
Net increase in fair value of investments	72,913	135,789	100,117	58,977	67,696	-	18,199	34,921	148,527	-
Other	-	-	-	-	-	-	-	-	2,375,000	-
Capital contributions	-	-	-	-	(7,352)	(319,884)	-	-	22,516	-
Transfers	-	-	-	-	-	-	-	-	-	3,500,000
Total business-type activities	661,783	510,682	228,516	111,973	110,062	(297,442)	146,638	158,366	2,762,619	3,577,752
Total primary government	125,348,099	120,783,667	117,103,325	121,351,822	133,259,265	137,189,526	141,854,397	149,873,328	165,531,924	164,539,781
Changes in net position										
Governmental activities	47,884,236	22,407,481	3,073,872	13,645,559	25,076,917	32,094,933	17,477,106	41,650,830	37,762,886	32,192,707
Business-type activities	(2,087,035)	(1,006,963)	(1,321,908)	(204,312)	5,651,588	6,278,498	7,577,250	6,561,505	4,904,971	5,887,234
Total primary government	\$ 45,797,201	\$ 21,400,518	\$ 1,751,964	\$ 13,441,247	\$ 30,728,505	\$ 38,373,431	\$ 25,054,356	\$ 48,212,335	\$ 42,667,857	\$ 38,079,941



CITY OF NEWPORT BEACH
Fund Balances of Governmental Funds¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year ²			
	2008	2009	2010	2011
General fund:				
Nonspendable				\$ 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>
All other governmental funds:				
Nonspendable				\$ 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>
Total all governmental funds				<u>\$ 223,681,721</u>

	Fiscal Year		
	2008	2009	2010
General fund:			
Reserved	\$ 6,807,094	\$ 5,907,205	\$ 5,472,481
Unreserved	72,252,045	73,703,759	76,685,385
Total general fund	<u>\$ 79,059,139</u>	<u>\$ 79,610,964</u>	<u>\$ 82,157,866</u>
All other governmental funds:			
Reserved	\$ 12,060,365	\$ 8,831,229	\$ 9,363,673
Unreserved, reported in:			
Special revenue funds	21,670,956	23,849,191	27,973,528
Capital projects funds	3,271,954	7,671,450	(10,571,278)
Permanent funds	934,648	1,170,009	1,294,924
Total all other governmental funds	<u>\$ 37,937,923</u>	<u>\$ 41,521,879</u>	<u>\$ 28,060,847</u>
Total all governmental funds	<u>\$ 116,997,062</u>	<u>\$ 121,132,843</u>	<u>\$ 110,218,713</u>

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

² Information prior to the implementation of GASB 54 is not available.

³ 2011 general fund data varies from trend due to \$31.3 million transfer from General Fund to Facilities Financial Planning Reserve Fund.

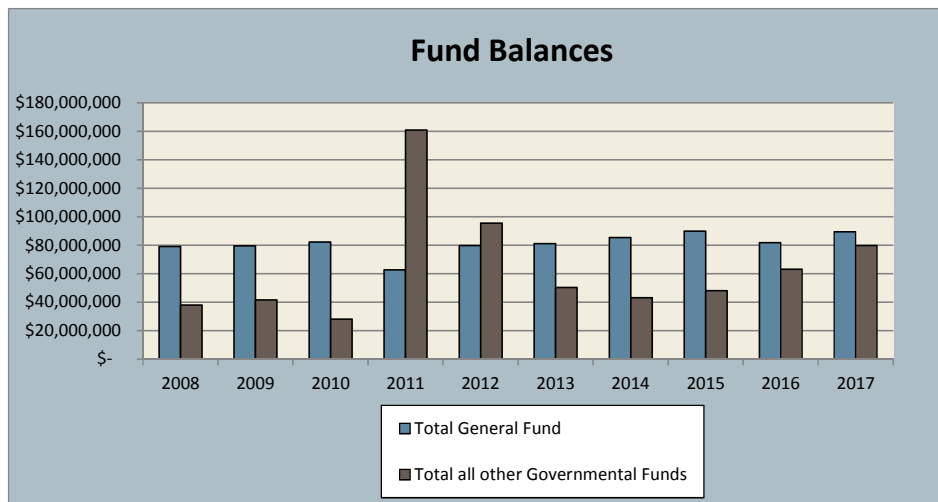
⁴ 2011 other governmental funds data varies from trend due to issuance of Civic Center COPs.

⁵ Data varies from trend due to the reclassification of the contingency reserve from committed fund balance to unassigned fund balance per council approval.

⁶ Data varies from trend due to the moving of general fund capital projects to a separate capital project fund.

CITY OF NEWPORT BEACH
Fund Balances of Governmental Funds¹
Last Ten Fiscal Years
(modified accrual basis of accounting)

		Fiscal Year ²					
		2012	2013	2014	2015	2016	2017
	\$	7,854,478	9,919,486	16,316,499	15,784,396	15,210,896	14,434,017
		2,263,049	2,410,373	3,939,751	5,389,810	3,083,133	3,797,009
		29,673,333	29,371,507	12,782,235 ⁵	11,847,852	2,726,020 ⁶	10,570,638
		19,431,475	6,843,417	1,326,170	1,421,225	4,201,311	567,132
		20,570,023	32,585,375	51,015,820 ⁵	55,509,258	56,618,041	60,009,244
³	\$	<u>79,792,358</u>	<u>81,130,158</u>	<u>85,380,475</u>	<u>89,952,541</u>	<u>81,839,401</u> ⁶	<u>89,378,040</u>
	\$	5,396,436	4,697,220	4,629,781	4,669,269	4,629,781	4,666,256
		30,957,184	27,433,342	33,243,790	29,842,384	33,662,859	31,950,139
		70,500,156	33,961,163	19,513,389	26,159,261	40,248,977	49,510,047
		-	-	-	-	-	-
		(11,339,671)	(15,723,261)	(14,291,969)	(12,495,729)	(15,422,984)	(6,308,331)
⁴	\$	<u>95,514,105</u>	<u>50,368,464</u>	<u>43,094,991</u>	<u>48,175,185</u>	<u>63,118,633</u>	<u>79,818,111</u>
	\$	<u>175,306,463</u>	<u>131,498,622</u>	<u>128,475,466</u>	<u>138,127,726</u>	<u>144,958,034</u>	<u>169,196,151</u>



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

	Fiscal Year			
	2008	2009	2010	2011
Revenues:				
Taxes	\$ 118,758,201	\$ 115,711,574	\$ 113,809,443	\$ 117,983,765
Intergovernmental	21,005,429	11,434,885	15,379,698	11,467,471
Licenses, permits and fees	6,474,789	5,883,515	3,950,967	5,198,986
Charges for services	15,073,178	14,498,120	15,293,362	15,285,813
Fines and forfeitures	4,662,442	4,572,611	4,105,632	3,545,229
Investment income	5,463,066	3,245,677	1,289,890	1,045,592
Net increase (decrease) in fair value of investments	720,488	1,472,335	1,155,363	882,317
Property income	15,217,803	14,032,342	14,624,923	15,538,387
Donations	2,159,637	6,760,140	5,497,640	1,790,073
Other	4,205,095	8,501,014	7,646,274	5,091,527
Total revenues	193,740,128	186,112,213	182,753,192	177,829,160
Expenditures:				
Current:				
General government	14,508,103	15,567,654	15,169,546	15,424,734
Public safety	73,486,413	78,554,344	77,202,445	74,947,173
Public works	30,108,941	30,619,405	39,922,406	31,442,076
Community development	8,703,841	9,971,536	9,556,066	8,430,813
Community services	14,478,146	17,485,605	14,916,230	15,662,011
Capital outlay	20,524,638	26,002,338	36,796,653	37,645,882
Debt service:				
Principal	3,263,948	3,292,641	1,820,679	6,230,080
Interest and fiscal charges	577,299	482,908	383,297	1,179,612
Issuance of debt costs	-	-	-	1,219,071
Total expenditures	165,651,329	181,976,431	195,767,322	192,181,452
Excess (deficiency) of revenues over (under) expenditures	28,088,799	4,135,782	(13,014,130)	(14,352,292)
Other financing sources (uses):				
Transfers in	27,583,922	23,354,366	22,380,521	58,763,620
Transfers out	(36,076,952)	(23,354,366)	(21,780,521)	(58,763,620)
Proceeds from issuance of debt	-	-	1,500,000	126,660,000
Proceeds from sale	-	-	-	-
Issuance of debt premium	-	-	-	1,155,300
Proceeds from loan issuance	-	-	-	-
Payment to refunded loan escrow agent	-	-	-	-
Total other financing sources (uses)	(8,493,030)	-	2,100,000	127,815,300
Net change in fund balances	\$ 19,595,769	\$ 4,135,782	\$ (10,914,130)	\$ 113,463,008
Debt service as a percentage of noncapital expenditures	2.5%	2.3%	1.4%	4.8%

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 121,710,955	\$ 134,733,550	\$ 137,910,879	\$ 146,664,903	\$ 158,386,385	\$ 162,184,218
12,122,963	11,393,589	16,825,839	11,813,208	17,262,147	17,073,653
6,691,125	7,682,555	6,659,203	14,676,754	6,571,123	9,844,908
16,020,825	16,254,399	16,864,092	16,914,210	18,827,991	19,197,065
3,795,787	3,649,532	3,272,951	3,732,405	3,684,602	3,590,700
1,142,935	372,514	1,136,062	928,729	1,157,539	772,546
704,656	-	124,439	177,485	769,460	-
17,458,143	19,847,371	22,214,256	21,406,667	22,259,425	23,553,188
13,977,850	587,445	1,170,171	22,249,427	4,190,822	16,827,889
691,125	3,543,894	1,400,048	6,984,418	2,982,924	2,277,322
<u>194,316,364</u>	<u>198,064,849</u>	<u>207,577,940</u>	<u>245,548,206</u>	<u>236,092,418</u>	<u>255,321,489</u>
12,896,492	13,671,480	14,471,167	14,060,512	14,629,672	15,086,397
75,377,871	80,546,969	82,642,988	94,568,122	96,225,784	98,750,981
32,399,178	32,451,624	32,414,457	33,694,578	36,000,905	35,961,024
8,939,825	8,994,710	9,768,928	9,876,706	10,913,205	11,696,779
19,296,505	18,872,022	19,047,813	20,235,546	21,784,680	23,607,284
80,617,948	72,133,582	33,572,193	47,169,671	31,934,463	30,822,972
4,529,854	3,998,000	4,091,000	4,183,000	4,272,000	4,401,000
8,320,500	8,152,488	8,052,927	7,957,811	7,839,341	7,704,957
-	-	-	-	-	-
<u>242,378,173</u>	<u>238,820,875</u>	<u>204,061,473</u>	<u>231,745,946</u>	<u>223,600,050</u>	<u>228,031,394</u>
(48,061,809)	(40,756,026)	3,516,467	13,802,260	12,492,368	27,290,095
24,640,318	47,875,107	41,223,727	53,281,956	48,523,132	45,342,446
(24,953,767)	(50,926,922)	(47,245,283)	(57,431,956)	(54,185,192)	(49,390,226)
-	-	-	-	-	-
-	-	-	-	-	995,802
-	-	-	-	-	-
-	-	-	1,339,000	-	-
-	-	-	(1,339,000)	-	-
<u>(313,449)</u>	<u>(3,051,815)</u>	<u>(6,021,556)</u>	<u>(4,150,000)</u>	<u>(5,662,060)</u>	<u>(3,051,978)</u>
<u>\$ (48,375,258)</u>	<u>\$ (43,807,841)</u>	<u>\$ (2,505,089)</u>	<u>\$ 9,652,260</u>	<u>\$ 6,830,308</u>	<u>\$ 24,238,117</u>
8.3%	15.8%	6.9%	6.6%	7.2%	6.0%

REVENUE CAPACITY

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 Ten Fiscal Years

Fiscal Year Ended June 30	Secured			Unsecured	Total Taxable Assessed Value	Change	Total Direct Tax Rate
	Residential	Commercial	Other				
2008	27,131,902,343	4,069,012,096	2,997,390,282	1,598,058,741	35,796,363,462	8.52%	1.000%
2009	28,733,809,754	4,477,310,761	3,224,940,905	1,482,083,490	37,918,144,910	5.93%	1.000%
2010	29,057,665,304	4,614,669,993	3,406,238,449	1,580,961,132	38,659,534,878	1.96%	1.000%
2011	30,853,053,683	4,711,084,222	1,516,055,361	1,671,177,215	38,751,370,481	0.24%	1.000%
2012	31,603,505,416	4,504,291,343	1,442,600,505	1,565,104,496	39,115,501,760	0.94%	1.000%
2013	32,522,843,119	4,627,463,458	1,435,546,888	1,597,277,039	40,183,130,504	2.73%	1.000%
2014	34,678,952,381	4,688,189,694	1,489,111,147	1,484,909,241	42,341,162,463	5.37%	1.000%
2015	36,814,891,583	5,007,508,388	1,348,136,131	1,581,520,801	44,752,056,903	5.69%	1.000%
2016	39,263,791,190	5,264,898,550	1,394,764,145	1,465,016,213	47,388,470,098	5.89%	1.000%
2017	41,834,060,284	5,539,551,197	1,398,481,252	1,569,593,832	50,341,686,565	6.23%	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 as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price or economic value 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.

Source: HdL, Coren & Cone

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	0.071	0.071	0.082	0.081	0.081	0.081	0.081	0.047	0.047	0.047
School Districts	0.1092	0.1009	0.1521	0.1548	0.1546	0.1646	0.1702	0.1819	0.1826	0.1730
Total Overlapping Rate	0.180	0.172	0.234	0.236	0.236	0.245	0.251	0.228	0.229	0.219
Total Direct & Overlapping Rate	<u>\$ 1.180</u>	<u>\$ 1.172</u>	<u>\$ 1.234</u>	<u>\$ 1.236</u>	<u>\$ 1.236</u>	<u>\$ 1.245</u>	<u>\$ 1.251</u>	<u>\$ 1.228</u>	<u>\$ 1.229</u>	<u>\$ 1.219</u>

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	2017			2008		
	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	\$ 1,442,684,950	1	2.87%	\$ 1,217,922,958	1	3.40%
PH Finance LLC	264,632,466	2	0.53%	N/A	-	0.00%
Block 500 Newport Center Drive LLC	203,286,627	3	0.40%	N/A	-	0.00%
Jazz Semiconductor Inc	195,284,658	4	0.39%	148,657,479	4	0.42%
Newport Bluffs LLC	151,529,439	5	0.30%	132,779,429	5	0.37%
Balboa Bay Club Ventures	137,993,865	6	0.27%	126,342,822	6	0.35%
UDR Newport Beach North LP	129,962,688	7	0.26%	113,278,316	8	0.32%
Coronado South Apartments LP	125,079,167	8	0.25%	110,168,052	9	0.31%
4000 MacArthur Owner LLC	121,830,000	9	0.24%	N/A	-	0.00%
John Hancock Life Insurance Co USA	105,253,000	10	0.21%	N/A	-	0.00%
	<u>\$ 2,877,536,860</u>		<u>5.72%</u>	<u>\$ 1,849,149,056</u>		<u>5.17%</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 ²	Total Collections to Date	
		Amount ¹	Percent of Levy		Amount	Percent of Levy
2008	69,315,116	66,675,541	96.19%	2,163,679	68,839,220	99.31%
2009	71,006,357	68,266,624	96.14%	2,123,097	70,389,721	99.13%
2010	68,412,731	66,282,513 ³	96.89%	1,507,391	67,789,904	99.09%
2011	70,476,893	68,577,472	97.30%	1,069,122	69,646,594	98.82%
2012	71,157,295	69,435,794	97.58%	985,344	70,421,138	98.97%
2013	74,165,333	72,532,734	97.80%	736,983	73,269,717	98.79%
2014	79,195,727	77,758,504	98.19%	650,273	78,408,777	99.01%
2015	83,843,488	82,191,604	98.03%	814,585	83,006,189	99.00%
2016	84,166,940	81,762,526	97.14%	776,966	82,539,492	98.07%
2017	86,264,321	84,019,053	97.40%	- ⁴	84,019,053	97.40%

¹ Net collections reflect deductions for refunds and Impoundments.

² Exclusive of penalty charges

³ 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.

⁴ The total amount of Fiscal Year 2017 delinquent taxes collected in subsequent years was not available as of the date the information was collected for the City's Comprehensive Annual Financial Report.

Source: Orange County Auditor Controller's Office

DEBT CAPACITY

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 ¹	Note Payable	Pre-Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
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	127,744,977	737,854	7,200,000	1,788,000	-	750,000
2012	125,884,424	-	6,000,000	1,686,000	-	-
2013	123,073,871	-	4,800,000	1,578,000	-	-
2014	120,178,318	-	3,600,000	1,462,000	-	-
2015	117,197,765	-	2,400,000	1,339,000	-	-
2016	114,137,212	-	1,200,000	1,207,000	-	-
2017	110,956,659	-	-	1,066,000	-	-

Note: This schedule excludes claims and judgments, 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.

¹ Amounts include any applicable bond premium.

² 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

Business-type Activities					
Total Governmental Activities	Water Revenue Bonds	Total Business- type Activities	Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
20,319,254	3,095,000	3,095,000	23,414,254	0.33%	277
17,026,613	1,585,000	1,585,000	18,611,613	0.25%	216
16,705,934	-	-	16,705,934	0.25%	193
138,220,831	-	-	138,220,831	2.34%	1,619
133,570,424	-	-	133,570,424	2.30%	1,553
129,451,871	-	-	129,451,871	1.85%	1,498
125,240,318	-	-	125,240,318	1.81%	1,442
120,936,765	-	-	120,936,765	1.77%	1,386
116,544,212	-	-	116,544,212	1.77%	1,383
112,022,659	-	-	112,022,659	1.66%	1,319

CITY OF NEWPORT BEACH
Ratios of General Bonded Debt
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Certificates of Participation¹</u>	<u>Amounts restricted for debt service</u>	<u>Total</u>	<u>Percent of Assessed Value²</u>	<u>General Bonded Debt Per Capita</u>
2008	4,665,000	(330,000)	4,335,000	0.01%	51
2009	4,335,000	(345,000)	3,990,000	0.01%	46
2010	3,990,000	(360,000)	3,630,000	0.01%	42
2011	127,744,977	(1,488,670)	126,256,307	0.33%	1,479
2012	125,884,424	(2,532,561)	123,351,863	0.32%	1,434
2013	123,073,871	(1,157,250)	121,916,621	0.30%	1,410
2014	120,178,318	(2,352,746)	117,825,572	0.28%	1,356
2015	117,197,765	(2,350,210)	114,847,555	0.26%	1,316
2016	114,137,212	(2,362,904)	111,774,308	0.24%	1,326
2017	110,956,659	(2,364,034)	108,592,625	0.22%	1,279

¹ Amounts include any applicable bond premium.

² 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, 2017

City Net Assessed Valuation: \$ 50,341,686,565

	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/17	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.948%	\$ 74,905,000	\$ 1,459,149
Coast Community College District	33.800%	805,844,504	272,375,442
Rancho Santiago Community College District	2.568%	258,096,533	6,627,919
Rancho Santiago Community College District School Facilities Improvement District No. 1	4.910%	57,025,000	2,799,928
Laguna Beach Unified School District	15.090%	24,755,000	3,735,530
Laguna Beach U.S.D. Community Facilities District No. 98-1	100.000%	8,545,000	8,545,000
Newport Mesa Unified School District	73.200%	217,659,150	159,326,498
Newport Mesa U.S.D. Community Facilities District No. 90-1	100.000%	3,785,000	3,785,000
Santa Ana Unified School District	6.067%	265,510,216	16,108,505
Irvine Ranch Water District Improvement Districts	3.366% - 100.000%	484,631,200	63,759,182
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	31,675,000	31,675,000
City of Newport Beach Special Improvement District No. 95-1	100.000%	65,000	65,000
City of Newport Beach 1915 Act Bonds	100.000%	7,476,808	7,476,808
Orange County Assessment District No. 88-1	100.000%	14,655,000	14,655,000
Orange County Reassessment District No. 99-1R	100.000%	3,700,000	3,700,000
Orange County Assessment District No. 01-1	100.000%	34,000,000	34,000,000
Orange County Reassessment District No. 01-1R	100.000%	1,245,000	1,245,000
Orange County General Fund Obligations	9.588%	227,516,000	21,814,234
Orange County Pension Obligations	9.588%	386,762,539	37,082,792
Orange County Board of Education Certificates of Participation	9.588%	14,440,000	1,384,507
Coast Community College District Certificates of Participation	33.800%	3,610,000	1,220,180
Santa Ana Unified School District Certificates of Participation	6.067%	75,937,067	4,607,102
Overlapping Tax Increment Debt (Successor Agency):	3.736% - 65.056%	24,790,000	10,059,768
TOTAL OVERLAPPING DEBT		\$ 3,026,629,017	\$ 707,507,544
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	110,956,659	\$ 110,956,659
Community Development Block Grant Loan	100.000%	1,066,000	1,066,000
TOTAL DIRECT DEBT		\$ 112,022,659	\$ 112,022,659
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 819,530,203
GROSS COMBINED TOTAL DEBT ⁽²⁾			\$ 819,530,203

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

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

Ratios to 2016-17 Net Assessed Valuation:

Total Overlapping Debt	1.41%
Total Direct Debt (\$112,022,659)	0.22%
Gross Combined Total Debt	1.63%

Ratios to Redevelopment Incremental Valuation (\$1,025,665,413)

Total Overlapping Tax Increment Debt	0.98%
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Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2008	2009	2010	2011
Assessed valuation	\$ 35,796,363,462	\$ 37,918,144,910	\$ 38,659,534,878	\$ 38,751,370,481
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	8,949,090,866	9,479,536,228	9,664,883,720	9,687,842,620
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,342,363,630	1,421,930,434	1,449,732,558	1,453,176,393
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 1,342,363,630</u>	<u>\$ 1,421,930,434</u>	<u>\$ 1,449,732,558</u>	<u>\$ 1,453,176,393</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					
2012	2013	2014	2015	2016	2017
\$ 39,115,501,760	\$ 40,183,130,504	\$ 42,341,162,463	\$ 44,752,056,903	\$ 47,388,470,098	\$ 50,341,686,565
25%	25%	25%	25%	25%	25%
9,778,875,440	10,045,782,626	10,585,290,616	11,188,014,226	11,847,117,525	12,585,421,641
15%	15%	15%	15%	15%	15%
1,466,831,316	1,506,867,394	1,587,793,592	1,678,202,134	1,777,067,629	1,887,813,246
-	-	-	-	-	-
<u>\$ 1,466,831,316</u>	<u>\$ 1,506,867,394</u>	<u>\$ 1,587,793,592</u>	<u>\$ 1,678,202,134</u>	<u>\$ 1,777,067,629</u>	<u>\$ 1,887,813,246</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

DEMOGRAPHIC AND ECONOMIC INFORMATION

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 ¹	Personal Income (in thousands)	Per Capita Income ⁽²⁾	Unemployment Rate ⁽³⁾
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%
2012	85,990	5,809,828	67,564	5.1%
2013	86,436	6,995,784	80,936	4.2%
2014	86,874	6,926,725	79,733	3.6%
2015	87,249	6,848,523	78,494	4.0%
2016	84,270	6,574,071	78,012	3.4%
2017	84,915	6,736,392	79,331	3.1%

¹ 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:

⁽¹⁾ California State Department of Finance, E-4 Population Estimates for Cities, Counties and State 2008-2010; and, E-1 Population Estimates for Cities, Counties and State January 1, 2015, 2016 and 2017.

⁽²⁾ U.S. Census Bureau - American Community Survey 1-Year Estimates

⁽³⁾ State of California, Employment Development Department

CITY OF NEWPORT BEACH
Principal Employers¹
Current Year and 9 years ago

Employer	2017			2008		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	4,800	1	5.83%	4,168	1	5.05%
Glidewell Dental	1,390	2	1.69%	N/A ²	-	N/A
Pacific Life Insurance	1,248	3	1.52%	2,997	2	3.63%
PIMCO Advisors	994	4	1.21%	735	5	0.89%
Newport-Mesa Unified School District	860	5	1.05%	N/A ²	-	N/A
Jazz Semi-Conductor	805	6	0.98%	649	6	0.79%
Resort at Pelican Hill	753	7	0.92%	N/A ²	-	N/A
City of Newport Beach	724	8	0.88%	827	4	1.00%
Balboa Bay Club and Resort	691	9	0.84%	N/A ²	-	N/A
Fletcher Jones Motor Cars Inc.	524	10	0.64%	N/A ²	-	N/A
The Island Hotel	450	11	0.55%	520	7	0.63%
Marriott-Newport Beach	295	12	0.36%	N/A ²	-	N/A

¹ Figures reflect number of employees of employer at the time the information was collected.

² Company listed was unable to provide reliable employee data for 2008.

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

OPERATING INFORMATION

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.

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

Full-Time Employees as of June 30										
Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	93	99	92	94	95	94	79	78	77	77
Public safety	397	397	394	381	359	357	366	370	374	371
Community development	56	57	53	51	58	56	53	52	52	52
Public works	165	160	147	144	130	128	119	109	104	99
Community services	68	71	69	70	68	70	74	75	79	81
Water	35	35	36	37	38	32	32	31	32	31
Wastewater	13	13	14	15	15	15	13	13	12	13
Total	<u>827</u>	<u>832</u>	<u>805</u>	<u>792</u>	<u>763</u>	<u>752</u>	<u>736</u>	<u>728</u>	<u>730</u>	<u>724</u>

Source: City Finance Department

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

	Fiscal Year			
	2008	2009	2010	2011
Police:				
Adult Arrests	3,196	3,245	2,967	3,093
Parking Citations Issued	70,150	65,176	66,310	67,459
Fire:				
Fire Responses	393	371	172	165
Fire Inspections	7,250	6,912	7,000	7,100
General Services:				
Street Patching (tons of mix)	4,644	3,882	3,467	2,580
Sidewalk Repair (square feet)	58,000	49,644	49,540	39,972
Recreation & Senior Services:				
Co-Sponsored Youth Organization Attendance	318,779	318,000	350,000	322,000
Senior Transportation Services	15,279	16,035	15,458	15,063
Water:				
New connections	60	26	19	28
Average daily consumption (hundred cubic ft.)	17	17	17.25	17.25
Sewer:				
New connections	45	12	9	6
Miles of Pipe Cleaned	212	209	200	235
Library Services:				
Library Circulation of Materials	1,701,476	1,575,518	1,819,122	1,770,683

Source: City of Newport Beach

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
2,982	3,161	2,794	3,472	3,158	3,178
55,418	58,823	51,609	59,753	64,762	69,246
201	342	356	305	300	247
4,315	4,338	3,352	1,281	1,201	1,216
2,246	1,708	2,408	2,711	1,890	1,439
34,000	37,607	37,607	27,175	27,000	20,490
257,322	293,938	294,000	303,152	305,000	425,000
15,264	13,112	13,956	13,740	14,000	13,500
35	54	72	187	194	229
15.15	14.02	15.96	16.39	11.66	13.80
15	14	22	20	17	41
248	215	245	260	250	202
1,582,953	1,582,914	1,689,870	1,610,818	1,575,000	1,464,640

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

	Fiscal Year			
	2008	2009	2010	2011
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	8	8	8	8
Lifeguard Headquarters	1	1	1	1
Public works:				
Streets (miles)	395	395	395	395
Streetlights	7,278	7,278	7,278	7,278
Traffic signals	148	148	148	148
Recreation & Senior Services:				
Parks	62	63	63	63
Community centers (includes leased property)	14	14	14	14
Aquatic Center	1	1	1	1
Water:				
Water mains (miles)	300.17	300.31	303.27	303.25
Maximum daily capacity (thousands of gallons)	20,365	19,707	19,341	28,540
Wastewater:				
Sanitary sewers (miles)	202.80	202.80	202.80	202.40
Storm sewers (miles)	95.50	95.50	95.50	95.40
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					
2012	2013	2014	2015	2016	2017
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
395	395	395	395	399	400
7,277	7,277	7,277	7,277	7,278	7,278
153	153	153	153	153	153
63	64	64	64	64	64
14	14	14	14	15	15
1	1	1	1	1	1
303.25	303.25	298.37	299.58	299.77	300.64
27,508	26,916	27,704	27,800	27,800	27,800
202.40	202.40	202.62	202.64	202.75	202.72
95.40	95.40	70.62	94.14	92.08	94.74
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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Type of Customer:										
Residential	4,046,969	3,989,816	4,251,996	3,656,705	4,001,344	3,890,973	3,902,007	3,853,566	3,072,589	3,564,203
Commercial	1,184,904	1,188,553	1,165,128	1,145,843	2,369,492	2,389,822	2,525,169	2,560,620	1,847,372	2,142,952
Government	361,457	420,697	349,334	320,821	374,091	394,787	455,251	396,605	263,116	305,214
Total	<u>5,593,330</u>	<u>5,599,066</u>	<u>5,766,458</u>	<u>5,123,369</u>	<u>6,744,927</u>	<u>6,675,582</u>	<u>6,882,427</u>	<u>6,810,791</u>	<u>5,183,077</u>	<u>6,012,369</u>
Total direct rate per 100 cubic ft.	\$ 2.08	\$ 2.08	\$ 2.20	\$ 2.46	\$ 2.73	\$ 2.96	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08

Source: City Utilities Department

CITY OF NEWPORT BEACH

Water Rates

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Monthly Base Rate</u>	<u>Rate per 100 cubic ft</u>
2008	9.00	2.43
2009	9.00	2.43
2010	12.77	2.55
2011	17.59	2.81
2012	19.61	3.08
2013	21.13	3.31
2014	21.77	3.43
2015	21.77	3.43
2016	21.77	3.43
2017	21.77	3.43

Note: Rates are based on 5/8" or 3/4" meter, which are the standard household meter sizes. Rates include sewer service. The City charges an excess-use rate above normal demand.

Source: City Revenue Division

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

Water Customer	2017			2008		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Irvine Company Office	\$ 906,409	1	3.56%	\$ 497,236	7	2.79%
Jasmine Creek Community Association	895,590	2	3.52%	557,917	5	3.13%
Bluffs Homeowners Association	819,800	3	3.22%	503,361	6	2.83%
Villa Balboa Community Association	745,472	4	2.93%	1,053,218	1	5.91%
Harbor Ridge Master Association	708,200	5	2.78%	331,457	10	1.86%
Harbor Ridge Estates	674,951	6	2.65%	636,606	4	3.57%
Balboa Bay Club	518,068	7	2.04%	244,690	14	1.37%
Hoag Memorial Hospital	510,955	8	2.01%	667,617	3	3.75%
Spyglass Hill Community Association	499,290	9	1.96%	490,752	8	2.76%
Harbor Cove Community Association	474,298	10	1.86%	263,301	13	1.48%
Irvine Company Apartment	445,251	11	1.75%	273,994	12	1.54%
Park Newport Ltd	443,251	12	1.74%	276,775	11	1.55%
One Ford Road Community Association	429,306	13	1.69%	459,811	9	2.58%
Irvine Company Retail	362,682	14	1.43%	693,013	2	3.89%
UDR Newport Beach	350,608	15	1.38%	188,915	16	1.06%
	<u>\$ 8,784,131</u>		<u>34.53%</u>	<u>\$ 7,138,663</u>		<u>40.10%</u>

Source: City Revenue Division



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