CITY OF NEWPORT BEACH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Prepared by the Finance Department
Scott Catlett, Finance Director/Treasurer

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

INTRODUCTORY SECTION

INTRODUCTORY SECTION

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CITY OF NEWPORT BEACH

Comprehensive Annual Financial Report
Year Ended June 30, 2020

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
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
Measure M Fund 72
Proprietary Funds:
Statement of Net Position 76
Statement of Revenues, Expenses and Changes in Net Position 77
Statement of Cash Flows 78
Fiduciary Funds:
Statement of Fiduciary Assets and Liabilities – Agency Funds 82
Notes to the Financial Statements 85

Required Supplementary Information

Defined Benefit Plan For Miscellaneous Employees:
Schedule of Changes in the Net Pension Liability and Related Ratios 150
Schedule of Contributions 151
Defined Benefit Plan For Safety Employees:
Schedule of Changes in the Net Pension Liability and Related Ratios 152
Schedule of Contributions 153
Post-Employment Health Care Benefits (OPEB):
Schedule of Changes in the Net OPEB Liability and Related Ratios 154
Schedule of Contributions 155

Supplementary Schedules

Other Governmental Funds:
Combining Balance Sheet 162
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 170
Budgetary Comparison Schedules:
State Gas Tax Fund 178
SB1 Gas Tax RMRA Fund 179
Asset Forfeiture Fund 180
OTS DUI Grant Fund 181
Circulation and Transportation Fund 182
Building Excise Tax Fund 183
Community Development Block Grant Fund 184
Air Quality Management District Fund 185
Environmental Liability Fund 186
Supplemental Law Enforcement Fund 187
Contributions Fund 188
FIIN Fund 189
CARES Small Business Grant Fund 190
Internal Service Funds:
Combining Statement of Net Position 194
Combining Statement of Revenues, Expenses and Changes in Net Position 195
Combining Statement of Cash Flows 196
Fiduciary Funds:
Combining Statement of Fiduciary Assets and Liabilities 199
Statement of Changes in Fiduciary Assets and Liabilities 200

STATISTICAL SECTION (Unaudited)

Financial Trends:
Net Position by Component 204
Changes in Net Position 206
Fund Balances of Governmental Funds 208
Changes in Fund Balance of Governmental Funds 210
Revenue Capacity:
Assessed Value and Estimated Actual Value of Taxable Property 213
Property Tax Rates, Direct and Overlapping Governments 214
Principal Property Taxpayers 215

Property Tax Levies & Collections 216
Debt Capacity:
Ratios of Outstanding Debt by Type 218
Ratios of General Bonded Debt 220
Schedule of Direct and Overlapping Debt 221
Computation of Legal Debt Margin 222
Demographic and Economic Information:
Demographic and Economic Statistics 225
Principal Employers 226
Operating Information:
Full-Time City Employees by Function 229
Operating Indicators by Function 230
Capital Asset Statistics by Function 232
Water Sold by Customer Type 234
Utility Rates 235
Major Water Customers 236

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CITY OF NEWPORT BEACH
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newportbeachca.gov/finance

January 27, 2021

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, 2020, 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 CliftonLarsonAllen 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, 2020 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

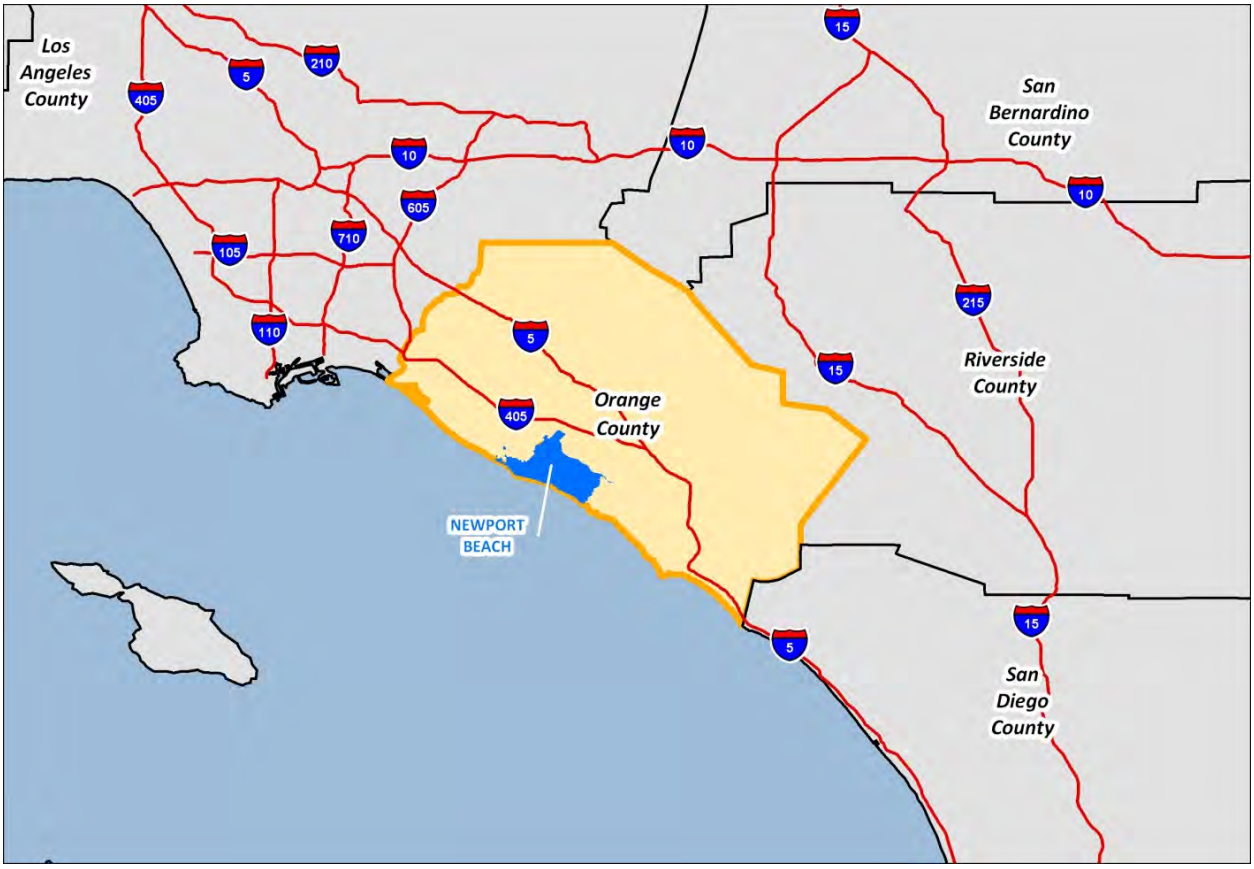
ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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 85,780, 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 several 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,

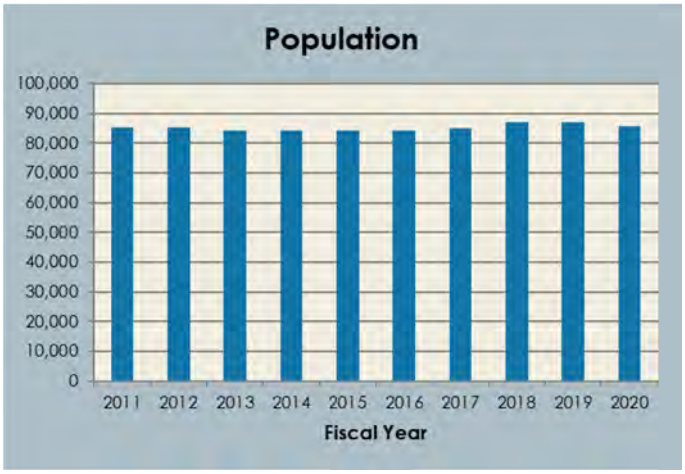
among other things, policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations 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

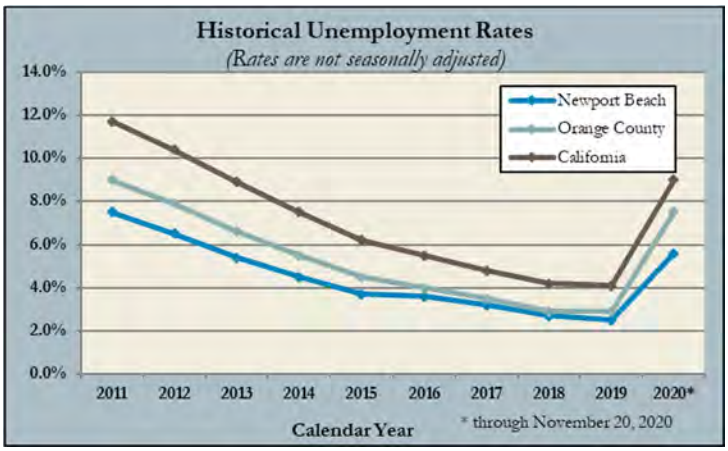
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 85,780, the population has been very stable as indicated by the following chart.



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.

2019 Median Household Income	
City of Newport Beach	$128,294
Orange County	95,934
California	80,444
USA	65,712

The leading industries here are professional, scientific, health care, finance, insurance, legal, and travel/tourism. Unemployment in the city stands at 5.6% due to the economic impacts associated with the COVID-19 but is significantly lower when compared to the state and the county 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.

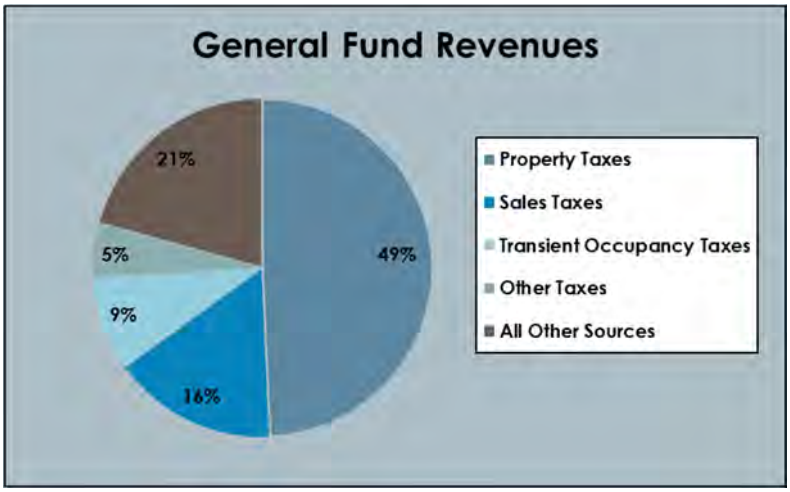
LOCAL ECONOMY

The City of Newport Beach's General Fund revenue sources have been adversely impacted by the health-related and economic impacts of the COVID-19 pandemic. Efforts to respond to and mitigate the spread of COVID-19 have had a severe impact on the State and local economy and triggered a recession. There have been many fiscal challenges attributed to the global COVID-19 pandemic, including a projected gross domestic product decline, historic increases in unemployment claims in the region, travel restrictions and a decline in consumer spending resulting from closures of non-essential goods and services. The COVID-19 pandemic and the efforts to mitigate its spread has resulted in significant declines in City revenues from recent levels. Additionally, uncertainty exists with inflation, and state, local, federal and international policies that

may result in further declines in the future. The temporary closures caused by COVID-19 have led to a stark increase in unemployment across the County and the nation. Depending on the length and the breadth of the impacts of COVID-19, the economic costs may be very significant for the City and the region's economy. As more restaurants, retail stores and other non-essential businesses temporarily or permanently close, unemployment figures could continue to remain elevated. According to the State Employment Development Department, the unemployment rate of the City, County and State in September 2020 was 5.6%, 7.5% and 9.0%, respectively.

TOP THREE REVENUE SOURCES

The swift reaction by consumers and businesses to the outbreak of COVID-19 in Newport Beach caused a massive decrease in spending on certain goods and services. The national and state response combined with the uncertainty of how long the presence of the virus would disrupt the U.S. economy made forecasting revenues particularly challenging. The City's revised FY 2019-20 revenue forecast and associated budget amendment was presented to, and approved by, the City Council on April 28th, 2020. General Fund revenues were reduced by $13 million and provisions were made to realize at least $13 million in expenditure savings for the remainder of the fiscal year as a "bridge" solution to narrow the revenue shortfall chasm. The actual revenue results ended up being much better than anticipated. General fund revenues ended FY 2019-20 at $229.9 million and were, $10.8 million or 5%, higher than the projected budget in almost all categories. The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu, and Transient Occupancy Taxes (TOT), represent 74 percent of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees, and other taxes represent nearly 80 percent of all General Fund revenues while only 21 percent was 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 (49 percent) of all General Fund revenues. FY 2019-20 revenue was 0.5% higher than projected. Property tax revenue

estimates were decreased for FY 2019-20 in anticipation of economic hardship due to the pandemic and the Governor's Executive Order (N-61-20) suspending penalties and interest of property taxes. Secured property tax revenue, which makes up almost 85% of all property tax revenue, ended up coming in stronger than expected. Property taxes are likely to remain among the least affected revenue sources by the pandemic (at least in the short term). Due to the limited supply of scenic coastal property and the unique access to the 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 2019-20. Over the past 10 years, assessed valuation increased an average of 4.7 percent per annum and 6.8 percent over a twenty-year period. Newport Beach's assessed property values increased 5.3 percent and with a local assessed value at $60.7 billion for FY 2019-20.

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.

Estimated average single-family home values of $2,900,000 in Newport Beach far exceed the countywide average value of $922,000.

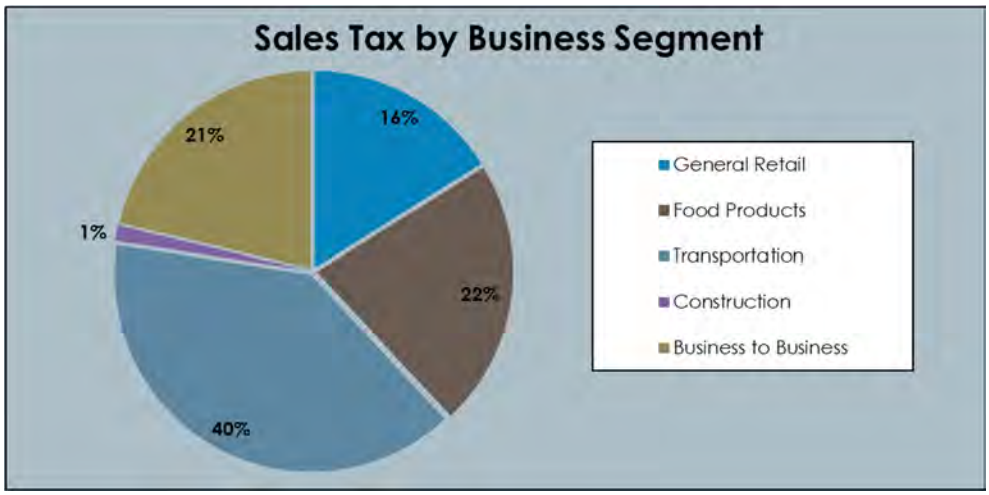
CITY OF NEWPORT BEACH Single Family Home Values*		
Year	Home Value	% Change
2011	$ 1,570,000	-5.11%
2012	$ 1,620,000	3.18%
2013	$ 2,140,000	32.10%
2014	$ 2,230,000	4.21%
2015	$ 2,350,000	5.38%
2016	$ 2,440,000	3.83%
2017	$ 2,560,000	4.92%
2018	$ 2,760,000	7.81%
2019	$ 2,840,000	2.90%
2020	$ 2,900,000	2.11%

* Source: Zillow

Sales Taxes

The second largest funding source for the General Fund is sales tax revenue which finished the year $1.8 million higher than projected. The City's sales tax base is largely generated from three main industry categories including Autos and Transportation, General Consumer Goods, and Restaurants/Hotels. These industries are also heavily impacted by tourism. At the onset of the pandemic when businesses were shut down, sales tax revenue potential appeared drastically diminished. The projections for the year held the ongoing assumption that the restrictions in place in April 2020 would remain for the rest of the Fiscal Year. Sales tax revenues were higher than anticipated because businesses pivoted in creative ways to reach their customers, they were able to open at some capacity sooner than expected, and consumer spending was relatively strong. Online car sales increased and sales at local dealerships picked up in May and June. RVs and boat sales became more popular as families could not travel internationally. Online sales increased dramatically as the City's county pool allocation for 2Q2020 went up 40% (from $1.1 million to $1.6 million) and there appeared to be in an uptick in sales related to home improvement projects. For these reasons all three main industry categories performed better than expected. Although FY 2019-20 wasn't as bad as budgeted, due to the severe impacts on economic activity we saw across all industry categories, sales taxes receipts were $2.3 million less than the prior year.

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, "Transportation," accounts for 40 percent of total sales taxes. The next largest segments, "Food Products" and "General Retail," account for 22 and 16 percent of total sales taxes, respectively. The next largest sales tax segment, "Business to Business" accounts for 21 percent of total sales. Sales Taxes in total represent 16 percent of all General Fund revenues.



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 80 percent of TOT revenues. The residential category is made up of approximately 1,500 vacation rentals representing 20 percent of TOT revenue; together, they accounted for $20.8 million in TOT revenue during FY 2019-20- a 15.6% decrease from the prior year.

Transient occupancy tax (TOT) revenue was the most severely impacted revenue source as most major hotels within the City were temporarily closed at the end of March 2020 and many didn't start reopening until late May or early June. Also, short term rentals were not allowed in the City from early April 2020 until May 20, 2020 which further dampened tax revenues. Revenue projections for FY 2019-20 were calculated with the expectation that hotels and short-term lodging would remain at severely reduced capacity through the end of the fiscal year. Because hotels started opening sooner than anticipated, FY 2019-20 transient occupancy tax receipts were $1.8 million, or 9%, higher than projected. Even though TOT ended higher than projected, FY 2019-20 revenue was $3.8 million less than the prior year. Additionally, not all hotels closed during the pandemic. Some of the larger hotels that remained opened included Pelican Hill, Newport Dunes, Lido House and Balboa Bay Club. Smaller hotels that remained open include the Balboa Inn, Little Inn by the Bay, Bay Shores Peninsula Hotel and Extended Stay. The Fashion Island Hotel closed but moved remaining guests to Pelican Hill. The Marriott kept two of their five hotels open during the pandemic and some shuttered hotels reopened around Memorial Day. At the start of the pandemic, some visitors extended their stay due to the uncertain conditions of their home state. And once restrictions began to lift, the City saw an influx of regional hotel visitors from Los Angeles, San Diego and Palm Desert. The Newport Dunes experienced an increase in camping and RVs that further increased the City's tax revenue.

LONG TERM FINANCIAL PLANNING

The City continues to be in excellent financial health during the global pandemic due to its strong underlying tax base, disciplined fiscal decisions, and governance. Conservative budgeting and sound financial policies have resulted in a trend of General Fund operating surpluses and strong reserve levels for several years. This is still no less the case even amid the significant economic downturn the City is currently experiencing. Conservative budgeting practices coupled with better than expected consumer demand have resulted in higher revenues and lower expenditures than budgeted in FY 2019-20.

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. The City of Newport Beach, along with other local jurisdictions, states, and the federal government faced an exceptionally challenging economic environment as a result of the COVID-19 Pandemic. The stock market plunge, massive unemployment increases, and eroding consumer confidence from this unprecedented halt in economic activity resulted in deteriorating revenue streams. As previously mentioned, actual revenue results ended up much better than anticipated and actual expenditures ended the year lower than budgeted due to the careful management of operating expenditures (hiring freeze and the curtailment of other expenditures) and budget adjustments during the last quarter of the fiscal year. The City's revised FY 2019-20 revenue forecast and associated budget amendment was presented to, and approved by, the City Council on April 28, 2020. General Fund revenues were reduced by $13 million and provisions were made to realize at least $13 million in expenditure savings for the remainder of the fiscal year as a "bridge" solution to narrow the revenue shortfall chasm.

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, as was the case in FY 2019-20 and in the development of the FY 2020-21 budget. Through a combination of early retirement plans, attrition, outsourcing, and lay-offs over the last ten years, the full-time work force has been reduced 4.6 percent since FY 2011-12 as depicted in the chart below:

The City has traditionally taken a conservative approach to forecasting revenues, often assuming only modest growth. 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. As the economy continues to improve, these trends are likely to hold; however, a great deal is unknown as the global pandemic continues.

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 2020, Moody's rating agency reaffirmed the City's AAA credit rating noting the City's extensive tax base, a very strong wealth and income profile, and a robust financial position. It also noted the City's moderate debt burden and an elevated pension burden in its rationale.

Facilities Financial Plan (FFP) Commitment & Major Construction Initiatives

The City's FFP 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 FFP 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 Plan Reserve (FFPR) in FY 2019-20 by allocating resources to debt service, fire stations, parks and community centers, and other projects.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/19	$ 14,297,412
Sources	
Licenses, Permits and Fees	208,822
Property Income	258,425
Transfer In from General Fund	9,915,459
Investment Income	357,822
Net increase in fair value of investments	305,897
Total Sources	11,046,425
Uses	
2010 Civic Center COPs Debt Service [1]	(8,086,599)
Strategic Plan	(109,199)
Junior Guard	(50,000)
Parks and Community Centers	(7,515)
Misc - Other Facilities	(43,685)
Total Uses	(8,296,998)
Ending Balance 6/30/20	$ 17,046,839

[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 by $2.7 million from the prior fiscal year.

Pensions

As of the actuarial valuation date of June 30, 2019, the City had an Unfunded Accrued Liability (UAL) of $326 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 62 percent of the Normal Cost of the plan, approaching $10.6 million annually.
- Reduced the number of full-time staff by 100 Full Time Equivalent (FTE) positions between 2009 and today.
- Adopted a fixed and shorter amortization period of the unfunded liability.
- Making Additional Discretionary Payments (ADP)
- 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.

The City implemented GASB 75 in FY2017-18, which requires local governments offering other post-employment health care benefits (OPEB) to report net OPEB liability in the government wide financial statements, as well as in the proprietary fund statements, in the CAFR – see Note (11) in the Notes to the Financial Statements. When the total OPEB liability is greater than the OPEB plan’s assets there is a net OPEB liability, also known as unfunded OPEB liability.

As with past practice, the City will continue to fund our pension and OPEB obligations 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 and OPEB obligations. Annually the

City evaluates the cost and benefits of paying down the unfunded pension and OPEB liabilities on a faster schedule.

AWARDS AND ACKNOWLEDGMENTS

The City has prepared a comprehensive annual financial report for the past 27 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, 2019. 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, CliftonLarsonAllen LLP, for their time and assistance in the preparation of the report. This report was completely prepared and published by City employees.

Grace K. Leung
City Manager

Scott Catlett
Finance Director/Treasurer

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, 2019

Christopher P. Morrill

Executive Director/CEO

Newport Beach City Officials

City Council Members

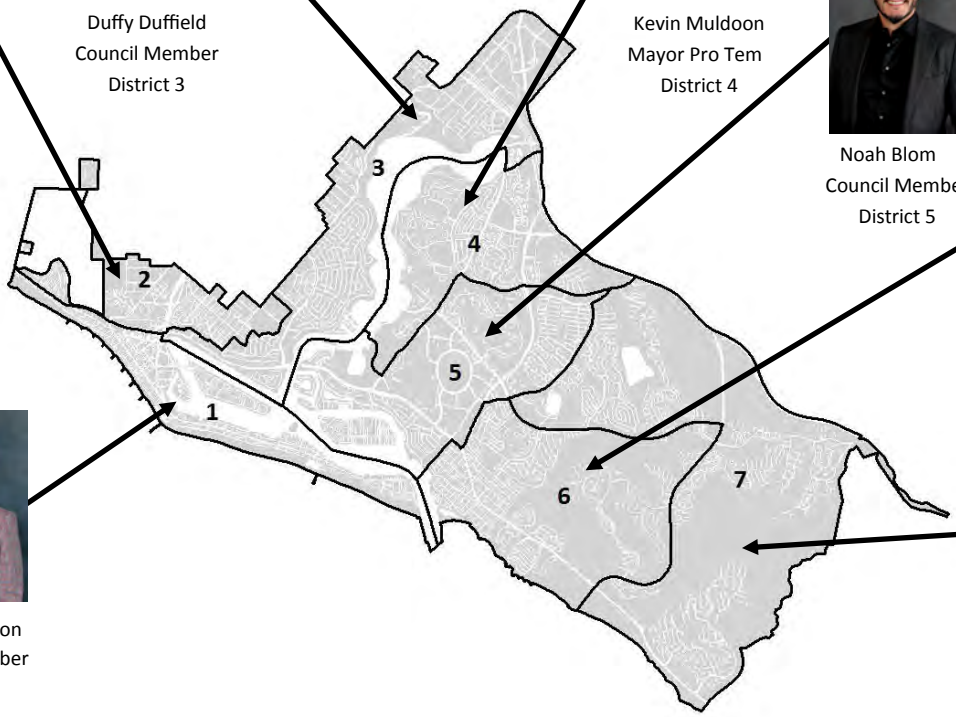
Brad Avery
Mayor
District 2

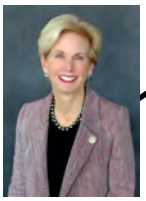
Duffy Duffield
Council Member
District 3

Kevin Muldoon
Mayor Pro Tem
District 4

Noah Blom
Council Member
District 5

Joy Brenner
Council Member
District 6





Diane B. Dixon
Council Member
District 1

Will O'Neill
Council Member
District 7

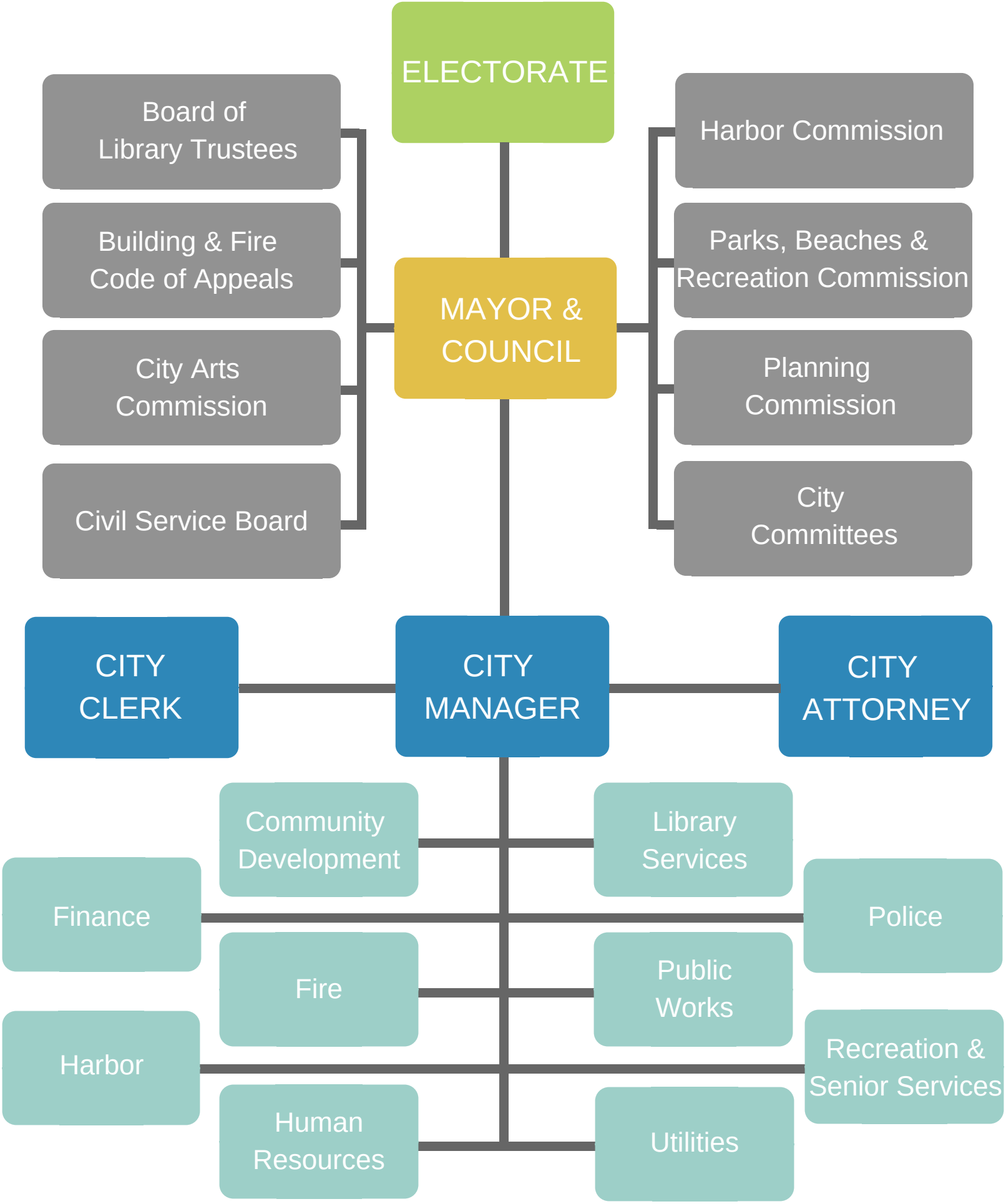
City Executive Staff

Aaron Harp
City Attorney

Grace K. Leung
City Manager

Leilani Brown
City Clerk

Carol Jacobs ..... Assistant City Manager
Tara Finnigan ..... Deputy City Manager
Scott Catlett ..... Finance Director/Treasurer
Seimone Jurjis ..... Community Development Director
Jeff Boyles ..... Fire Chief
Kurt Borsting ..... Harbormaster
Barbara Salvini ..... Human Resources Director
Tim Hetherton ..... Library Services Director
Jon T. Lewis ..... Police Chief
Dave Webb ..... Public Works Director
Laura Detweiler ..... Recreation & Senior Services Director
Mark Vukojevic ..... Utilities Director


ELECTORATE
Board of Library Trustees
Building & Fire Code of Appeals
City Arts Commission
Civil Service Board
MAYOR & COUNCIL
Harbor Commission
Parks, Beaches & Recreation Commission
Planning Commission
City Committees
CITY CLERK
CITY MANAGER
CITY ATTORNEY
Community Development
Library Services
Finance
Police
Fire
Public Works
Harbor
Recreation & Senior Services
Human Resources
Utilities

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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CliftonLarsonAllen LLP
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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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statement for the General Fund, the Tide and Submerged Land-Operating Special Revenue Fund, the Tide and Submerged Land-Harbor Capital Special Revenue Fund, and the Measure M Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 contributions for the City's defined benefit pension plans, and the schedule of changes in net OPEB liability and related ratios and the schedule of contributions for the City's other post-employment health care benefits plan, 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 our 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.

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 January 27, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Irvine, California
January 27, 2021

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2020. 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 S*upplementary 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 its facilities and other major infrastructure.

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, Post-employment Health Care Benefits (OPEB) 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 Other 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 the year ended June 30, 2020 was $2.3 billion, increasing $23.8 million or 1.0% 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 $27.8 million. This increase is primarily due to increases in cash and investments, and accounts receivable (net of allowance), offset by decreases in intergovernmental receivables and interest receivable. Capital assets decreased $2.0 million, mostly due to fewer additions to work in progress as more projects during the fiscal year were considered maintenance in nature.

Current liabilities increased $138,584 primarily due to increases in accrued payroll and unearned revenue, offset by decreases in accounts payable, accrued interest payable and deposits payable.

Long-term liabilities decreased $6.7 million. The decrease is primarily due to decreases in outstanding certifications of participation, workers' compensation and net pension liability. See Note (6), Note (10) and Note (11) of Notes to the Financial Statements for more information.

Figure 1
Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	$ 270,408	$ 298,255	$ 42,642	$ 42,604	$ 313,050	$ 340,859
Capital assets	2,322,225	2,318,827	119,346	120,769	2,441,571	2,439,596
Total assets	2,592,633	2,617,082	161,988	163,373	2,754,621	2,780,455
Deferred Outflows of Resources	75,975	66,119	2,406	1,863	78,381	67,982
Current liabilities	25,283	25,177	3,589	3,833	28,872	29,010
Long-term liabilities	463,044	456,589	10,806	10,600	473,850	467,189
Total liabilities	488,327	481,766	14,395	14,433	502,722	496,199
Deferred Inflows of Resources	7,849	6,088	321	234	8,170	6,322
Net Position						
Net investment in capital assets	2,218,040	2,217,853	119,346	120,292	2,337,386	2,338,145
Restricted	56,427	67,708	-	-	56,427	67,708
Unrestricted	(102,035)	(90,214)	30,332	30,277	(71,703)	(59,937)
Total net position	$ 2,172,432	$ 2,195,347	$ 149,678	$ 150,569	$ 2,322,110	$ 2,345,916

The largest portion of the City's net position, at $2.3 billion 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 only $67.7 million of net position. An increase of $11.3 million from the prior year was mostly due to the restriction of resources for harbor related capital projects and the restriction of resources received from the Federal government for small business relief related to the COVID-19 pandemic.

As of June 30, 2020, unrestricted net position had a deficit of $59.9 million. The deficit decreased $11.8 million from the prior year primarily due to the receipt of unrestricted revenues such as property taxes and sales taxes that were not spent or restricted by the end of the fiscal year.

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	
	2019	2020	2019	2020	2019	2020
Revenues:						
Program Revenues:						
Charges for services	$ 57,104	$ 57,670	$ 30,913	$ 31,211	$ 88,017	$ 88,881
Operating grants and capital contributions	14,022	14,659	-	-	14,022	14,659
Capital grants and contributions	6,638	7,352	-	-	6,638	7,352
Total program revenues	77,764	79,681	30,913	31,211	108,677	110,892
General Revenues:						
Taxes:						
Property taxes	108,365	113,314	-	-	108,365	113,314
Sales tax	37,168	36,233	-	-	37,168	36,233
Transient occupancy taxes	24,697	21,097	-	-	24,697	21,097
Other taxes	11,349	11,869	-	-	11,349	11,869
Investment related income	4,879	5,142	1,326	1,358	6,205	6,500
Other	3,495	2,117	-	-	3,495	2,117
Total general revenues	189,953	189,772	1,326	1,358	191,279	191,130
Total revenues	267,717	269,453	32,239	32,569	299,956	302,022
Expenses:						
General government	20,549	20,714	-	-	20,549	20,714
Public safety	111,556	119,194	-	-	111,556	119,194
Public works	53,340	60,055	-	-	53,340	60,055
Community development	11,493	12,842	-	-	11,493	12,842
Community services	27,758	26,668	-	-	27,758	26,668
Interest	7,188	7,065	-	-	7,188	7,065
Water	-	-	26,898	27,387	26,898	27,387
Wastewater	-	-	4,222	4,292	4,222	4,292
Total expenses	231,884	246,538	31,120	31,679	263,004	278,217
Increases in net position	35,833	22,915	1,119	890	36,952	23,805
Net position at beginning of year	2,138,806	2,172,432	147,808	149,678	2,286,614	2,322,110
Restatement	(2,207) [1]	-	751 [2]	-	(1,456) [1,2]	-
Net position at beginning of year, as restated	2,136,599	2,172,432	148,559	149,678	2,285,158	2,322,110
Net position at end of year	$ 2,172,432	$ 2,195,347	$ 149,678	$ 150,568	$ 2,322,110	$ 2,345,915

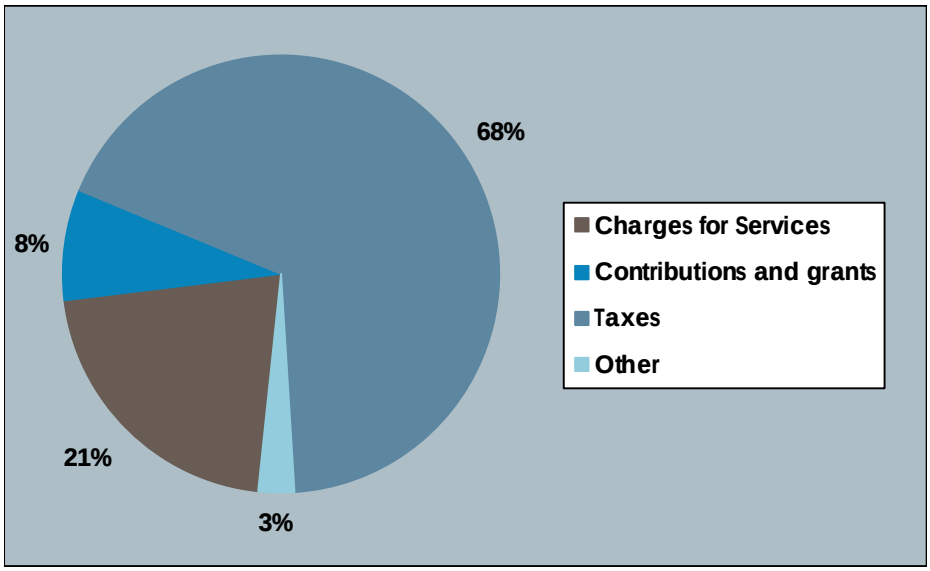
[1] Prior year net position was restated to adjust for compensated absences liability in Fiscal Year 2017-18.

[2] Prior year net position was restated to adjust for capital assets in Fiscal Year 2017-18.

Revenues Associated with Governmental Activities Discussion

Figure 2 illustrates in detail how the $269.5 million in Governmental Activities revenue was derived. Figure 3 summarizes this revenue by major source. As shown on Figures 2 and 3, $57.7 million, or 21.4%, of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another $22.0 million, or 8.2%, 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 $189.8 million, or 70.4%, represented general revenues of the City including taxes, intergovernmental revenues, and other miscellaneous revenues.

Figure 3
Governmental Activities Revenue Sources
Year Ended June 30, 2020



As illustrated in Figure 2, program revenues related to Governmental Activities increased $1.9 million from the prior year. This increase was primarily attributable to an increase in capital grants and contributions due to the issuance of limited obligation improvement bonds for three assessment districts and an increase in operating grants and contributions due to funding received from other governmental agencies in response to economic challenges created by the COVID-19 global pandemic.

The City's general revenues related to Governmental Activities decreased about $181,000 from the prior year primarily due to the pandemic as there were decreases in sales taxes, transient occupancy taxes and other general revenues due to a delay in reimbursement from the federal government. Property taxes increased, but not enough to offset the decreases in the other categories.

Property tax is the largest individual revenue source for the City and collections finished the year $4.9 million higher than the previous year. This increase was mostly due to an increase in secured taxes as a robust demand for coastal property continued driving property values higher.

At $36.2 million, sales taxes represent the second largest individual revenue source for the City. Sales taxes decreased $935,094 from the previous year. This was due to a decrease in economic activity across all industry categories because of the global pandemic.

Transient occupancy taxes (TOT), the City's third largest revenue source, finished the year at $21.1 million, which is a decrease of $3.6 million from the previous fiscal year. The net decrease stems from a decrease in commercial TOT due to falling occupancy rates and closures of hotels because of the coronavirus global pandemic, offset by an increase in residential TOT.

Investment income, comprised of both interest income and unrealized gains, totaled $5.1 million, an increase of about $263,000 over the prior fiscal year. Most of the increase is from a net

increase in the fair value of investments, which is consistent with the fiscal year's generally decreasing interest rate environment.

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

Community Development is comprised of one department (Community Development) that provides planning, building and zoning services, economic development services, and building plan check and code enforcement services.

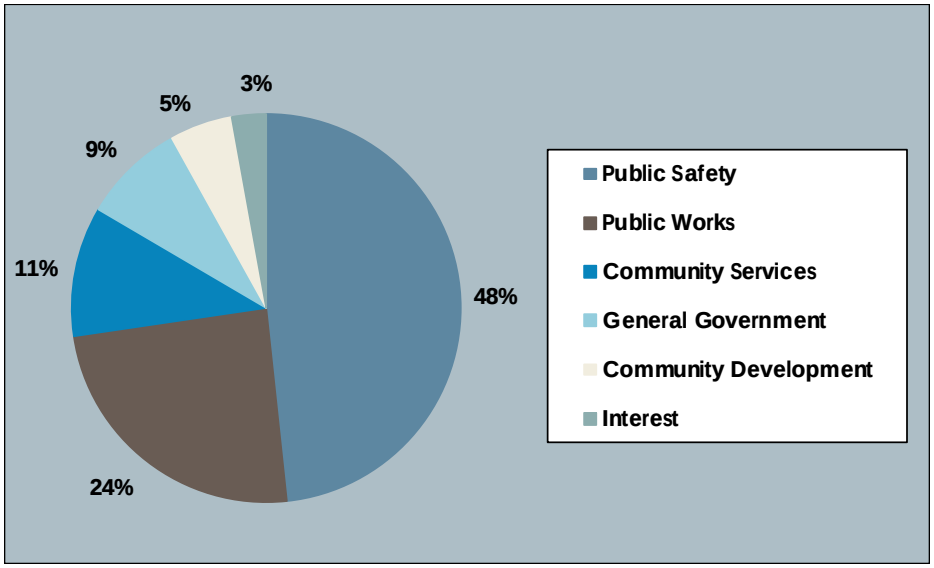
Community Services is comprised of three departments (Library Services, Recreation & Senior Services and Harbor) providing library services, cultural and arts programs, recreation services, senior social and transportation services and harbor programs and services.

Business Enterprise Operations are overseen by the Utilities Department providing water and wastewater services. These are considered business-type activities and are discussed further in the Business-Type Activities section.

Figure 2 illustrates in detail how the $246.5 million of Governmental Activities expense was derived. The increase of $14.7 million from the prior year is mostly due to an increase in the government wide adjustment relating to pension expense, and increase in maintenance type capital improvement projects and increases in salaries and benefits.

Figure 4 below summarizes the governmental activities expense shared across function.

Figure 4
Governmental Activities Functional Expenses
Year Ended June 30, 2020

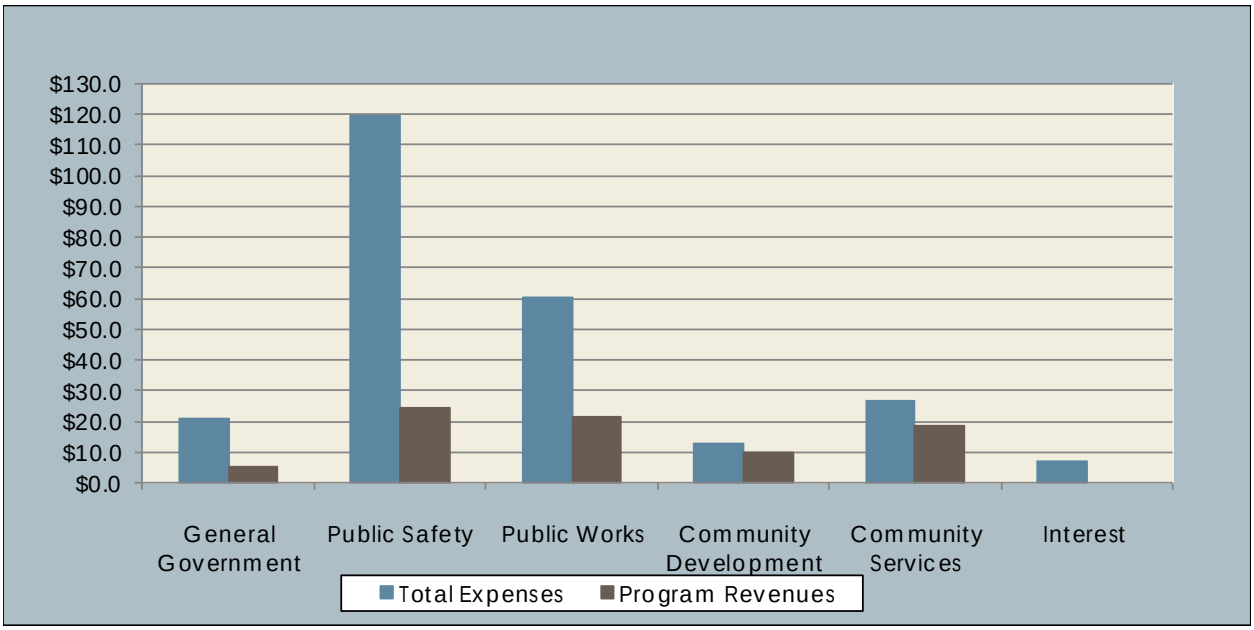


Figures 5 and 6 illustrate the net cost of each service. The net cost represents the amount that governmental activities are subsidized by taxes and other general revenues of the City.

Figure 5
Governmental Activities
(in thousands)

	2019		2020	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	$ 20,549	$ (14,658)	$ 20,714	$ (15,497)
Public safety	111,556	(86,574)	119,194	(94,767)
Public works	53,340	(31,822)	60,055	(38,463)
Community development	11,493	(1,142)	12,842	(2,860)
Community services	27,758	(12,737)	26,668	(8,204)
Interest	7,188	(7,188)	7,065	(7,065)
	$ 231,884	$ (154,121)	$ 246,538	$ (166,856)

Figure 6
Program Expenses and Revenue – Governmental Activities
Year Ended June 30, 2020
(in millions)



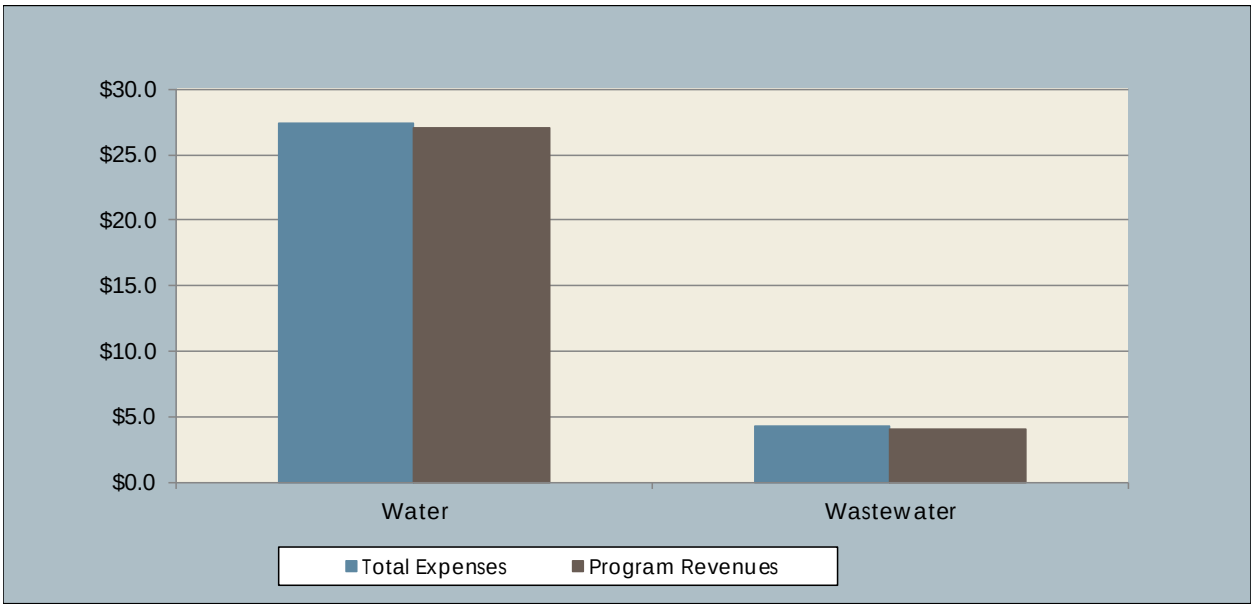
BUSINESS-TYPE ACTIVITIES

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.

Revenues Associated with Business-Type Activities Discussion

As displayed in Figure 2, total revenues related to Business-type activities totaled $32.6 million, of which, $31.2 million is related to program revenues. As shown in Figure 7 on the following page, Water activities represents about $27.1 million (86.9%) of program revenues, while Wastewater activities represents $4.1 million (13.1%) of program revenues.

Figure 7
Program Expenses and Revenue – Business-type Activities
Year Ended June 30, 2020
(in millions)



Expenses Associated with Business-Type Activities Discussion

Current year expenses for Business-type activities totaled $31.7 million, an increase of about $559,000 over prior year as shown in Figure 2. This is attributable to an increase in employee related costs, utilities, professional services and general and system maintenance.

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

Water

Of the $27.4 million in water related expenses, $11.9 million (43.4%) is for the purchase of water, $5.6 million (20.4%) covers employee related costs, $4.9 million (18.0%) is for maintenance, supplies, and depreciation of the water system, $2.8 million (10.2%) is for professional services, and the remaining $2.2 million (8.0%) is collectively attributable to miscellaneous other expenses.

Wastewater

Of the $4.3 million in wastewater related expenses, $1.7 million (40.2%) is for maintenance, supplies, and depreciation of the wastewater system, $1.8 million (41.4%) is for employee related costs, and the remaining approximately $789,000 (18.4%) is attributable to professional services and other miscellaneous expenses.

Figure 7 summarizes Business-type expenses separately for Water and Wastewater activities.

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 $205.0 million, an increase of $17.0 million from the prior year. The increase is the net result of increases in fund balances in the General Fund, Facilities Financial Planning Reserve Fund, Tide and Submerged Land – Harbor Capital Fund, other special revenue funds, other capital funds and other permanent funds in aggregate; offset by decreases in the Tide and Submerged Land – Operating Fund, Measure M Fund and Civic Center COP Fund in aggregate. The General Fund represented $99.1 million or 48.3% of the combined fund balances of the Governmental Funds.

Figure 8
Governmental Funds Fund Balance
(in thousands)

	2019	2020	Change
General Fund	$ 96,586	$ 99,083	$ 2,497
Tide and Submerged Land - Operating	6,409	2,872	(3,537)
Tide and Submerged Land - Harbor Capital	7,133	16,399	9,266
Measure M	2,111	1,737	(374)
Facilities Financial Planning Reserve	14,297	17,047	2,750
Civic Center COP	2,362	1,159	(1,203)
Non-major special revenue	20,727	21,319	592
Non-major capital projects	31,927	38,740	6,813
Non-major permanent	6,438	6,667	229
	$ 187,990	$ 205,023	$ 17,033

The following describes the classification of fund balance as of June 30, 2020. Additional information on the City's fund balance can be found in Note (16) of the Notes to the Financial Statements.

Nonspendable Fund Balance – The City has $16.5 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the $16.5 million nonspendable fund balance, $945,647 is for prepaid items, $258,557 is for inventories, $10.7 million is for long-term loan receivables, and $4.6 million is for permanent endowments.

Restricted Fund Balance – The City has $59.0 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 $59.0 million restricted fund balance, $ 5.7 million is restricted in the General Fund, of which $1.3 million is for Affordable Housing, $1.5 million is for Oceanfront Encroachment and $2.9 million is

restricted for support of public access channel programming, training, and community benefits; $2.2 million is restricted in the Tide and Submerged Land – Operating Fund, of which $1.1 million is restricted for capital projects and maintenance and repairs, and $1.1 million is restricted for the Upper Newport Bay restoration; $16.4 million is restricted in the Tidelands and Submerged Land – Harbor Capital Fund for capital projects; $1.7 million is restricted in the Measure M Fund; $1.2 million is restricted for Civic Center COP debt service; and $4.4 million is restricted in the Facilities Financial Planning Reserve Fund for park improvements. Of the remaining $27.4 million in restricted fund balance, $21.3 million is restricted for various special revenue funds, $4.1 million is restricted for the Assessment District Fund, and $2.0 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has $50.2 million in fund balance classified as committed to indicate that the City Council has committed how the money will be spent. Of the $50.2 million committed fund balance, $2.2 million is committed to the General Fund, of which $2.2 million is for encumbrances and miscellaneous projects; $720,000 is committed to the Tide and Submerged Land – Operating; $12.6 million is committed to the Facilities Financial Planning Reserve Fund; $11.3 million is committed to the Fire Station Fund, $8.6 million is committed in the Unrestricted Capital Improvements Fund; $3.8 million is committed in the Parks and Community Center Fund, $1.8 million is committed to the Civic Center, $2.6 million is committed to the Facilities Maintenance Fund; $5.0 million is committed to the Neighborhood Enhancement Fund, $1.0 million is committed to Balboa Village Parking Management District and $622,467 is committed to various capital projects.

Assigned Fund Balance – The City has $2.6 million 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 $76.7 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted, committed, or assigned.

Major Governmental Funds results for the year included the following:

- Overall General Fund revenues finished $140,422 or 0.1% higher than the prior year, while expenditures finished $2.8 million or 1.5% higher than the prior year. The net result is that General Fund income before transfers and other financing sources and uses decreased by $2.7 million. Actual General Fund revenues were $10.9 million over the estimated revenues primarily due to many revenue categories recovering sooner, or not experiencing as large of a negative impact during the fiscal year as originally projected at the start of the COVID-19 pandemic. Expenditures came in at $4.0 million under budget primarily because of spending reduction in response to the COVID-19 pandemic, particularly in labor and contracted services. In total, fund balance in the General Fund increased $2.5 million ending the year at $99.1 million.

- The Tide and Submerged Land - Operating Fund decreased $3.5 million and ended the current year with $2.9 million in fund balance. The decrease was due to the City reducing its subsidy of the operations of the Tide and Submerged Land - Operating Fund.

- The Tide and Submerged Land – Harbor Capital Fund increased $9.3 million ending with $16.4 million in fund balance. This was largely due to a transfer from the General Fund for

harbor related capital improvements and net results from operations as the fund accumulates resources for future harbor related uses.

- The Measure M Fund decreased $374,974 and ended the current year with $1.7 million in fund balance due to capital outlay expenditures being more than revenues.

- The Facilities Financial Planning Reserve Fund increased $2.7 million to end the current year at $17.0 million in fund balance. This was mainly due to the net result of transfers.

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 $670,189 mainly due to the fund's substantial share of the City's pooled cash and investments, which resulted in the fund receiving a significant amount of investment income during the fiscal year.

- Net position in the Wastewater Fund decreased $94,479 mainly due to expenses exceeding revenues. The implementation of a multi-year rate increase is ongoing.

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

- Total net position in the Internal Service Funds increased $8.8 million in the current year. This was mostly due to operating income of $5.8 million, which was a result of an increase in revenue from charges for services for insurance reserves and information technology. The remaining $3.0 million was due to non-operating revenues and net transfers.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund decreased $10.1 million from the original budget during the year ended June 30, 2020. Factors contributing to this fluctuation are highlighted as follows:

- Property tax revenue estimates were decreased $877,848 based on anticipation of economic hardship due to the COVID-19 pandemic and the Governor's Executive Order (N-61-20) suspending penalties and interest on property taxes.

- Sales tax revenue estimates were decreased $1.3 million based on an expected overall decrease in economic activity across all industry categories as businesses and restaurants were closed due to the pandemic.

- Transient occupancy tax budget was reduced $5.4 million in total as most major hotels and short-term lodging were temporarily closed at the onset of the pandemic with the expectation that those remaining open would operate at severely reduced capacity.

- Revenue categories, charges for services, property income, other taxes, licenses, permits and fees, fines and forfeitures were adjusted down $5.0 million based on the trends seen during the beginning of the pandemic with the anticipation that those trends would continue throughout the remainder of the fiscal year.

- Final budgeted intergovernmental revenue increased $993,332 due to an anticipated increase in grants from other governmental agencies.

- Donations increased $633,465 due to the receipt of donations that were not known at the beginning of the year.

- Final budgeted other revenue increased $783,193 from the original budget, mostly because of upward revisions to prior estimates of donations to the library and grants for senior services.

Final budgeted expenditures for the General Fund decreased $20.1 million from the original budget during the year ended June 30, 2020. The significant factors contributing to the decrease are as follows:

- Planned city-wide expenditure reductions in salaries, contract services and professional services in response to the COVID-19 pandemic.

- 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.

Variance with Final Budget

Actual General Fund revenues came in at $10.9 million above final budgeted revenues for the year ended June 30, 2020. Significant factors contributing to this favorable variance are summarized as follows:

- A favorable variance of $589,909 in property taxes was mostly due to secured property taxes coming in above expectations and the actual impact of Governor's Executive Order (N-61-20) suspending penalties and interest on property taxes was less severe than estimated in the short term.

- A favorable variance of $1.8 million in sales tax revenue was due to sales beginning to recover sooner than the initial projections at the onset of the pandemic that the same restrictions in place in April 2020 would remain for the remainder of the fiscal year, as consumer spending remained strong.

- A favorable $1.8 million variance in transient occupancy tax was due to hotels opening up sooner than anticipated, with overnight visits in either hotels or short-term rentals from regional travelers looking for a quick "staycation" close to home.

- Other Taxes ended the year $1.0 million higher than projected due to all taxes within this category performing better than expected at the onset of the pandemic, especially business license taxes, property transfer taxes, and utility and cable franchise taxes.

- Intergovernmental revenues came in $1.0 million higher than budgeted due to unanticipated grants.

- A favorable variance of $1.2 million in net investment related revenue, which includes investment income and net fair value of investments, was due to an unexpected decrease in interest rates towards the end of the fiscal year which made the City's portfolio more valuable as most securities were purchased before the rates decreased.

- Charges for services ended the year $2.1 million higher due to a smaller impact on services than expected as City departments devised electronic and contactless modifications to services in response to the pandemic.

- Property income finished the year $1.2 million higher than expected due to most income properties making their scheduled payments and parking revenues increasing late in the fiscal year as the public flocked to the beaches with the loosening of pandemic lockdown restrictions.

Actual General Fund expenditures of $195.1 million were less than final budgetary estimates of $199.0 million. The $3.9 million favorable variance was due to the City's response to the COVID-19 pandemic including city-wide salary savings due to the hiring freeze, and savings in contract services and professional services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of June 30, 2020, amounts to $2.4 billion, net of accumulated depreciation. This 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 capital assets decreased $2.0 million over the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	$ 1,897,376	$ 1,897,520	$ 2,219	$ 2,219	$ 1,899,595	$ 1,899,739
Structures	188,252	190,481	440	424	188,692	190,905
Equipment	19,365	18,774	151	167	19,516	18,941
Infrastructure	206,102	206,039	116,248	115,104	322,350	321,143
Work in progress	11,131	6,013	289	2,855	11,420	8,868
Totals	$ 2,322,226	$ 2,318,827	$ 119,347	$ 120,769	$ 2,441,573	$ 2,439,596

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

- Capital asset additions totaled $30.3 million in both the Governmental and Business Type Activities in the current year. Of the $30.3 million, $10.4 million represents additions of infrastructure assets mostly related to the road system and water system; and $7.2 million is related to structure additions. The remaining $12.7 million is comprised of additions of non-depreciable assets such as work in progress, $8.7 million, and land and rights of way additions of $144,355, along with depreciable equipment additions of $3.8 million.

- Of the $26.3 million of additions in governmental assets in the current year, additions in infrastructure contributed $9.3 million, which was mostly due to upgrades in the road system. The remaining $17.0 million added in the current year as governmental assets, is comprised of $7.2 million of structure additions related to a new fire station and library, $5.8 million of work in progress, mostly related to upgrades to the road system and the ongoing design and construction of a fire station, $3.8 million of equipment additions mostly related to vehicles and $144,355 of land additions.

- The $4.0 million of business-type asset additions in the current year is comprised of $1.1 million in water system infrastructure additions and $2.9 million of work in progress additions related to water system improvements.

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

Long-term Debt

Figure 10
Outstanding Debt at Year End
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Certificates of participation	$ 104,100	$ 100,695	$ -	$ -	$ 104,100	$ 100,695
Bond premium	121	-	-	-	121	-
Pre-annexation agreement	-	-	-	-	-	-
CDBG Loan	756	585	-	-	756	585
Totals	$ 104,977	$ 101,280	$ -	$ -	$ 104,977	$ 101,280

The City's total debt decreased $3.7 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

The economic outlook remains very uncertain, with a protracted recovery anticipated over the next several months. After the unprecedented sudden shock in the first half of the year, with global GDP in the second quarter of 2020 10% lower than at the end of 2019, output picked up sharply in the third quarter as containment measures became less stringent, businesses reopened and household spending resumed. Despite the welcome upturn, output remained below pre-pandemic levels in the third quarter, close to the peak decline in output experienced during the global financial crisis. Without the prompt and effective policy support introduced by the federal government to cushion the impact of the shock on household incomes and companies, output and employment would have been substantially weaker. On a cumulative basis, the labor market has added about 12.3 million jobs since May, more than half the 22.2 million lost in March and April. However, the labor market is still a long way from a full recovery as more than 10.7 million people remain unemployed. Given a resurgence of the virus across the US, the labor market is likely to remain challenged over the near-term. With pandemic-related unemployment benefits set to expire at year-end, there is mounting pressure on Congress to negotiate another fiscal relief bill.

Developments on the vaccine front remain favorable and a limited number of doses are expected to be available for US healthcare workers and nursing home residents before year-end. While widespread distribution of a vaccine is not expected until the second or third quarter of next year, ongoing progress on both vaccines and therapeutics will help fuel the economic recovery in 2021. In the near-term, economic data may soften as many regions contend with the virus and renewed lockdown measures.

Local Revenue Trend

The closure of businesses and public facilities has negatively impacted various sources of City revenues, including sales tax and transient occupancy tax revenues, which are among two of the City's largest tax revenue sources. The State has delayed the deadline for the filing and payment of sales and use taxes by 90 days for all but the largest taxpayers. The Governor has also issued an Executive Order for waivers of late penalties on property taxes. Such efforts to relieve the financial impact of the COVID-19 pandemic on taxpayers have resulted in delayed revenue collection by the City. More significantly, hoteliers suffered a sudden and dramatic decline in occupancy in the fourth quarter of FY 2019-20. Transient occupancy taxes finished roughly $4 million less and sales tax fell short $2.3 million when compared to the prior year. In all, the financial impact of COVID-19 in the fourth quarter of FY 2019-20 proved to be less impactful to the City than was previously feared. At the onset of the pandemic City Management lowered revenue estimates by $13 million; however, General Fund revenues finished at nearly the original estimate of $229 million roughly $10 million above the revised revenue estimate of $219 million by year end.

However, the negative impacts from the COVID-19 pandemic on the City's revenues in FY 2019-20 are expected to continue into FY 2020-21 and potentially several fiscal years beyond depending on the pace of recovery of the local economy and the return of conventions and tourism activity to the levels which existed prior to the outbreak of the COVID-19 pandemic. While certain businesses and industries have begun to reopen, social distancing protocols currently remain intact. These protocols could continue to limit the capacity of businesses, and many other tourism and sales tax generating activities for the City. A recent UCLA Anderson Forecast suggests California's pre-coronavirus economic boom won't reappear for at least two years. A full recovery

to pre-recession levels of economic activity is not expected until after 2022 in the state. Although a noticeable improvement might begin to emerge by the end of 2020, the Anderson forecast made it clear that the road to a return to a pre-coronavirus economy statewide is in the 2023 timeframe.

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 2020-21 budget that maintains a deliberate resource balance between these important municipal expenses:

- Addressing long-term obligations such as pension liabilities, post-employment health care 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 2020-21 will mark another year of an accelerated plan to pay down the City's unfunded pension liability. Increasing the City's pension contribution now will result in a lower, level-dollar payment in the future, so the adopted budget also includes an additional $10.2 million to discretionary payment towards the City's unfunded liability.

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 25 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. Moody's reaffirmed their AAA ratings in 2020. 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 nine 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

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CITY OF NEWPORT BEACH
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 4)	$ 266,322,835	$ 36,753,712	$ 303,076,547
Receivables:			
Accounts (net of allowance)	7,488,670	6,127,558	13,616,228
Interest	1,261,074	-	1,261,074
Intergovernmental receivables	11,203,121	101,089	11,304,210
Restricted cash and investments with fiscal agent (note 4)	8,752,177	-	8,752,177
Internal balances	379,143	(379,143)	-
Investment in joint ventures (note 14)	246,470	-	246,470
Inventory	671,572	-	671,572
Prepaid items	1,930,027	-	1,930,027
Capital assets (note 5):			
Non-depreciable	1,903,533,195	5,074,624	1,908,607,819
Depreciable	672,799,714	187,564,765	860,364,479
Accumulated depreciation	(257,505,832)	(71,870,042)	(329,375,874)
Total assets	2,617,082,166	163,372,563	2,780,454,729
Deferred Outflows of Resources:			
Deferred amount from pension plans (note10)	58,924,800	1,471,870	60,396,670
Deferred amount from OPEB (note 11)	7,193,982	391,342	7,585,324
Total deferred outflows of resources	66,118,782	1,863,212	67,981,994
Liabilities:			
Accounts payable	9,099,335	3,630,006	12,729,341
Accrued payroll	4,306,603	171,049	4,477,652
Accrued interest payable	3,491,913	-	3,491,913
Deposits payable	2,579,459	31,886	2,611,345
Unearned revenue	5,700,000	-	5,700,000
Noncurrent liabilities (note 6):			
Due within one year	12,831,412	-	12,831,412
Due in more than one year:			
Net pension liability (note 10)	297,286,830	9,432,600	306,719,430
Net OPEB liability (note 11)	21,446,544	1,168,197	22,614,741
Other	125,023,855	-	125,023,855
Total liabilities	481,765,951	14,433,738	496,199,689
Deferred Inflows of Resources:			
Deferred amount from pension plans (note 10)	5,554,961	204,628	5,759,589
Deferred amount from OPEB (note 11)	533,237	29,058	562,295
Total deferred inflows of resources	6,088,198	233,686	6,321,884
Net Position:			
Net investment in capital assets	2,217,852,660	120,291,689	2,338,144,349
Restricted for:			
Public safety	1,111,257	-	1,111,257
Public works	30,818,082	-	30,818,082
Community services	25,478,920	-	25,478,920
Community development	1,325,038	-	1,325,038
Debt Service	2,307,625	-	2,307,625
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	2,037,522	-	2,037,522
Unrestricted	(90,214,086)	30,276,662	(59,937,424)
Total net position	$ 2,195,346,799	$ 150,568,351	$ 2,345,915,150

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
Year Ended June 30, 2020

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Functions/Programs					
Primary government:					
Governmental activities:					
General government	$ 20,714,050	$ 3,846,962	$ 1,369,758	$ -	$ 5,216,720
Public safety	119,194,302	22,232,248	2,195,198	-	24,427,446
Public works	60,054,860	5,054,694	9,454,093	7,082,970	21,591,757
Community development	12,842,020	9,599,848	337,036	44,749	9,981,633
Community services	26,668,079	16,936,285	1,302,931	224,688	18,463,904
Interest on long-term debt	7,064,521	-	-	-	-
Total governmental activities	246,537,832	57,670,037	14,659,016	7,352,407	79,681,460
Business-type activities:					
Water	27,387,120	27,100,429	-	-	27,100,429
Wastewater	4,291,755	4,110,815	-	-	4,110,815
Total business-type activities	31,678,875	31,211,244	-	-	31,211,244
Total primary government	$ 278,216,707	$ 88,881,281	$ 14,659,016	$ 7,352,407	$ 110,892,704

General revenues:
Taxes:
Property tax
Sales tax
Transient occupancy tax
Business license tax
Franchise tax
Other taxes
Investment income
Net increase in fair value of investments
Other
Total general revenues

Change in net position

Net Position at beginning of year

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
$ (15,497,330)	$ -	$ (15,497,330)
(94,766,856)	-	(94,766,856)
(38,463,103)	-	(38,463,103)
(2,860,387)	-	(2,860,387)
(8,204,175)	-	(8,204,175)
(7,064,521)	-	(7,064,521)
(166,856,372)	-	(166,856,372)
-	(286,691)	(286,691)
-	(180,940)	(180,940)
-	(467,631)	(467,631)
(166,856,372)	(467,631)	(167,324,003)
113,313,535	-	113,313,535
36,232,969	-	36,232,969
21,097,384	-	21,097,384
4,882,419	-	4,882,419
4,394,156	-	4,394,156
2,592,369	-	2,592,369
2,621,488	732,099	3,353,587
2,520,033	625,864	3,145,897
2,116,884	-	2,116,884
189,771,237	1,357,963	191,129,200
22,914,865	890,332	23,805,197
2,172,431,934	149,678,019	2,322,109,953
$ 2,195,346,799	$ 150,568,351	$ 2,345,915,150

See accompanying notes to basic financial statements

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FINANCIAL SECTION

FUND FINANCIAL STATEMENTS
GOVERNMENTAL FUNDS

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GOVERNMENTAL FUNDS

Major Funds

The ***General Fund*** is used to account for fiscal resources that 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 ***Measure M Fund*** is used to account for the revenues and expenditures of funds received from the Orange County Transportation Authority. 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 that do not meet the criteria of a major fund. For reporting purposes in this section, they are combined as Other Governmental Funds.

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2020
Page 1 of 2

		Special Revenue Funds		
	General	**Tide and Submerged Land - Operating**	**Tide and Submerged Land - Harbor Capital**	**Measure M**
Assets				
Cash and investments (note 4)	$ 86,746,555	$ 3,242,024	$ 27,188,090	$ 1,267,254
Receivables:				
Accounts (net of allowance)	3,485,105	1,790,646	-	-
Interest	1,261,074	-	-	-
Intergovernmental receivables	8,034,496	-	-	1,019,031
Restricted cash and investments with fiscal agent (note 4)	-	-	-	-
Advance to other funds (note 12)	10,676,659	-	-	-
Due from other funds (note 12)	377,249	-	-	-
Prepaid items	928,899	-	-	-
Inventory	258,557	-	-	-
Total assets	$ 111,768,594	$ 5,032,670	$ 27,188,090	$ 2,286,285
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 4,747,929	$ 909,661	$ 112,899	$ 151,669
Accrued payroll	4,032,481	20,126	-	-
Deposits payable	2,394,535	184,924	-	-
Unearned revenue	1,260,676	757,105	-	-
Advance from other funds (note 12)	-	-	10,676,659	-
Due to other funds (note 12)	-	-	-	-
Total liabilities	12,435,621	1,871,816	10,789,558	151,669
Deferred Inflows of Resources:				
Unavailable revenue	249,501	289,331	-	398,094
Total deferred inflows of resources	249,501	289,331	-	398,094
Fund balances (deficits):				
Nonspendable:				
Prepaid items	928,899	-	-	-
Inventories	258,557	-	-	-
Long-term loan receivable	10,676,659	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Affordable housing	1,321,736	-	-	-
Oceanfront encroachment	1,457,744	-	-	-
Upper Newport Bay restoration	-	1,099,953	-	-
Other	2,930,954	1,051,570	16,398,532	1,736,522
Committed:				
Oil and gas	-	720,000	-	-
Other	2,210,811	-	-	-
Assigned	2,598,828	-	-	-
Unassigned	76,699,284	-	-	-
Total fund balances	99,083,472	2,871,523	16,398,532	1,736,522
Total liabilities, deferred inflows of resources and fund balances	$ 111,768,594	$ 5,032,670	$ 27,188,090	$ 2,286,285

(continued)

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2020
Page 2 of 2

	Capital Project Fund	Debt Service Fund		
	Facilities Financial Planning Reserve	Civic Center COP	Other Governmental Funds	Totals
Assets				
Cash and investments (note 4)	$ 11,605,682	$ -	$ 70,091,898	$ 200,141,503
Receivables:				
Accounts (net of allowance)	20,739	-	396,114	5,692,604
Interest	-	-	-	1,261,074
Intergovernmental receivables	-	1,148,239	476,220	10,677,986
Restricted cash and investments with fiscal agent (note 4)	-	6,551,417	2,200,760	8,752,177
Advance to other funds (note 12)	-	-	-	10,676,659
Due from other funds (note 12)	5,442,129	-	-	5,819,378
Prepaid items	-	-	16,748	945,647
Inventory	-	-	-	258,557
Total assets	$ 17,068,550	$ 7,699,656	$ 73,181,740	$ 244,225,585
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 39	$ 2,324,753	$ 8,246,950
Accrued payroll	-	-	-	4,052,607
Deposits payable	-	-	-	2,579,459
Unearned revenue	21,711	-	3,660,508	5,700,000
Advance from other funds (note 12)	-	-	-	10,676,659
Due to other funds (note 12)	-	5,391,992	59,674	5,451,666
Total liabilities	21,711	5,392,031	6,044,935	36,707,341
Deferred Inflows of Resources:				
Unavailable revenue	-	1,148,239	410,438	2,495,603
Total deferred inflows of resources	-	1,148,239	410,438	2,495,603
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	16,748	945,647
Inventories	-	-	-	258,557
Long-term loan receivable	-	-	-	10,676,659
Permanent endowment	-	-	4,629,781	4,629,781
Restricted:				
Affordable housing	-	-	-	1,321,736
Oceanfront encroachment	-	-	-	1,457,744
Upper Newport Bay restoration	-	-	-	1,099,953
Other	4,446,847	1,159,386	27,417,708	55,141,519
Committed:				
Oil and gas	-	-	-	720,000
Other	12,599,992	-	34,712,267	49,523,070
Assigned	-	-	-	2,598,828
Unassigned	-	-	(50,137)	76,649,147
Total fund balances	17,046,839	1,159,386	66,726,367	205,022,641
Total liabilities, deferred inflows of resources and fund balances	$ 17,068,550	$ 7,699,656	$ 73,181,740	$ 244,225,585

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, 2020

Fund balances of governmental funds	$	205,022,641
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of accumulated depreciation have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.		2,302,946,800
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:		
Certificates of participation payable		(100,695,000)
CDBG loan		(585,000)
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:		
Deferred outflows of resources		57,956,702
Deferred inflows of resources		(5,420,369)
Pension liability		(291,082,707)
OPEB 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 OPEB 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:		
Deferred outflows of resources		6,936,584
Deferred inflows of resources		(514,125)
OPEB liability		(20,678,180)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(3,491,913)
Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds.		2,495,603
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.		41,830,150
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.		246,470
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.		379,143
Net position of governmental activities	$	2,195,346,799

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

		Special Revenue Funds		
	General	**Tide and Submerged Land - Operating**	**Tide and Submerged Land - Harbor Capital**	**Measure M**
Revenues:				
Taxes and assessments:				
Property tax	$ 113,313,535	$ -	$ -	$ -
Sales tax	36,232,969	-	-	-
Transient occupancy tax	20,847,883	-	-	-
Other taxes	11,868,944	-	-	-
Intergovernmental	3,848,205	-	-	2,381,906
Licenses, permits and fees	4,703,970	56,863	-	-
Charges for services	21,115,081	10,541	-	-
Fines and forfeitures	3,487,164	22,719	-	-
Investment income	1,295,547	337,036	484,209	50,209
Net increase in fair value of investments	1,404,696	288,127	413,945	42,923
Property income	10,392,662	11,227,661	3,772,612	-
Donations	786,111	-	-	-
Other	656,249	-	-	-
Total revenues	229,953,016	11,942,947	4,670,766	2,475,038
Expenditures:				
Current:				
General government	14,863,427	1,104,658	-	-
Public safety	105,452,011	12,420,766	-	-
Public works	39,050,719	2,977,453	-	-
Community development	12,503,677	2,661	-	-
Community services	23,044,258	1,384,651	-	-
Capital outlay	-	622,606	819,971	2,850,012
Debt service (note 6):				
Principal	-	-	-	-
Interest and fiscal charges	195,347	-	-	-
Total expenditures	195,109,439	18,512,795	819,971	2,850,012
Excess (deficiency) of revenues over expenditures	34,843,577	(6,569,848)	3,850,795	(374,974)
Other financing sources (uses):				
Transfers in (note 13)	-	3,042,672	5,414,939	-
Transfers out (note 13)	(32,346,243)	(10,740)	-	-
Total other financing sources (uses)	(32,346,243)	3,031,932	5,414,939	-
Net change in fund balances	2,497,334	(3,537,916)	9,265,734	(374,974)
Fund balances, beginning	96,586,138	6,409,439	7,132,798	2,111,496
Fund balances, ending	$ 99,083,472	$ 2,871,523	$ 16,398,532	$ 1,736,522

(continued)

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Capital Project Fund	Debt Service Fund		
	Facilities Financial Planning Reserve	Civic Center COP	Other Governmental Funds	Totals
Revenues:				
Taxes and assessments:				
Property tax	$ -	$ -	$ -	$ 113,313,535
Sales tax	-	-	-	36,232,969
Transient occupancy tax	-	-	-	20,847,883
Other taxes	-	-	719,738	12,588,682
Intergovernmental	-	1,148,239	5,294,581	12,672,931
Licenses, permits and fees	208,822	-	814,207	5,783,862
Charges for services	-	-	-	21,125,622
Fines and forfeitures	-	-	-	3,509,883
Investment income	357,822	21,281	1,219,649	3,765,753
Net increase in fair value of investments	305,897	-	1,021,711	3,477,299
Property income	258,425	-	-	25,651,360
Donations	-	-	9,450	795,561
Other	-	-	5,294,030	5,950,279
Total revenues	1,130,966	1,169,520	14,373,366	265,715,619
Expenditures:				
Current:				
General government	-	-	-	15,968,085
Public safety	-	-	418,070	118,290,847
Public works	-	-	3,702,793	45,730,965
Community development	-	-	106,413	12,612,751
Community services	-	-	45,333	24,474,242
Capital outlay	-	-	16,083,517	20,376,106
Debt service (note 6):				
Principal	-	3,405,000	171,000	3,576,000
Interest and fiscal charges	-	7,053,961	16,395	7,265,703
Total expenditures	-	10,458,961	20,543,521	248,294,699
Excess (deficiency) of revenues over expenditures	1,130,966	(9,289,441)	(6,170,155)	17,420,920
Other financing sources (uses):				
Transfers in (note 13)	9,915,459	8,086,599	13,914,312	40,373,981
Transfers out (note 13)	(8,296,998)	-	(110,000)	(40,763,981)
Total other financing sources (uses)	1,618,461	8,086,599	13,804,312	(390,000)
Net change in fund balances	2,749,427	(1,202,842)	7,634,157	17,030,920
Fund balances, beginning	14,297,412	2,362,228	59,092,210	187,991,721
Fund balances, ending	$ 17,046,839	$ 1,159,386	$ 66,726,367	$ 205,022,641

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, 2020

Net change in fund balances - total governmental funds	$	17,030,920
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 depreciation exceeded capital outlay in the current period.		(3,421,830)
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		3,576,000
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
Accrued interest for debt service is the net change in accrued interest for the current period.		80,629
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.		(6,779,351)
OPEB expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.		2,391,781
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 unavailable revenue for the current period.		1,414,177
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.		8,757,531
Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities.		59,077
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.		(314,622)
Change in net position of governmental activities	$	22,914,865

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes and assessments:				
Property	$ 113,601,474	$ 112,723,626	$ 113,313,535	$ 589,909
Sales	35,697,090	34,411,405	36,232,969	1,821,564
Transient occupancy	24,483,131	19,087,031	20,847,883	1,760,852
Other taxes	11,591,386	10,834,670	11,868,944	1,034,274
Intergovernmental	1,842,767	2,854,873	3,848,205	993,332
Licenses, permits and fees	4,859,712	4,511,573	4,703,970	192,397
Charges for services	21,472,581	18,976,502	21,115,081	2,138,579
Fines and forfeitures	3,362,928	2,974,408	3,487,164	512,756
Investment income	1,505,673	1,505,673	1,295,547	(210,126)
Net increase in fair value of investments	-	-	1,404,696	1,404,696
Property income	10,153,739	9,166,963	10,392,662	1,225,699
Donations	116,500	749,965	786,111	36,146
Other	484,371	1,267,564	656,249	(611,315)
Total revenues	229,171,352	219,064,253	229,953,016	10,888,763
Expenditures:				
General government:				
City council	881,199	861,884	678,330	183,554
City clerk	1,065,439	1,043,448	975,626	67,822
City attorney	2,623,784	2,475,079	2,284,088	190,991
City manager	3,344,155	2,563,679	2,174,546	389,133
Finance	7,231,447	6,167,328	5,918,252	249,076
Human resources	3,293,238	2,937,503	2,832,585	104,918
Total General government	18,439,262	16,048,921	14,863,427	1,185,494
Public safety:				
Police	66,040,641	61,360,725	61,502,999	(142,274)
Fire	53,193,484	43,731,539	43,949,012	(217,473)
Total Public safety	119,234,125	105,092,264	105,452,011	(359,747)
Public works:				
Public works - general services	27,194,832	27,492,650	26,000,625	1,492,025
Public works	10,841,460	7,385,311	8,393,210	(1,007,899)
Utilities	4,758,696	4,634,105	4,656,884	(22,779)
Total Public works	42,794,988	39,512,066	39,050,719	461,347

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2020
(continued)

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Community development:				
Community development	12,048,980	12,027,859	11,453,714	574,145
Code and water quality enforcement	1,123,948	1,122,198	1,049,963	72,235
Total Community development	13,172,928	13,150,057	12,503,677	646,380
Community services:				
Parking operations	2,304,921	2,482,663	1,944,820	537,843
Library services	9,265,651	9,741,880	9,078,408	663,472
Recreation and senior services	13,853,165	12,912,149	12,021,030	891,119
Total community services	25,423,737	25,136,692	23,044,258	2,092,434
Debt service:				
Interest and fiscal charges	46,896	46,896	195,347	(148,451)
Total expenditures	219,111,936	198,986,896	195,109,439	3,877,457
Excess of revenues over expenditures	10,059,416	20,077,357	34,843,577	14,766,220
Other financing (uses):				
Transfers out	(31,680,252)	(32,346,243)	(32,346,243)	-
Total other financing (uses)	(31,680,252)	(32,346,243)	(32,346,243)	-
Net change in fund balance	(21,620,836)	(12,268,886)	2,497,334	14,766,220
Fund balance, beginning	96,586,138	96,586,138	96,586,138	-
Fund balance, ending	$ 74,965,302	$ 84,317,252	$ 99,083,472	$ 14,766,220

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
Tide and Submerged Land - Operating
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Licenses, permits and fees	$ 65,950	$ 47,983	$ 56,863	$ 8,880
Charges for services	14,000	10,160	10,541	381
Fines and forfeitures	19,032	20,890	22,719	1,829
Investment income	36,611	36,611	337,036	300,425
Net increase in fair value of investments	-	-	288,127	288,127
Property income	11,994,982	10,574,032	11,227,661	653,629
Total revenues	12,130,575	10,689,676	11,942,947	1,253,271
Expenditures:				
General government	-	1,104,658	1,104,658	-
Public safety	-	12,420,766	12,420,766	-
Public works	745,830	3,188,692	2,977,453	211,239
Community development	-	-	2,661	(2,661)
Community services	1,799,159	1,879,282	1,384,651	494,631
Capital outlay	-	1,013,205	622,606	390,599
Total expenditures	2,544,989	19,606,603	18,512,795	1,093,808
Excess (deficiency) of revenues over expenditures	9,585,586	(8,916,927)	(6,569,848)	2,347,079
Other financing sources:				
Transfers in	-	3,042,672	3,042,672	-
Transfers out	-	(10,740)	(10,740)	-
Total other financing sources	-	3,031,932	3,031,932	-
Net change in fund balance	9,585,586	(5,884,995)	(3,537,916)	2,347,079
Fund balance, beginning	6,409,439	6,409,439	6,409,439	-
Fund balance, ending	$ 15,995,025	$ 524,444	$ 2,871,523	$ 2,347,079

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
Tide and Submerged Land - Harbor Capital
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Investment income	$ 123,054	$ 123,054	$ 484,209	$ 361,155
Net increase in fair value of investments	-	-	413,945	413,945
Property income	3,507,766	3,543,889	3,772,612	228,723
Total revenues	3,630,820	3,666,943	4,670,766	1,003,823
Expenditures:				
Capital outlay	-	11,200,595	819,971	10,380,624
Excess (deficiency) of revenues over expenditures	3,630,820	(7,533,652)	3,850,795	11,384,447
Other financing sources:				
Transfers in	-	5,414,939	5,414,939	-
Net change in fund balance	3,630,820	(2,118,713)	9,265,734	11,384,447
Fund balance (deficit), beginning	7,132,798	7,132,798	7,132,798	-
Fund balance (deficit), ending	$ 10,763,618	$ 5,014,085	$ 16,398,532	$ 11,384,447

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
Measure M
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 5,465,030	$ 5,379,840	$ 2,381,906	$ (2,997,934)
Investment income	-	-	50,209	50,209
Net increase in fair value of investments	-	-	42,923	42,923
Total revenues	5,465,030	5,379,840	2,475,038	(2,904,802)
Expenditures:				
Capital outlay	-	7,045,521	2,850,012	4,195,509
Net change in fund balance	5,465,030	(1,665,681)	(374,974)	1,290,707
Fund balance, beginning	2,111,496	2,111,496	2,111,496	-
Fund balance, ending	$ 7,576,526	$ 445,815	$ 1,736,522	$ 1,290,707

See accompanying notes to basic financial statements

FINANCIAL SECTION

FUND FINANCIAL STATEMENTS
PROPRIETARY FUNDS

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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 though 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, 2020

	Enterprise Funds			
Assets and Deferred Outflows of Resources	**Water**	**Wastewater**	**Total Enterprise Funds**	**Governmental Activities Internal Service Funds**
Current assets:				
Cash and investments	$ 33,511,517	$ 3,242,195	$ 36,753,712	$ 66,181,332
Receivables:				
Accounts (net of allowance)	5,263,908	863,650	6,127,558	1,796,066
Intergovernmental receivables	101,089	-	101,089	525,135
Inventories	-	-	-	413,015
Prepaid items	-	-	-	984,380
Total current assets	38,876,514	4,105,845	42,982,359	69,899,928
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	39,581
Equipment	289,186	35,988	325,174	40,737,329
Software	-	-	-	3,603,419
Infrastructure	139,063,704	47,487,491	186,551,195	-
Work in progress	1,646,283	1,208,891	2,855,174	299,296
Less accumulated depreciation	(52,396,085)	(19,473,957)	(71,870,042)	(28,799,348)
Total capital assets (net of accumulated depreciation)	91,510,934	29,258,413	120,769,347	15,880,277
Total assets	130,387,448	33,364,258	163,751,706	85,780,205
Deferred outflows of resources:				
Deferred amount from pension plans	1,063,462	408,408	1,471,870	968,098
Deferred amount from OPEB	282,755	108,587	391,342	257,398
Total deferred outflows of resources	1,346,217	516,995	1,863,212	1,225,496
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	3,470,522	159,484	3,630,006	852,385
Accrued payroll	130,042	41,007	171,049	253,996
Deposits payable	31,886	-	31,886	-
Due to other funds (note 12)	-	-	-	367,712
Workers' compensation - current	-	-	-	2,867,523
General liability - current	-	-	-	2,694,118
Compensated absences - current	-	-	-	4,022,771
Total current liabilities	3,632,450	200,491	3,832,941	11,058,505
Noncurrent liabilities:				
Workers' compensation (note 6)	-	-	-	12,653,477
General liability (note 6)	-	-	-	5,266,830
Compensated absences (note 6)	-	-	-	9,070,548
Net pension liability (note 10)	6,815,313	2,617,287	9,432,600	6,204,123
Net OPEB liability	844,054	324,143	1,168,197	768,364
Total noncurrent liabilities	7,659,367	2,941,430	10,600,797	33,963,342
Total liabilities	11,291,817	3,141,921	14,433,738	45,021,847
Deferred inflows of resources:				
Deferred amount from pension plans	147,849	56,779	204,628	134,592
Deferred amount from OPEB	20,995	8,063	29,058	19,112
Total deferred inflows of resources	168,844	64,842	233,686	153,704
Net Position				
Net investment in capital assets	91,085,924	29,205,765	120,291,689	16,358,855
Unrestricted	29,187,080	1,468,725	30,655,805	25,471,295
Total net position	$ 120,273,004	$ 30,674,490	150,947,494	$ 41,830,150
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(379,143)	
Net position of business-type activities			$ 150,568,351	

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, 2020

	Enterprise Funds			
	Water	**Wastewater**	**Total Enterprise Funds**	**Governmental Activities Internal Service Funds**
Operating revenues:				
Charges for sales and services:				
Water sales	$ 26,893,650	$ -	$ 26,893,650	$ -
Charges for services	-	-	-	30,587,750
Sewer service and connection fees	-	4,043,961	4,043,961	-
Intergovernmental	-	-	-	555,135
Retiree reimbursements	-	-	-	311,356
Employee contributions	-	-	-	73,580
Other	206,779	66,854	273,633	2,115,972
Total operating revenues	27,100,429	4,110,815	31,211,244	33,643,793
Operating expenses:				
Purchase of water	11,871,043	-	11,871,043	-
Salaries and benefits	5,572,554	1,778,730	7,351,284	4,049,878
Depreciation	1,631,573	635,398	2,266,971	3,548,544
Professional services	2,844,875	493,284	3,338,159	302,208
Maintenance and supplies	2,013,721	940,618	2,954,339	2,384,264
System maintenance	1,268,432	147,557	1,415,989	-
Fleet parts and supplies	-	-	-	353,635
Telecommunication	-	-	-	169,443
Hardware	-	-	-	372,386
Software	-	-	-	94,490
Fire equipment	-	-	-	525,135
Workers' compensation	-	-	-	1,646,315
Claims and judgments	-	-	-	6,559,117
Compensated absences	-	-	-	2,924,542
OPEB ARC - Cash subsidy	-	-	-	4,924,751
Other	2,440,162	355,550	2,795,712	-
Total operating expenses	27,642,360	4,351,137	31,993,497	27,854,708
Operating income (loss)	(541,931)	(240,322)	(782,253)	5,789,085
Nonoperating revenues:				
Investment income	653,473	78,626	732,099	1,304,659
Net increase in fair value of investments	558,647	67,217	625,864	1,115,338
Gain on sale of capital assets	-	-	-	158,449
Total nonoperating revenues	1,212,120	145,843	1,357,963	2,578,446
Income (loss) before transfers	670,189	(94,479)	575,710	8,367,531
Transfers in (note 13)	-	-	-	1,000,000
Transfers out (note 13)	-	-	-	(610,000)
Total transfers	-	-	-	390,000
Change in net position	670,189	(94,479)	575,710	8,757,531
Net position, beginning of year	119,602,815	30,768,969		33,072,619
Net position, end of year	$ 120,273,004	$ 30,674,490		$ 41,830,150
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			314,622	
Change in net position of business-type activities			$ 890,332	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2020

	Enterprise Funds			
	Water	Wastewater	Total Enterprise Funds	Governmental Activities Internal Service Funds
Cash flows from operating activities:				
Cash received from customers or user departments	$ 26,769,672	$ 3,952,082	$ 30,721,754	$ 29,130,422
Cash payments to employees for services	(5,366,188)	(1,701,922)	(7,068,110)	(8,486,743)
Cash payments to suppliers for goods and services	(17,908,066)	(1,469,571)	(19,377,637)	(12,924,158)
Cash received (payments made) for other operating activities	(2,233,383)	(288,696)	(2,522,079)	2,219,552
Net cash provided by operating activities	1,262,035	491,893	1,753,928	9,939,073
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	1,000,000
Cash paid to other funds	-	-	-	(2,090,965)
Net cash (used) by noncapital financing activities	-	-	-	(1,090,965)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(2,481,077)	(1,208,891)	(3,689,968)	(3,572,106)
Proceeds from sale of capital assets	-	-	-	158,449
Net cash (used) for capital and related financing activities	(2,481,077)	(1,208,891)	(3,689,968)	(3,413,657)
Cash flows from investing activities:				
Investment income	1,212,120	145,843	1,357,963	2,419,997
Net cash provided by investing activities	1,212,120	145,843	1,357,963	2,419,997
Net increase (decrease) in cash and cash equivalents	(6,922)	(571,155)	(578,077)	7,854,448
Cash and cash equivalents, beginning	33,518,439	3,813,350	37,331,789	58,326,884
Cash and cash equivalents, ending	$ 33,511,517	$ 3,242,195	$ 36,753,712	$ 66,181,332
Reconciliation to the statement of net position:				
Cash and investments reported on statement of net position	$ 33,511,517	$ 3,242,195	$ 36,753,712	$ 66,181,332
Cash and cash equivalents	$ 33,511,517	$ 3,242,195	$ 36,753,712	$ 66,181,332
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$ (541,931)	$ (240,322)	$ (782,253)	$ 5,789,085
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,631,573	635,398	2,266,971	3,548,544
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(171,980)	(91,879)	(263,859)	472,866
(Increase) Decrease in intergovernmental receivables	38,605	-	38,605	(525,135)
Decrease in inventories	-	-	-	26,025
(Increase) in prepaid items	-	-	-	(468,328)
Increase in accounts payable and accrued payroll	115,591	119,273	234,864	147,065
Increase in deposits payable	9,397	-	9,397	-
(Decrease) in workers' compensation	-	-	-	(749,000)
Increase in general liability	-	-	-	1,009,041
Increase in compensated absences	-	-	-	524,342
Increase in net pension liability and deferred cash flows	278,014	106,764	384,778	253,081
(Decrease) in net OPEB liability and deferred cash flows	(97,234)	(37,341)	(134,575)	(88,513)
Total adjustments	1,803,966	732,215	2,536,181	4,149,988
Net cash provided by operating activities	$ 1,262,035	$ 491,893	$ 1,753,928	$ 9,939,073
Noncash investing, capital and financing activities:				
Net increase in fair value of investments	$ 558,647	$ 67,217	$ 625,864	$ 1,115,338
Total of noncash activities	$ 558,647	$ 67,217	$ 625,864	$ 1,115,338

See accompanying notes to basic financial statements

FINANCIAL SECTION

FUND FINANCIAL STATEMENTS
FIDUCIARY FUNDS

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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, 2020

Assets

Cash and investments (note 4)	$	613,943
Restricted cash and investments with fiscal agent (note 4)		1,752,685
Receivable:		
Interest		1,124
Total assets	$	2,367,752

Liabilities

Due to bondholders	$	2,053,051
Due to others		314,701
Total liabilities	$	2,367,752

See accompanying notes to basic financial statements

FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS

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(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

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.

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.

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 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.

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The amount of net appreciation on investments that is available to support City programs is $2,037,522. 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.

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

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.

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.

Measure M Fund
The Measure M Fund is used to account for revenues and expenditures of funds received from the Orange County Transportation Authority. Expenditures from this fund are used exclusively for transportation related purposes. In prior years, this fund was called the Combined Transportation Fund.

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.

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. Other Governmental Funds used by the City fall into the following governmental fund types:

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 2019-2020, the City implemented the following Government Accounting Standards Board (GASB) Statements:

- GASB Statement No. 95 – "*Postponement of the Effective Dates of Certain Authority Guidance*", effective during fiscal year 2019-2020 and resulted in delaying the implementation requirements for certain Statements and Implementation Guides to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

- GASB Statement No. 97 – "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a superression of GASB Statement No. 32*", effective for fiscal years beginning after June 15, 2021, paragraphs 4 and 5. The requirements of these paragraphs 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. 84 – " *Fiduciary Activities*", effective for periods beginning after December 15, 2019.

- GASB Statement No. 87 –"*Leases*", effective for periods beginning after June 15, 2021.

- GASB Statement No. 89 – "*Accounting for Interest Cost Incurred before the End of a Construction Period*", effective for periods beginning after December 15, 2020.

- GASB Statement No. 90 – "*Majority Equity Interests*", effective for periods beginning after December 15, 2019.

- GASB Statement No. 91 – "*Conduit Debt Obligations*", effective for periods beginning after December 15, 2021.

- GASB Statement No. 92 – "*Omnibus 2020*", primarily effective for periods beginning after June 15, 2020.

- GASB Statement No. 93 – "*Replacement of Internbank Offered Rates*", effective for periods beginning after June 15, 2021

- GASB Statement No. 94 – "*Public-Private and Public-Public Parnterships and Availability Payment Arrangements*", effective for periods beginning after June 15, 2022.

- GASB Statement No. 96 – "*Subscription-Based Information Technology Arrangements*", effective for fiscal years beginning after June 15, 2022.

- GASB Statement No. 97 – "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No.*

84, and a superression of GASB Statement No. 32", effective for fiscal years beginning after June 15, 2021, except for the requirements of paragraphs 4 and 5.

e. Accounts Receivables

Accounts receivables represent all service and capital project billings other than intergovernmental receivables stated below. As of June 30, 2020 accounts receivable deemed to be uncollectible with an outstanding balance over 120 days past due were written off the City's accounting records to ensure that the income statement and balance sheet are fairly stated at the amount expected to be collected in receivables. Receivables with governmental organizations are generally excluded from the write-off as they are more likely to be received due to the governments' creditworthiness.

f. Cash and Investments

Cash and Cash Equivalents

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.

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 $74,865,641 at June 30, 2020. 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, 2020, the balance of these accounts totaled $11,304,210.

h. Inventories and Prepaid Items

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The City follows the consumption method for prepaid items.

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 in excess of one year. Building, infrastructure, and improvements are capitalized if cost is in excess of $30,000 if it has an expected useful life in excess of one year. The cost of normal maintenance 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	15-75 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	
Due dates	November 1	1st installment
	March 1	2nd installment
Collection dates	December 10	1st installment
	April 10	2nd installment

l. 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

Unearned revenues are those where asset recognition 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 three items that qualify for reporting in this category. The first item is the deferred outflows related to employer pension and OPEB contributions made after the measurement date. The second item is a deferred outflows related to pensions and OPEB resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions and OPEB through the plans. The third item is a deferred outflows related to pensions and OPEB resulting from the difference between expected and actual experience. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions and OPEB through the plans.

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 five 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 a deferred inflow related to pensions resulting from the difference between actual and expected experience. This amount is 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. The third item is a deferred inflow related to pensions resulting from the change in assumptions. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions through the plans. The fourth item is a deferred inflows resulting from the net difference in projected and actual earnings on investments of the OPEB plan fiduciary net position. This amount is amortized over five years. The fifth item is the net difference in projected and actual earnings on investments of the pension plan's fiduciary net position. This amount is amortized over five years.

p. Fund Balance Classifications

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.

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.

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.

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, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

s. Post-Employment Health Care Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the City of Newport Beach's California Public Employees' Retirement System (CalPERS) Health Plan 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 75 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, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

(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 $205,022,641 differs from "net position" of governmental activities $2,195,346,799 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	$2,531,653,284
Accumulated depreciation	(228,706,484)
Total capital assets, net*	$2,302,946,800

*Amount excludes net capital assets of $15,880,277 from Internal Service funds

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at June 30, 2020 were:

Certificates of participation	$100,695,000
CDBG loan	585,000
Total	$101,280,000

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	$3,491,913

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	$246,470

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	$2,495,603

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	$41,830,150

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. Internal service funds amounts are excluded.

Deferred Outflows of Resources	$57,956,702
Deferred Inflows of Resources	(5,420,369)
Pension Liability	(291,082,707)

Deferred Outflows of Resources, Deferred Inflows of Resources and Net Post-Employment Health Care Benefits Liability – GASB 75

Post-employment health care benefits (OPEB) 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 OPEB are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities. Internal service funds amounts are excluded.

Deferred Outflows of Resources	$6,936,584
Deferred Inflows of Resources	(514,125)
OPEB Liability	(20,678,180)

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	$379,143

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.

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	$ 200,141,503	$ -	$ -	$ -
Receivables:				
Accounts (net of allowance)	5,692,604	-	-	-
Advances to other funds	10,676,659	-	-	-
Interest	1,261,074	-	-	-
Intergovernmental receivables	10,677,986	-	-	-
Restricted cash and investments with fiscal agent	8,752,177	-	-	-
Interfund balances	5,819,378	-	-	-
Investment in joint venture	-	-	-	-
Inventory	258,557	-	-	-
Prepaid items	945,647	-	-	-
Capital assets	-	2,531,653,284	-	-
Accumulated depreciation	-	-	(228,706,484)	-
Total assets	$ 244,225,585	$ 2,531,653,284	$ (228,706,484)	$ -
Deferred Outflows of Resources:				
Deferred amount from pension plans	-	-	-	57,956,702
Deferred amount from OPEB	-	-	-	6,936,584
Total deferred outflows of resources	-	-	-	64,893,286
Total assets and deferred outflows of resources	$ 244,225,585	$ 2,531,653,284	$ (228,706,484)	$ 64,893,286
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position				
Liabilities:				
Accounts payable	$ 8,246,950	$ -	$ -	$ -
Accrued payroll	4,052,607	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,579,459	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Unearned revenue	5,700,000	-	-	-
Due to other funds	5,451,666	-	-	-
Advance from other funds	10,676,659	-	-	-
Long-term liabilities	-	-	-	413,040,887
Total liabilities	36,707,341	-	-	413,040,887
Deferred Inflows of Resources:				
Unavailable revenue	2,495,603	-	-	-
Deferred amount from pension plans	-	-	-	5,420,369
Deferred amount from OPEB	-	-	-	514,125
Total deferred inflows of resources	2,495,603	-	-	5,934,494
Fund balances / net position	205,022,641	2,531,653,284	(228,706,484)	(354,082,095)
Total liabilities, deferred inflows of resources and fund balances / net position	$ 244,225,585	$ 2,531,653,284	$ (228,706,484)	$ 64,893,286

Interest Payable	Investment in Joint Venture	Unavailable Revenue	Internal Service Funds	Reclassifications and Eliminations	Statement of Net Position
$ -	$ -	$ -	$ 66,181,332	$ -	$ 266,322,835
-	-	-	1,796,066	-	7,488,670
-	-	-	-	(10,676,659)	-
-	-	-	-	-	1,261,074
-	-	-	525,135	-	11,203,121
-	-	-	-	-	8,752,177
-	-	-	-	(5,440,235)	379,143
-	246,470	-	-	-	246,470
-	-	-	413,015	-	671,572
-	-	-	984,380	-	1,930,027
-	-	-	44,679,625	-	2,576,332,909
-	-	-	(28,799,348)	-	(257,505,832)
$ -	$ 246,470	$ -	$ 85,780,205	$ (16,116,894)	$ 2,617,082,166
-	-	-	968,098	-	58,924,800
-	-	-	257,398	-	7,193,982
-	-	-	1,225,496	-	66,118,782
$ -	$ 246,470	$ -	$ 87,005,701	$ (16,116,894)	$ 2,683,200,948
$ -	$ -	$ -	$ 852,385	$ -	$ 9,099,335
-	-	-	253,996	-	4,306,603
3,491,913	-	-	-	-	3,491,913
-	-	-	-	-	2,579,459
-	-	-	2,694,118	-	2,694,118
-	-	-	2,867,523	-	2,867,523
-	-	-	4,022,771	-	4,022,771
-	-	-	-	-	5,700,000
-	-	-	367,712	(5,819,378)	-
-	-	-	-	(10,676,659)	-
-	-	-	33,963,342	-	447,004,229
3,491,913	-	-	45,021,847	(16,496,037)	481,765,951
-	-	(2,495,603)	-	-	-
-	-	-	134,592	-	5,554,961
-	-	-	19,112	-	533,237
-	-	(2,495,603)	153,704	-	6,088,198
(3,491,913)	246,470	2,495,603	41,830,150	379,143	2,195,346,799
$ -	$ 246,470	$ -	$ 87,005,701	$ (16,116,894)	$ 2,683,200,948

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

Net position of the City's Enterprise Funds of $150,947,494 differs from net position of the business-type activities of $150,568,351 reported in the government-wide statement of net position. The difference, $379,143 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

	Total Enterprise Funds	Internal Service Funds	Government-wide Statement of Net Position
Assets and Deferred Outflows of Resources			
Cash and investments	$ 36,753,712	$ -	$ 36,753,712
Receivables:			
Accounts (net of allowance)	6,127,558	-	6,127,558
Intergovernmental receivables	101,089		101,089
Interfund balances	-	(379,143)	(379,143)
Capital assets, net	120,769,347	-	120,769,347
Total assets	163,751,706	(379,143)	163,372,563
Deferred outflows of resources:			
Deferred amount from pension plans	1,471,870	-	1,471,870
Deferred amount from OPEB	391,342	-	391,342
Total deferred outflows of resources	1,863,212	-	1,863,212
Total assets and deferred outflows of resources	$ 165,614,918	$ (379,143)	$ 165,235,775
Liabilities and Deferred Inflows of Resources			
Liabilities:			
Accounts payable	$ 3,630,006	$ -	$ 3,630,006
Accrued payroll	171,049	-	171,049
Deposits payable	31,886	-	31,886
Net pension liability	9,432,600	-	9,432,600
Net OPEB liability	1,168,197	-	1,168,197
Total liabilities	14,433,738	-	14,433,738
Deferred inflows of resources:			
Deferred amount from pension plans	204,628	-	204,628
Deferred amount from OPEB	29,058	-	29,058
Total deferred inflows of resources	233,686	-	233,686
Total liabilities and deferred inflows of resources	$ 14,667,424	$ -	$ 14,667,424
Net Position			
Net investment in capital assets	$ 120,291,689	$ -	$ 120,291,689
Unrestricted	30,655,805	(379,143)	30,276,662
Total net position	$ 150,947,494	$ (379,143)	$ 150,568,351

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

The "net change in fund balances" for governmental funds $17,030,920 differs from the "change in net position" for governmental activities $22,914,865 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 (excluding those reported in Intenal Service Funds) 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 outlays	$ 22,681,840
Transfers out of WIP	(10,953,051)
Capital outlays, net	11,728,789
Governmental funds - asset deletions	(3,008,725)
Net change in capital related items	8,720,064
Depreciation expense	(13,357,307)
Deletions in governmental funds accumulated depreciation	1,215,413
Net change in accumulated depreciation	(12,141,894)
Total	$ (3,421,830)

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	$3,405,000
CDBG loan	171,000
Amortization of debt premium	120,553
Total debt payments	$3,696,553

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	$80,629

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	$59,077

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	$1,414,177

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	($6,779,351)

Post-Employment Health Care Benefits Expense

Post-employment health care benefits (OPEB) expense reported in the governmental funds includes the annual required contribution. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability and related change in the OPEB amounts for deferred outflows of resources and deferred inflows of resources.

OPEB expense	$2,391,781

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	$8,757,531

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	$(314,622)

Explanation of Differences Betweeen Government Funds Operating Statement and the Statement of Activities

	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Revenues:				
Taxes and assessments	$ 182,983,069	$ -	$ -	$ -
Intergovernmental	12,672,931	-	-	-
Licenses and permits	5,783,862	-	-	-
Charges for services	21,125,622	-	-	-
Fines and forfeitures	3,509,883	-	-	-
Investment income	3,765,753	-	-	-
Net increase in fair value of investments	3,477,299	-	-	-
Property income	25,651,360	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	795,561	-	-	-
Gain on sale of capital assets	-	-	-	-
Other	5,950,279	-	-	-
Total revenues	265,715,619	-	-	-
Expenditures:				
Current:				
General government	15,968,085	-	2,669,772	526,787
Public safety	118,290,847	52,023	668,368	2,483,810
Public works	45,730,965	2,695,106	6,692,780	633,362
Community development	12,612,751	-	5,082	342,502
Community services	24,474,242	261,596	2,105,892	401,109
Capital outlay	20,376,106	(11,728,789)	-	-
Debt service:				
Principal retirement	3,576,000	-	-	(3,576,000)
Interest and fiscal charges	7,265,703	-	-	
Amortization of gain on refunding	-	-	-	-
Amortization of debt premium	-	-	-	(120,553)
Total expenses	248,294,699	(8,720,064)	12,141,894	691,017
Other financing sources (uses):				
Transfers in	40,373,981	-	-	-
Transfers out	(40,763,981)	-	-	-
Total other financing sources (uses)	(390,000)	-	-	-
Net change in fund balances / net position	17,030,920	8,720,064	(12,141,894)	(691,017)
Fund balances / net position, beginning of year	187,991,721	2,522,933,220	(216,564,590)	(353,391,078)
Fund balances / net position, end of year	$ 205,022,641	$ 2,531,653,284	$ (228,706,484)	$ (354,082,095)

Interest Payable	Investment in Joint Venture	Unavailable Revenue	Internal Service Funds	Reclassifications and Eliminations	Statement of Activities
$ -	$ -	$ -	$ -	$ -	$ 182,983,069
-	-	1,414,177	-	-	14,087,108
-	-	-	-	-	5,783,862
-	-	-	-	(314,622)	20,811,000
-	-	-	-	-	3,509,883
-	-	-	1,304,659	-	5,070,412
-	-	-	1,115,338	-	4,592,637
-	-	-	-	-	25,651,360
-	59,077	-	-	-	59,077
-	-	-	-	-	795,561
-	-	-	158,449	-	158,449
-	-	-	-	-	5,950,279
-	59,077	1,414,177	2,578,446	(314,622)	269,452,697
-	-	-	(878,518)	2,427,924	20,714,050
-	-	-	(3,153,295)	852,549	119,194,302
-	-	-	(809,567)	5,112,214	60,054,860
-	-	-	(341,518)	223,203	12,842,020
-	-	-	(606,187)	31,427	26,668,079
-	-	-	-	(8,647,317)	-
-	-	-	-	-	-
(80,629)	-	-	-	(120,553)	7,064,521
-	-	-	-	-	-
-	-	-	-	120,553	-
(80,629)	-	-	(5,789,085)	-	246,537,832
-	-	-	1,000,000	(41,373,981)	-
-	-	-	(610,000)	41,373,981	-
-	-	-	390,000	-	-
80,629	59,077	1,414,177	8,757,531	(314,622)	22,914,865
(3,572,542)	187,393	1,081,426	33,072,619	693,765	2,172,431,934
$ (3,491,913)	$ 246,470	$ 2,495,603	$ 41,830,150	$ 379,143	$ 2,195,346,799

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 $575,710 differs from the change in net position of the business-type activities $890,332 reported in the government-wide statement of activities. The difference, $314,622, 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	$ 26,893,650	$ -	$ 26,893,650
Sewer service and connection fees	4,043,961	-	4,043,961
Intergovernmental	-	-	-
Other	273,633	-	273,633
Total operating revenues	31,211,244	-	31,211,244
Operating expenses:			
Purchase of water	11,871,043	-	11,871,043
Salaries and wages	7,351,284	-	7,351,284
Depreciation	2,266,971	-	2,266,971
Professional services	3,338,159	-	3,338,159
Maintenance and supplies	2,954,339	(314,622)	2,639,717
System maintenance	1,415,989	-	1,415,989
Other	2,795,712	-	2,795,712
Total operating expenses	31,993,497	(314,622)	31,678,875
Operating income	(782,253)	314,622	(467,631)
Nonoperating revenues (expenses):			
Investment income	732,099	-	732,099
Net increase in fair valur of investments	625,864	-	625,864
Total nonoperating revenues (expenses)	1,357,963	-	1,357,963
Change in net position	575,710	314,622	890,332
Net position, beginning of year	150,371,784	(693,765)	149,678,019
Net position, end of year	$ 150,947,494	$ (379,143)	$ 150,568,351

(3) Budgetary Control and Compliance

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

- During April, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at City Council meetings to obtain taxpayer comments. Prior to July 1, the budget is legally adopted through passage of an appropriation resolution.

- Budgets are adopted on an annual basis consistent with generally accepted accounting principles for General and Special Revenue Funds.

- The City of Newport Beach does not present budget information on Capital Projects Funds since the City approved project-length budgets. These project-length budgets authorize total expenditures over the duration of a construction project rather than year-by-year budgeting.

- The City of Newport Beach does not present budget information on Debt Service and Permanent Funds since the City is not required to and does not adopt an annual budget 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.

Expenditures exceeded appropriations in the following governmental funds:

	Appropriations	Expenditures	Variance
Supplemental Law Enforcement	$ 165,000	$ 206,333	$ (41,333)

The following funds reported deficit fund balances:

Other Governmental Funds	
Junior Lifeguards	$ 50,137
Internal Service Funds	
Compensated Absences	$ 8,024,141

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

(4) Cash and Investments

Cash and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 303,076,547
Restricted cash and investments with fiscal agent	8,752,177
Fiduciary funds:	
Cash and investments	613,943
Restricted cash and investments with fiscal agent	1,752,685
Total cash and investments	$ 314,195,352

Cash and investments as of June 30, 2020, consist of the following:

Cash on hand	$ 24,662
Deposits with financial institutions	10,253,704
Cash and receivables in investment accounts	50
Investments	303,916,936
Total cash and investments	$ 314,195,352

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 trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
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%
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%	20%
Mortgage Pass-Through Securities	5 years	20%	5%
LA County Pooled Investment Funds	N/A	5%	5%
Local Agency Investment Fund (LAIF)	N/A	$75 million	$75 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

Investments of debt proceeds held by bond trustees (i.e., fiscal agents) 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 trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
U.S. Treasury Obligations	6 months – No Limit	No Limit	No Limit
U.S. Agency Securities	6 months – No Limit	No Limit	No Limit
Banker's Acceptances	6 months	No Limit	No Limit
Commercial Paper	180 days - 6 months	No Limit	10%
Money Market Mutual Funds	N/A	No Limit	No Limit
Investment Agreements	6 months – No Limit	No Limit	No Limit
Certificates of Deposit	6 months – No Limit	No Limit	No Limit
Demand Deposits	6 months – No Limit	No Limit	No Limit
Time Deposits	6 months – No Limit	No Limit	No Limit
Local Agency Bonds	6 months – No Limit	No Limit	No Limit
Forward Delivery Agreement	6 months	No Limit	No Limit
Forward Purchase Agreement	6 months	No Limit	No Limit
Repurchase Agreements	6 months – No Limit	No Limit	No Limit
Local Agency Investment Fund (LAIF)	N/A	No Limit	No Limit
Municipal Obligations	6 months – No Limit	No Limit	No Limit
County Pooled Investment Funds	N/A	No Limit	No Limit

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 trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Investment Maturities (In Years)				
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	Total
Investment Type						
Money Market Funds	$ 305,747	$ 305,747	$ -	$ -	$ -	$ 305,747
U.S. Treasuries	57,100,252	9,581,929	47,518,323	-	-	57,100,252
U.S. Agency Bonds	88,867,843	6,828,862	67,434,136	14,604,844	-	88,867,843
Asset Backed Securities	12,314,509	-	5,057,172	7,257,337	-	12,314,509
Corporate Bonds	47,366,946	20,804,611	21,702,780	4,859,555	-	47,366,946
Commercial Papers	4,798,780	4,798,780	-	-	-	4,798,780
Municipal Bonds	2,070,640	-	-	2,070,640	-	2,070,640
LAIF	74,865,641	74,865,641	-	-	-	74,865,641
Supranationals	5,721,765	5,721,765	-	-	-	5,721,765
Investments with Fiscal Agent:						
Money Market Funds	10,366,067	10,366,067	-	-	-	10,366,067
U.S. Treasuries	138,746	138,746	-	-	-	138,746
	$ 303,916,936	$ 133,412,150	$ 141,712,410	$ 28,792,376	$ -	$ 303,916,936

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

Some of the City's investments may have call features where the investments' principal may be paid down before its maturity. Such investments include asset backed securities, investments with make whole call provisions, and investments with call dates.

The City's asset backed securities pay monthly coupons, at which time principal may be paid down. As of June 30, 2020, the City held asset backed securities of $12,314,509.

Investments with make whole call provisions generally may be called any time, but the terms of the call price generally mitigate the financial impact of a call. As of June 30, 2020, the City held corporate bonds with make whole call provisions as summarized below:

Maturity	Value
July 2020	$ 996,788
September 2020	646,729
February 2021	710,227
May 2021	3,079,630
July 2021	2,022,520
December 2021	519,155
January 2023	1,050,500
May 2023	1,057,070
January 2024	1,628,255
February 2024	2,070,640
	$ 13,781,513

Investments with call dates may be called anytime on or after the call date. As of June 30, 2020, the City held corporate bonds with call dates as summarized below:

Maturity		Value	Call Date
October 2020	$	1,427,242	September 2020
February 2021		453,816	January 2021
April 2021		1,522,875	March 2021
December 2021		1,028,810	November 2021
January 2022		1,032,920	December 2021
February 2022		1,797,408	January 2022
August 2023		1,045,300	June 2023
February 2024		2,186,000	January 2024
	$	10,494,371	

Investments may have both a make whole call provision and a regular call date. As of June 30, 2020, the City held corporate bonds with both a make whole call provision and a regular call date as summarized below:

Maturity		Value	Call Date
December 2020	$	1,006,590	November 2020
May 2021		2,440,070	April 2021
June 2021		1,525,575	May 2021
February 2022		2,050,040	November 2021
May 2022		2,067,960	March 2022
December 2022		1,056,090	October 2022
March 2023		1,059,040	January 2023
June 2023		2,178,740	May 2023
	$	13,384,105	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2020, 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 in the following schedule is the minimum rating (where applicable) required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating by Standard & Poor's as of the June 30, 2020 for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	AAA	AAAm	AA+	AA	AA-	A+	A	A-1	A-	Not Rated
Money Market Funds	$ 305,747	AAAm	$ -	$ 305,747	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Treasuries	57,100,252	N/A	-	-	57,100,252	-	-	-	-	-	-	-
U.S. Agency Bonds	88,867,843	N/A	-	-	88,867,843	-	-	-	-	-	-	-
Asset Backed Securities	12,314,509	AAA	7,151,099	-	-	-	-	-	-	-	-	5,163,410
Corporate Bonds	47,366,946	A	-	-	1,057,070	3,237,780	3,096,130	10,301,491	19,713,771	-	9,960,703	-
Commercial Papers	4,798,780	A-1	-	-	-	-	-	-	-	4,798,780	-	-
Municipal Bonds	2,070,640	A	-	-	2,070,640	-	-	-	-	-	-	-
LAIF	74,865,641	N/A	-	-	-	-	-	-	-	-	-	74,865,641
Supranationals	5,721,765	AA	3,985,140	-	-	-	-	-	-	-	-	1,736,626
Investments with Fiscal Agent:												
Money Market Funds	10,366,067	AAm	-	10,366,067	-	-	-	-	-	-	-	-
U.S. Treasuries	138,746	N/A	-	-	138,746	-	-	-	-	-	-	-
	$ 303,916,936		$ 11,136,239	$ 10,671,814	$ 149,234,551	$ 3,237,780	$ 3,096,130	$ 10,301,491	$ 19,713,771	$ 4,798,780	$ 9,960,703	$ 81,765,677

Concentration of Credit Risk

The investment policy of the City and the California Government Code limit the amount that can be invested in any one issuer as previously discussed. Investments in any one issuer (excluding U.S. Treasury Bills, U.S. Treasuries, mutual funds, and pooled investments) that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal agency securities	$ 52,398,600
FFCB	Federal agency securities	$ 25,837,964

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, 2020, none of the City's deposits with financial institutions in excess of federal depository amounts were held in uncollateralized accounts.

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

Investment in State Investment Pool

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

Limitations and restrictions apply to the City's investment in LAIF. Up to 15 transactions with LAIF are permitted each month. Balances in LAIF may not exceed $75 million, with the exception of bond accounts. LAIF requests one day prior notice for withdrawals of $10 million or more.

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 other observable inputs. Level 3 inputs are significant unobservable inputs.

Most of the City's investments are in Level 2 of the fair value hierarchy. Examples of Level 2 valuation inputs include:

a) Quoted prices for similar assets or liabilities in active markets
b) Quoted prices for identical or similar assets or liabilities in markets that are not active
c) Inputs other than quoted prices that are observable for the asset or liability
d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Following are the City's recurring fair value measurements as of June 30, 2020:

	Fair Value	Investments That Are Not Subject to Fair Value Hierarchy	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	$ 305,747	$ 305,747	$ -	$ -	$ -
U.S. Treasuries	57,100,252	-	-	57,100,252	-
U.S. Agency Bonds	88,867,843	-	-	88,867,843	-
Asset Backed Securities	12,314,509	-	-	12,314,509	-
Corporate Bonds	47,366,946	-	-	47,366,946	-
Commercial Papers	4,798,780	-	-	4,798,780	-
Municipal Bonds	2,070,640	-	-	2,070,640	-
LAIF	74,865,641	74,865,641	-	-	-
Supranationals	5,721,765	-	-	5,721,765	-
Investments with Fiscal Agent:					
Money Market Funds	10,366,067	10,366,067	-	-	-
U.S. Treasuries	138,746	-	-	138,746	-
	$ 303,916,936	$ 85,537,456	$ -	$ 218,379,481	$ -

(5) Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2020
Non-depreciable:				
Land and rights of way	$ 1,897,376,130	$ 144,355	$ -	$ 1,897,520,485
Work in progress	11,130,736	5,835,025	(10,953,051)	6,012,710
	1,908,506,866	5,979,380	(10,953,051)	1,903,533,195
Depreciable:				
Structures	232,851,518	7,229,573	(202,531)	239,878,560
Equipment	52,280,904	3,798,437	(2,241,707)	53,837,634
Infrastructure	372,522,070	9,256,557	(2,695,107)	379,083,520
	657,654,492	20,284,567	(5,139,345)	672,799,714
Less accumulated depreciation for:				
Structures	(44,600,003)	(4,999,754)	202,531	(49,397,226)
Equipment	(32,915,937)	(4,375,205)	2,227,407	(35,063,735)
Infrastructure	(166,420,073)	(7,530,892)	906,094	(173,044,871)
	(243,936,013)	(16,905,851)	3,336,032	(257,505,832)
Net Depreciable	413,718,479	3,378,716	(1,803,313)	415,293,882
Net Capital Assets	$ 2,322,225,345	$ 9,358,096	$ (12,756,364)	$ 2,318,827,077

Governmental Activities capital assets net of accumulated depreciation at June 30, 2020 are comprised of the following:

General Capital Assets, net	$ 2,302,946,800
Internal Service Fund Capital Assets, net	15,880,277
	$ 2,318,827,077

Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2020
Non-depreciable:				
Land and rights of way	$ 2,219,450	$ -	$ -	$ 2,219,450
Work in progress	288,902	2,855,174	(288,902)	2,855,174
	2,508,352	2,855,174	(288,902)	5,074,624
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	288,376	36,798	-	325,174
Infrastructure	185,497,850	1,104,684	(51,339)	186,551,195
	186,474,622	1,141,482	(51,339)	187,564,765
Less accumulated depreciation for:				
Structures	(248,784)	(15,357)	-	(264,141)
Equipment	(137,951)	(20,359)	-	(158,310)
Infrastructure	(69,249,889)	(2,231,255)	33,553	(71,447,591)
	(69,636,624)	(2,266,971)	33,553	(71,870,042)
Net Depreciable	116,837,998	(1,125,489)	(17,786)	115,694,723
Net Capital Assets	$ 119,346,350	$ 1,729,685	$ (306,688)	$ 120,769,347

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

	Governmental Activities*	Business-type Activities
General government	$ 4,963,767	$ -
Public safety	1,667,379	-
Public works	7,714,605	-
Community development	5,082	-
Community service	2,555,018	-
Water	-	1,631,573
Wastewater	-	635,398
	$ 16,905,851	$ 2,266,971

*Internal Service Fund depreciation of $3,548,544 is allocated to governmental functions above.

(6) Long-Term Liabilities

Changes in Long-Term Liabilities

The long-term liabilities for the year ended June 30, 2020, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Other debt:					
Certificates of participation payable	$ 104,100,000	$ -	$ (3,405,000)	$ 100,695,000	$ 3,065,000
Bond premium - Series 2010A	120,553	-	(120,553)	-	-
Direct borrowing:					
CDBG loan	756,000	-	(171,000)	585,000	182,000
Other long-term liabilities:					
Workers' compensation payable	16,270,000	1,646,315	(2,395,315)	15,521,000	2,867,523
Claims and judgments payable	6,951,907	6,559,117	(5,550,076)	7,960,948	2,694,118
Compensated absences	12,568,977	2,924,542	(2,400,200)	13,093,319	4,022,771
Total governmental activities	$ 140,767,437	$ 11,129,974	$ (14,042,144)	$ 137,855,267	$ 12,831,412

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 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 have been defeased and are no longer outstanding. 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, 2020 the City has received $21,723,624 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 payment the Series 2010B Certificates, which commenced July 1, 2018 and are payable through July 1, 2040, range from $3,065,000 to $7,245,000. The total outstanding balance at June 30, 2020 amounted to $100,695,000. The following assets have been pledged as collateral for the outstanding balance: Central Library, Civic Center, Fire Station 3, Fire Station 4, Fire Station 7, Mariner’s Library, Newport Coast Community Center, Oasis Senior Center and the Police Station.

The annual amortization requirements of the outstanding Series 2010B Certificates of Participation are as follows:

Year Ending June 30	Principal	Interest	Total
2021	$ 3,065,000	$ 6,895,351	$ 9,960,351
2022	3,165,000	6,733,265	9,898,265
2023	3,275,000	6,556,869	9,831,869
2024	3,390,000	6,365,978	9,755,978
2025	3,510,000	6,142,971	9,652,971
2026-2030	20,165,000	26,660,418	46,825,418
2031-2035	25,220,000	18,624,173	43,844,173
2036-2040	31,660,000	8,476,518	40,136,518
2041	7,245,000	259,661	7,504,661
	$ 100,695,000	$ 86,715,204	$ 187,410,204

- 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 $182,000 to $208,000 through June 30, 2023. The outstanding balance at June 30, 2020, amounts to $585,000.

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

Year Ending June 30	Principal	Interest	Total
2021	$182,000	$11,480	$193,480
2022	195,000	7,387	202,387
2023	208,000	2,548	210,548
	$585,000	$21,415	$606,415

- 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, 2020, 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, 2020, for general liability amounted to $7,960,948 and for workers' compensation was $15,521,000.

- 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, 2020, is $13,093,319. Compensated absences are liquidated from the Compensated Absences internal service fund.

- Unused Credit

  The City has a letter of credit in the amount of $317,922.

(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, 2020, for each district under the Bond Acts of 1911 and 1915, and other special assessments, are as follows:

Assessment District	Original Issue	Bonds Outstanding June 30, 2020
Reassessment District 2012	$13,583,436	$3,215,459
Assessment District No. 117	$ 2,955,000	$2,785,000
Assessment District No. 116	$ 1,575,000	$1,575,000
Assessment District No. 116B	$ 665,000	$ 665,000
Assessment District No. 111	$ 2,412,000	$2,412,000

(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 Public Risk Innovation, Solutions, and Management (PRISM), formerly called 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. PRISM provides coverage under the terms of a joint-powers agreement with the City as follows:

Type of Coverage	Self-Insured Retention (SIR)	Coverage Limits
General Liability	$500,000	$25,000,000
Workers' Compensation	$500,000	Statutory

PRISM was established for the purpose of creating a risk management pool for all California public entities. PRISM 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 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 $23,481,948, which represents the discounted present value at June 30, 2020. The claims are discounted using an interest rate of 3.0 percent.

	General Liability		Workers' Compensation	
	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020
Unpaid claims, beginning of fiscal year	$ 12,944,391	$ 6,951,907	$ 16,489,000	$ 16,270,000
Incurred claims (including IBNR)	1,296,366	6,559,117	2,351,675	1,646,315
Claim payments	(7,288,850)	(5,550,076)	(2,570,675)	(2,395,315)
Unpaid claims, end of fiscal year	$ 6,951,907	$ 7,960,948	$ 16,270,000	$ 15,521,000

For the past four 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 $120,659,966 at June 30, 2020.

(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. PEPRA 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.

The Plans' provisions and benefits in effect for the measurement period ended June 30, 2019 are summarized as follows:

	Miscellaneous		
Hire date	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
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	27.40% - 28.05%	23.98% - 24.63%	22.48% - 23.13%

	Safety		
Hire date	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
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	12.0% - 14.6%	12.0% - 14.6%	12.0% - 14.6%
Required employer contribution rates	61.55% - 64.15%	61.55% - 64.15%	63.05% - 65.65%

Employees Covered – At the measurement date of June 30, 2019, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	664	439
Inactive employees entitled to but not yet receiving benefits	585	88
Active employees	505	264
Total	1,754	791

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 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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The General fund and Tidelands funds have typically been used in prior years to liquidate the net pension liability. 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, 2018 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2018	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary Increase	Varies by Entry Age and Service	
Investment Rate of Return	7.375% (1)	7.375% (1)
Mortality Rate Table (2)	Derived using CalPERS' Membership Date for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% 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 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 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.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset class [1]	Assumed asset allocation	Real return Years 1-10 [2]	Real Return Years 11+[3]
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	-	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%

[1] In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

[2] An expected inflation of 2.0% used for this period.

[3] An expected inflation of 2.92% used for this period.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

c. Changes in the Net Pension Liability

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

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018	$ 417,442,358	$ 303,385,616	$ 114,056,742
Changes in the year:			
Service cost	7,084,444	-	7,084,444
Interest on the total pension liability	29,409,624	-	29,409,624
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	403,676	-	403,676
Net Plan to Plan Resource Movement	-	1,570	(1,570)
Contribution – employer		15,700,833	(15,700,833)
Contribution – employee	-	3,955,144	(3,955,144)
Net investment income	-	19,895,019	(19,895,019)
Benefit payments, including refunds of employee contributions	(20,129,701)	(20,129,701)	-
Administrative Expense	-	(216,502)	216,502
Other Miscellaneous Income/(Expense)	-	700	(700)
Net changes	16,768,043	19,207,063	(2,439,020)
Balance at June 30, 2019	$ 434,210,401	$ 322,592,679	$ 111,617,722

Safety Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2018	$ 566,357,864	$ 369,931,799	$ 196,426,065
Changes in the year:			
Service cost	9,292,715	-	9,292,715
Interest on the total pension liability	40,081,524	-	40,081,524
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	4,798,077	-	4,798,077
Net Plan to Plan Resource Movement	-	(1,570)	1,570
Contribution – employer	-	28,344,445	(28,344,445)
Contribution – employee	-	3,162,044	(3,162,044)
Net investment income	-	24,254,890	(24,254,890)
Benefit payments, including refunds of employee contributions	(30,443,097)	(30,443,097)	-
Administrative Expense	-	(263,991)	263,991
Other Miscellaneous Income/(Expense)	-	855	(855)
Net changes	23,729,219	25,053,576	(1,324,357)
Balance at June 30, 2019	$ 590,087,083	$ 394,985,375	$ 195,101,708

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	6.15%	6.15%
Net Pension Liability	$169,623,775	$272,137,957
Current Discount Rate	7.15%	7.15%
Net Pension Liability	$111,617,722	$195,101,708
1% Increase	8.15%	8.15%
Net Pension Liability	$63,735,602	$131,423,449

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

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

For the year ended June 30, 2020, the City recognized pension expense of $52,285,854 ($20,891,673 Miscellaneous Plan and $31,394,181 Safety Plan). At June 30, 2020, 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	$ 16,351,592	$ -
Differences between expected and actual experience	1,065,323	-
Changes in assumptions	-	(894,937)
Net differences between projected and actual earnings on plan investments	-	(1,526,471)
Total Miscellaneous Plan	$ 17,416,915	$ (2,421,408)

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 28,531,744	$ -
Differences between expected and actual experience	5,344,872	(842,231)
Changes in assumptions	9,103,139	(853,833)
Net differences between projected and actual earnings on plan investments	-	(1,642,117)
Total Safety Plan	$ 42,979,755	$ (3,338,181)
Grand Total	$ 60,396,670	$ (5,759,589)

$44,883,336 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 ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Misc.	Safety	Total Amount
2021	1,143,153	9,331,501	10,474,654
2022	(2,395,977)	473,112	(1,922,865)
2023	(446,418)	748,964	302,546
2024	343,157	556,253	899,410
Thereafter	-	-	-

e. Payable to the Pension Plan

At June 30, 2020, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

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, 2020, the City's covered payroll for employees participating in the plan was $3,506,431. Employees made contributions of $131,492 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled $2,451,992 at June 30, 2020.

(11) Post-Employment Health Care Benefits (OPEB)

The following description of the City of Newport Beach Retiree Health Savings ("RHS") Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Plan Description

Effective January 2006, the City and employee associations agreed to major changes in the Post-Employment Health Care Plan. All employees and eligible retirees will participate in a Retiree Health Savings ("RHS") sponsored by the City, the single employer of the plan and held in trust and managed by the International City Management Association Retirement Corporation ("ICMA-RC") (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 RHS 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 care benefits existing at the inception of the Plan.

For fully converted employees, the City will make a one-time contribution into their individual RHS account of $100 per month for every month the employee contributed to the previous defined benefit plan, for a maximum of 15 years. For employees who elected to retain a hybrid plan, the City will make a one-time contribution into their individual RHS account of $75 per month for every month the employee contributed to the previous defined plan for a maximum of 15 years. In order to receive this, the employee must retire from the City. At June 30, 2020, the liability for the conversion part of the RHS Plan was $1,742,890. It is not included in the Net OPEB Liability, but is included in the compensated absences liability. See Notes (6) and (17).

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 RHS account each month. The defined benefit portion of the plan is closed to new participants.

Employees Covered

As of the measurement date June 30, 2019, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees, spouses, or beneficiaries currently receiving benefits	605
Inactive employees or beneficiaries entitled to but not yet receiving benefits	53
Active employees	790
Total	1,448

Contributions

Contribution requirements are established by City policy and may be amended by the City Council. The annual contribution is based on the actuarially determined contribution. For the year ended June 30, 2020, the City's cash contributions were $4,557,236 to the trust in premium payments, the estimated implicit subsidy was $822,563, resulting in total payment of $5,379,799.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019. The General fund and Tidelands funds have typically been used in prior years to liquidate the net OPEB liability. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Projected Salary Increase	2.75% per annum, in aggregate
Expected long term investment rate of return	6.50%
Healthcare Cost Trend Rates	6.50% HMO/6.50% PPO
Post Retirement Turnover	Derived from CalPERS pension plan
Mortality	Derived from CALPERS pension plan updated to reflect most recent experience study

The actuarial assumptions used in the June 30, 2019 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The asset class percentages are taken from the current composition of the California Employers' Retiree Benefit Trust ("CERBT"), and the expected yields are taken from a recent CalPERS publication for the pension fund:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
CERBT		
Global Equity	59.00%	5.50%
Global Debt Securities	25.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	**100.00%**	

Discount Rate

The discount rate used to measure the total OPEB liability is 6.50% per annum. This is the expected long-term rate of return on City assets using investment strategy 1 within CERBT. The projection of cash flows used to determine the discount rate assumed that the City contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position is projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	$ 44,296,670	$ 21,696,948	$ 22,599,722
Changes in the year:			
Service cost	524,717	-	524,717
Interest on the total OPEB liability	2,795,490	-	2,795,490
Changes of benefit terms	-	-	-
Changes of assumptions	114,311	-	114,311
Differences between expected and actual experience	2,532,319	-	2,532,319
Contributions - employer	-	4,460,937	(4,460,937)
Contributions - employees	-	-	-
Net investment income	-	1,495,861	(1,495,861)
Benefit payments, including refunds of employee contributions	(3,627,695)	(3,627,695)	-
Administrative expenses	-	(4,980)	4,980
Other expense	-	-	-
Net changes	2,339,142	2,324,123	15,019
Balance at June 30, 2019	$ 46,635,812	$ 24,021,071	$ 22,614,741

Change of Assumptions

The inflation rate changed from 2.75% to 2.50%. The projected salary increases rate changed from 3.00% to 2.75%. The HMO healthcare cost trend rate changed from 6.00% to 6.50%.

Change of Benefit Terms

There was no change of benefit terms.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	$ 27,299,124	$ 22,614,741	$ 18,639,125

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.50% HMO/5.50% PPO) or 1-percentage point higher (7.50% HMO/7.50% PPO) than current healthcare cost trend rates:

	1% Decrease (5.5%HMO/5.5%PPO decreasing to 4.0%HMO/4.0%PPO)	Current Healthcare Cost Trend Rates (6.5%HMO/6.5%PPO decreasing to 5.0%HMO/5.0%PPO)	1% Increase (7.5%HMO/7.5%PPO decreasing to 6.0%HMO/6.0%PPO)
Net OPEB Liability	$ 20,865,882	$ 22,614,741	$ 25,039,131

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

For the year ended June 30, 2020, the City recognized OPEB expense of $2,092,808. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 5,379,799	$ -
Differences between expected and actual experience	2,110,266	-
Changes of assumptions	95,259	-
Net difference between projected and actual earnings on OPEB plan investments	-	(562,295)
Total	$ 7,585,324	$ (562,295)

The differences between expected and actual experience and changes of assumptions are amortized over a six year period.The net difference between projected and actual earnings on plan investment is amortized over a five year period.

An amount of $5,379,799, which is reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021.

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

Year Ending June 30	Amount
2021	204,841
2022	204,843
2023	363,065
2024	429,376
2025	441,105

Payable to the OPEB Plan

At June 30, 2020, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2020.

(12) Interfund Receivables and Payables

At June 30, 2020, interfund advances receivable and payable were as follows:

	Advance from	Advance to
General Fund	$10,676,659	$ -
Tide and Submerged Land - Harbor Capital Fund	-	10,676,659
Total	$ 10,676,659	$ 10,676,659

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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.

The annual amortization of the repayment of the advance is as follows:

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

Fiscal Year	Advance #1 Dredging Projects Repayment	Advance #2 Marina Park Project Repayment	Total Repayment
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	**$ 5,676,659**	**$ 5,000,000**	**$ 10,676,659**

At June 30, 2020, interfund receivables and payable were as follows:

	Due from	Due to
General Fund	$ 377,249	$ -
Facilities Financial Planning Reserve Fund	5,442,129	-
Civic Center COP	-	5,391,992
Internal Service Funds	-	367,712
Other Governmental Funds	-	59,674
Total	$ 5,819,378	$ 5,819,378

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

(13) Interfund Transfers

Interfund transfers at June 30, 2020, consisted of the following:

		Transfers In						
		Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Facilities Financial Planning Reserve	Civic Center COP	Internal Service Funds	Other Governmental Funds	Total
Transfers Out	General Fund	$ 3,042,672	$ 5,414,939	$ 9,915,459	$ -	$ 1,000,000	$ 12,973,173	$ 32,346,243
	Tide and Submerged Land - Operating	-	-	-	-	-	10,740	10,740
	Facilities Financial Planning Reserve	-	-	-	8,086,599	-	210,399	8,296,998
	Internal Service Funds	-	-		-	-	610,000	610,000
	Other Governmental Funds	-	-	-	-	-	110,000	110,000
Total		$ 3,042,672	$ 5,414,939	$ 9,915,459	$ 8,086,599	$ 1,000,000	$ 13,914,312	$ 41,373,981

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred $3,042,672 to subsidize the maintenance and operation of the Tide and Submerged Land – Operating Fund; $5,414,939 to the Tide and Submerged Land – Harbor Capital Fund to cash fund Harbor Capital projects; $9,915,459 to the Facilities Financial Planning Reserve Fund to cash fund construction projects for General Fund supported facilities; $1,000,000 to the Insurance Reserve internal service fund; $12,973,173 to Other Governmental Funds which includes $5,025,724 to the Neighborhood Enhancement Fund to fund construction projects and acquire Rule 20A credits, $2,301,391 to the Facilities Maintenance Fund, $5,557,254 to the Unrestricted Capital Improvements Fund for General Fund capital improvements, and $88,804 to the Assessment District Fund for assessment district expenditures.

The Facilities Financial Planning Reserve Fund transferred $8,086,599 to the Civic Center COP Fund for the debt service payments related to the Civic Center Certificates of Participation; $210,399 to Other Governmental Funds to cash fund construction projects which includes $109,199 to the Strategic Planning Fund; $50,000 to the Junior Lifeguards Fund, $43,685 to the Miscellaneous Facilities Financing Fund, and $7,515 to the Sunset Ridge Park Fund.

The Information Technology Fund transferred $610,000 to the Unrestricted Capital Improvements Fund for updates to the General Plan.

The Building Excise Tax Fund transferred $110,000 to the Parks and Community Centers Fund for the Central Library Lecture Hall project.

The Tide and Submerged Land – Operating Fund transferred $10,740 to the Environmental Liability 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. In Fiscal Year 2017-18, the 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. At June 30, 2020, 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, Brea, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, and Orange for the operation of a communication network to provide fire suppression, emergency medical assistance, and rescue services. The oversight board consists of one voting member and one alternate appointed by the governing body of each member agency. The City of Newport Beach's costs are based each fiscal year upon the number of recorded incidents attributable to the City divided by the recorded incidents attributable to all members during the year, and are recorded in the General Fund as an expenditure for service. Upon termination of the agreement, the proceeds from the sale of the property and assets of the joint venture will be paid to each member agency pursuant to their fair share percentage. Annually, the amounts paid by the City to this joint venture are approximately $750,086. The City's 11.23% interest in the net equity of this joint venture at June 30, 2020, amounts to $246,470. 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 25 member agencies, with an oversight board consisting of 16 members from the participating agencies and 1 alternate. 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, 2020. 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 Notes 6 and 8.)

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, 2020, the City paid VNB $4,529,608.

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
Advanced Metering Infrastructure	$ 3,185,362	$ 62,529	$ 3,136,163
Cameo Highlands Street Rehab	2,900,000	201,057	2,654,944
Bonita Canyon Rd Pavement Rehab	2,655,088	345,851	2,181,003
General Plan Update	2,110,000	347,431	1,606,880
Newportt Pier Area Water Main Replc	2,526,621	1,153,642	1,373,062
UUD 22 Balboa Blvd	2,418,453	1,133,730	1,012,562
Concrete Street Pavement Reconstruc	1,622,124	619,050	1,003,074
Traffic Signal Rehabilitation	988,860	45,038	909,085
Slurry Seal Program	998,005	142,105	855,900
Lower Sunset View Park Concept	5,768,660	438,108	692,335
Police Station Remodel	750,548	83,114	667,897
Central Library Lecture Hall	639,948	84,662	556,642
Sewer Main Lining / Repairs	1,443,340	930,462	512,878

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

	Major Governmental Funds				Other Governmental Funds			
	General	Tide and Submerged Land Operating	Tide and Submerged Land Harbor Capital	Measure M	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total
Drainage	$ -	$ -	$ -	$ -	$ -	$ 353,648	$ -	$ 353,648
Streets	20,446	39,243	-	1,150,989	5,553,789	2,615,498	-	9,379,965
Facilities	-	-	-	-	-	981,235	-	981,235
Miscellaneous and studies	-	-	-	-	-	2,078,785	-	2,078,785
Parks	119,354	-	-	-	-	1,437,826	-	1,557,180
Contract services	1,229,057	-	-	-	-	-	-	1,229,057
Supplies and materials	292,733	-	-	-	-	-	-	292,733
Maintenance and repairs	268,212	-	-	-	-	604,097	-	872,309
General	145,830	-	-	-	-	3,368	-	149,198
Beaches	-	248,244	454,498	-	-	-	-	702,742
Equipment	-	330,110	209,969	-	36,338	-	-	576,417
Total encumbrances	$ 2,075,632	$ 617,597	$ 664,467	$ 1,150,989	$ 5,590,127	$ 8,074,457	$ -	$ 18,173,269

(16) Fund Balance

Governmental Fund Balance at June 30, 2020, is classified as follows:

							Other Governmental Funds			
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Measure M	Facilities Financial Planning Reserve	Civic Center COP	Special Revenue Funds	Capital Project Funds	Permanent Funds	Totals
Nonspendable:										
Prepaid items (legally restricted)	$ 928,899	$ -	$ -	$ -	$ -	$ -	$ 16,748	$ -	$ -	$ 945,647
Inventories (legally restricted)	258,558	-	-	-	-	-	-	-	-	258,558
Long-term loan receivable (form restricted)	10,676,659	-	-	-	-	-	-	-	-	10,676,659
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:										
Affordable housing	1,321,736	-	-	-	-	-	-	-	-	1,321,736
Oceanfront encroachment	1,457,744	-	-	-	-	-	-	-	-	1,457,744
Upper Newport bay restoration	-	1,099,953	-	-	-	-	-	-	-	1,099,953
Cable franchise reserve	2,083,366	-	-	-	-	-	-	-	-	2,083,366
Community development	847,590	-	-	-	-	-	-	-	-	847,590
Streets and highways	-	-	-	-	-	-	368,745	-	-	368,745
Public safety	-	-	-	-	-	-	862,654	-	-	862,654
Parks	-	-	-	-	4,446,847	-	84,709	-	-	4,531,556
Facilities	-	-	-	-	-	-	84,709	-	-	84,709
Transportation	-	-	-	-	-	-	2,271,172	-	-	2,271,172
Air quality improvement	-	-	-	-	-	-	915,825	-	-	915,825
Environmental liability mitigation	-	-	-	-	-	-	8,581,826	-	-	8,581,826
Dredging	-	-	6,771,897	-	-	-	-	-	1,593,881	8,365,778
Libraries	-	-	-	-	-	-	-	-	215,565	215,565
Scholarships	-	-	-	-	-	-	-	-	228,076	228,076
Fiin	-	-	-	-	-	-	1,332,932	-	-	1,332,932
Debt service	-	-	-	-	-	1,159,386	-	-	-	1,159,386
Capital re-appropriations	-	433,973	8,962,168	585,533	-	-	1,205,949	4,074,617	-	15,262,240
Coronavirus recovery							3,619			3,619
Encumbrance reserve:										
Beaches	-	248,244	454,498	-	-	-	-	-	-	702,742
Streets	-	39,243	-	1,150,989	-	-	5,553,789	-	-	6,744,021
Equipment	-	330,110	209,969	-	-	-	36,338	-	-	576,417
Committed:										
Strategic planning	-	-	-	-	-	-	-	157,239	-	157,239
Facilities replacement	-	-	-	-	12,599,992	-	-	-	-	12,599,992
Facilities maintenance	-	-	-	-	-	-	-	4,114,749	-	4,114,749
Civic center and park	-	-	-	-	-	-	-	1,724,507	-	1,724,507
Sunset ridge park	-	-	-	-	-	-	-	96,951	-	96,951
Fire station	-	-	-	-	-	-	-	2,190,772	-	2,190,772
Oil and gas liabilities	-	720,000	-	-	-	-	-	-	-	720,000
Parks and community centers	-	-	-	-	-	-	-	344,281	-	344,281
Parking management	135,180	-	-	-	-	-	-	830,895	-	966,075
Neighborhood enhancement	-	-	-	-	-	-	-	3,494,934	-	3,494,934
Capital re-appropriations	-	-	-	-	-	-	-	13,686,784	-	13,686,784
Encumbrance reserve:										
Drainage	-	-	-	-	-	-	-	353,648	-	353,648
Streets	20,446	-	-	-	-	-	-	2,615,498	-	2,635,944
Facilities	-	-	-	-	-	-	-	981,235	-	981,235
Miscellaneous and studies	-	-	-	-	-	-	-	2,078,785	-	2,078,785
Parks	119,354	-	-	-	-	-	-	1,437,826	-	1,557,180
Contract services	1,229,057	-	-	-	-	-	-	-	-	1,229,057
Supplies and materials	292,733	-	-	-	-	-	-	-	-	292,733
Maintenance and repairs	268,212	-	-	-	-	-	-	604,097	-	872,309
General	145,830	-	-	-	-	-	-	3,368	-	149,198
Assigned:										
Recreation and senior services	593,720	-	-	-	-	-	-	-	-	593,720
Fair value adjustment reserve	2,005,108	-	-	-	-	-	-	-	-	2,005,108
Unassigned:	76,699,280	-	-	-	-	-	-	(50,137)	-	76,649,143
Total fund balances	$99,083,472	$ 2,871,523	$ 16,398,532	$ 1,736,522	$ 17,046,839	$ 1,159,386	$ 21,319,015	$38,740,049	$ 6,667,303	$205,022,641

(17) COVID-19 Pandemic

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of an outbreak of a new strain of coronavirus ("COVID-19 outbreak") and the risks that is posed to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The City's operations are primarily dependent on the ability to collect property taxes, transient occupancy taxes, sales taxes, franchise taxes and utility user taxes. Additionally, access to grants and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The COVID-19 outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress certain tax bases and other areas in which the City receives revenue during fiscal year 2021. However, property taxes, which are the number one source of revenue for the City, are expected to remain among the least affected revenue sources by the pandemic.

The City has continued to provide core services including public safety (police and fire), and water and sewer services without disruption during the COVID-19 pandemic. However, the COVID-19 pandemic has impacted certain other services that the City provides. During periods when the stay at home orders have been in effect, City Hall and the City's public libraries and community centers are closed for public use. The City has implemented an Emergency Telecommuting Policy that specifies the conditions under which employees are allowed to telecommute and the rules for doing so. The City has also mandated that City employees work A/ B shifts to ensure continuity of operations, accommodate social distancing and reduce viral load within City Hall.

The negative impacts from the COVID-19 pandemic on the City's revenues in fiscal year 2019-20 are expected to continue into fiscal year 2020-21 and potentially several fiscal years beyond depending on the pace of recovery of the local economy and the return of conventions and tourism activity to the levels which existed prior to the outbreak of the COVID-19 pandemic. While certain businesses and industries have begun to reopen, social distancing protocols currently remain intact. These protocols could continue to limit the capacity of businesses, and many other tourism and sales tax generating activities for the City.

(18) Subsequent Events

Certificates of Participation for Fire Station No. 2

On December 8, 2020 the City issued $7,860,000 of City of Newport Beach Certificates of Participation 2020A (Fire Station No. 2). The bonds are issued in serial maturities over ten years with all bonds having a 4.0% coupon. The bond proceeds will primarily be used to provide financing for the acquisition, improvement and equipping of a new Fire Station No. 2. Bond proceeds will also be used to pay costs of issuance of the bonds.

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

FINANCIAL SECTION

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2020
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees

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

	2020	2019	2018	2017	2016	2015
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability						
Service cost	$ 7,084,444	$ 7,334,861	$ 7,151,754	$ 6,303,642	$ 6,087,960	$ 6,523,874
Interest on total pension liability	29,409,624	28,226,598	27,069,673	26,375,073	25,427,094	24,624,559
Differences between expected and actual experience	403,676	2,243,854	(4,912,853)	(2,686,814)	(4,736,006)	-
Changes in assumptions	-	(2,522,093)	22,616,424	-	(6,309,248)	-
Changes in benefits	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(20,129,701)	(18,458,539)	(17,249,398)	(16,714,022)	(16,374,370)	(15,290,340)
Net Change in Total Pension Liability	16,768,043	16,824,681	34,675,600	13,277,879	4,095,430	15,858,093
Total Pension Liability - beginning	417,442,358	400,617,677	365,942,077	352,664,198	348,568,768	332,710,674
Total Pension Liability - ending (a)	$ 434,210,401	$ 417,442,358	$ 400,617,677	$ 365,942,077	$ 352,664,198	$ 348,568,767
Plan Fiduciary Net Position						
Contributions - employer	$ 15,700,833	$ 15,797,595	$ 10,509,243	$ 9,904,636	$ 6,615,920	$ 5,793,768
Contributions - employee	3,955,144	3,979,337	4,134,130	4,206,942	4,321,646	4,319,336
Net investment income	19,895,019	23,855,196	28,349,491	1,241,432	5,687,908	38,237,161
Administrative expense	(216,502)	(435,499)	(375,172)	(155,791)	(287,862)	-
Other miscellaneous income/(expense)	700	(827,021)	-	-	-	-
Plan to plan resource movement	1,570	(700)	-	(2,387)	26,981	-
Benefit payments	(20,129,701)	(18,458,539)	(17,249,398)	(16,714,022)	(16,374,370)	(15,290,340)
Net change in Plan Fiduciary Net Position	19,207,063	23,910,369	25,368,294	(1,519,190)	(9,777)	33,059,925
Plan Fiduciary Net Position - beginning	303,385,616	279,475,247	254,106,953	255,626,143	255,635,920	222,575,995
Plan Fiduciary Net Position - ending (b)	$ 322,592,679	$ 303,385,616	$ 279,475,247	$ 254,106,953	$ 255,626,143	$ 255,635,920
Net pension liability - ending (a)-(b)	$ 111,617,722	$ 114,056,742	$ 121,142,430	$ 111,835,124	$ 97,038,055	$ 92,932,847
Plan fiduciary net position as a percentage of the total pension liability	74.29%	72.68%	69.76%	69.44%	72.48%	73.34%
Covered payroll	$ 42,153,383	$ 41,468,634	$ 41,727,563	$ 40,031,404	$ 38,512,011	$ 37,775,051
Net pension liability as percentage of covered payroll	264.79%	275.04%	290.32%	279.37%	251.97%	246.02%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore only 6 years are shown.

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions:

None in 2019. In 2018 ,demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2020
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 13,080,630	$ 12,374,026	$ 11,924,053	$ 10,412,963	$ 9,943,342	$ 7,117,065
Contributions in relation to the actuarially determined contributions	(16,351,592)	(15,713,898)	(15,742,587)	(10,412,963)	(9,943,342)	(7,117,065)
Contribution deficiency (excess)	$ (3,270,962)	$ (3,339,872)	$ (3,818,534)	$ -	$ -	$ -
Covered payroll	$ 43,902,594	$ 42,153,383	$ 41,468,634	$ 41,727,563	$ 40,031,404	$ 38,512,011
Contributions as a percentage of covered payroll	37.25%	37.28%	37.96%	24.95%	24.84%	18.48%
Notes to Schedule:						
Valuation date:	6/30/2018	6/30/2017	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and assumptions used to determine contribution rates:						
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.375% (3)	7.5% (3)	7.5% (3)	7.5% (3)	7.5% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 years (2.5%@55 and 2.0%@60) and 52 years (2.0%@62) **
(5) 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 first year of implementation, therefore only six years are shown.

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2020
Last 10 Years *

Defined Benefit Plan for Safety Employees

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

	2020	2019	2018	2017	2016	2015
leasurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability						
Service cost	$ 9,292,715	$ 9,223,465	$ 9,015,985	$ 8,075,553	$ 8,077,826	$ 8,091,585
Interest on total pension liability	40,081,524	38,458,387	37,083,966	36,239,226	35,098,055	33,807,462
Differences between expected and actual experience	4,798,077	3,278,018	(2,192,667)	(1,613,985)	(316,827)	-
Changes in assumptions	-	(1,630,045)	30,110,384	-	(8,359,009)	-
Changes in benefits	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(30,443,097)	(29,183,598)	(28,074,414)	(27,447,982)	(25,838,982)	(24,529,802)
Net Change in Total Pension Liability	23,729,219	20,146,227	45,943,254	15,252,812	8,661,063	17,369,245
Total Pension Liability - beginning	566,357,864	546,211,637	500,268,383	485,015,571	476,354,508	458,985,263
Total Pension Liability - ending (a)	$ 590,087,083	$ 566,357,864	$ 546,211,637	$ 500,268,383	$ 485,015,571	$ 476,354,508
Plan Fiduciary Net Position						
Contributions - employer	$ 28,344,445	$ 26,779,897	$ 19,260,537	$ 18,496,776	$ 21,529,513	$ 12,089,637
Contributions - employee	3,162,044	3,104,318	2,967,318	2,826,831	2,969,503	3,122,237
Net investment income	24,254,890	29,064,749	34,814,011	1,561,480	7,049,577	47,151,493
Administrative expense	(263,991)	(532,480)	(462,427)	(193,780)	(357,866)	-
Plan to plan resource movement	(1,570)	(855)	-	2,387	-	-
Benefit payments	(30,443,097)	(29,183,598)	(28,074,414)	(27,447,982)	(25,838,982)	(24,529,802)
Other miscellaneous income/(expense)	855	(1,011,188)	-	-	-	-
Net change in Plan Fiduciary Net Position	25,053,576	28,220,843	28,505,025	(4,754,288)	5,351,745	37,833,565
Plan Fiduciary Net Position - beginning	369,931,799	341,710,956	313,205,931	317,960,219	312,608,474	274,774,909
Plan Fiduciary Net Position - ending (b)	$ 394,985,375	$ 369,931,799	$ 341,710,956	$ 313,205,931	$ 317,960,219	$ 312,608,474
Net pension liability - ending (a)-(b)	$ 195,101,708	$ 196,426,065	$ 204,500,681	$ 187,062,452	$ 167,055,352	$ 163,746,034
Plan fiduciary net position as a percentage of the total pension liability	66.94%	65.32%	62.56%	62.61%	65.56%	65.63%
Covered payroll	$ 33,935,043	$ 32,866,620	$ 32,450,020	$ 30,816,246	$ 30,189,633	$ 29,944,665
Net pension liability as percentage of covered payroll	574.93%	597.65%	630.20%	607.03%	553.35%	546.83%

Notes to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions:

None in 2019. In 2018 ,demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2020
Last 10 Years *

Defined Benefit Plan for Safety Employees

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 22,980,289	$ 22,227,698	$ 21,524,636	$ 19,338,360	$ 18,466,207	$ 13,393,374
Contributions in relation to the actuarially determined contributions	(28,531,744)	(28,346,069)	(26,620,697)	(19,338,360)	(18,466,207)	(20,993,374)
Contribution deficiency (excess)	$ (5,551,455)	$ (6,118,371)	$ (5,096,061)	$ -	$ -	$ (7,600,000)
Covered payroll	$ 34,279,062	$ 33,935,043	$ 32,866,620	$ 32,450,020	$ 30,816,246	$ 30,189,633
Contributions as a percentage of covered payroll	83.23%	83.53%	81.00%	59.59%	59.92%	69.54%
Notes to Schedule:						
Valuation date:	6/30/2018	6/30/2017	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and assumptions used to determine contribution rates:						
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.375% (3)	7.5% (3)	7.5% (3)	7.5% (3)	7.5% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed
(2) Depending on age, service, and type of employment
(3) Net of pension plan investment expense, including inflation
(4) 50 years (2.5%@55 and 2.0%@60) and 52 years (2.0%@62) **
(5) 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 first year of implementation, therefore only six years are shown.

City of Newport Beach
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2020
Last 10 Years *

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years*

	2020	2019	2018
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability			
Service cost	$ 524,717	$ 509,434	$ 478,341
Interest	2,795,490	2,814,685	2,830,153
Differences between expected and actual experience	2,532,319	-	-
Changes in assumptions	114,311	-	-
Changes in benefits terms	-	-	-
Benefit payments, including refunds of member contributions	(3,627,695)	(3,641,715)	(3,513,406)
Net change in Total OPEB Liability	2,339,142	(317,596)	(204,912)
Total OPEB Liability - beginning	44,296,670	44,614,266	44,819,178
Total OPEB Liability - ending (a)	$ 46,635,812	$ 44,296,670	$ 44,614,266
Plan fiduciary net Position			
Contributions - employer	$ 4,460,937	$ 4,675,193	$ 4,594,772
Contributions - member	-	-	-
Net investment income	1,495,861	1,605,114	1,875,536
Benefit payments, including refunds of member contributions	(3,627,695)	(3,641,715)	(3,513,406)
Administrative expense	(4,980)	(11,076)	(9,452)
Other expense	-	(25,258)	-
Net change in plan fiduciary net position	2,324,123	2,602,258	2,947,450
Plan fiduciary net position - beginning	21,696,948	19,094,690	16,147,240
Plan fiduciary net position - ending (b)	$ 24,021,071	$ 21,696,948	$ 19,094,690
City's Net OPEB liability - ending (a)-(b)	$ 22,614,741	$ 22,599,722	$ 25,519,576
Plan fiduciary net position as a percentage of the total OPEB liability	51.51%	48.98%	42.80%
Covered- employee payroll	$ 75,814,626	$ 73,999,059	$ 74,484,613
City's Net OPEB liability as percentage of covered-employee payroll	29.83%	30.54%	34.26%

Notes to Schedule:

* Fiscal year 2018 was the first year of implementation, therefore only three years are shown.

City of Newport Beach
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2020
Last 10 Years *

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2020	2019	2018
Actuarially determined contribution	$ 3,834,916	$ 3,827,337	$ 3,925,087
Contributions in relation to the actuarially determined contributions	(5,379,799)	(5,133,062)	(5,309,626)
Contribution deficiency (excess)	$ (1,544,883)	$ (1,305,725)	$ (1,384,539)
Covered-employee payroll	$ 77,637,171	$ 75,814,626	$ 73,999,059
Contributions as a percentage of covered-employee payroll	-6.93%	-6.77%	-7.18%

Notes to Schedule:

Valuation date:	June 30, 2019	June 30, 2017	June 30, 2017

* Fiscal year 2018 was the first year of implementation, therefore only three years are shown.

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FINANCIAL SECTION

SUPPLEMENTARY INFORMATION
OTHER GOVERNMENTAL FUNDS

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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 ***SB1 Gas Tax RMRA Fund*** accounts for all Road Maintenance and Rehabilitation Account related revenues and expenditures. State law requires that these funds be used exclusively for the transportation system. RMRA revenues are from fuel and vehicle registration taxes imposed by the state's Road Repair and Accountability Act of 2017.

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 ***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.

The ***CARES Small Business Grant Fund*** is used to account for federal funding passed through the County of Orange under the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES). These funds are used exclusively for economic support to small businesses in connection with the COVID-19 pandemic.

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

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

The ***Junior Lifeguards Fund*** is used to account for capital improvement projects related to the Junior Lifeguards program.

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
Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue			
	State Gas Tax	**SB1 Gas Tax RMRA**	**Asset Forfeiture**	**OTS DUI Grant**
Assets				
Cash and investments	$ 2,837,911	$ 1,596,353	$ 862,654	$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	230,577	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	$ 2,837,911	$ 1,826,930	$ 862,654	$ -
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 115,190	$ 218,778	$ -	$ -
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	115,190	218,778	-	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	2,722,721	1,608,152	862,654	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	2,722,721	1,608,152	862,654	-
Total liabilities, deferred inflows of resources and fund balances	$ 2,837,911	$ 1,826,930	$ 862,654	$ -

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue			
	Circulation and Transportation	**Building Excise Tax**	**Community Development Block Grant**	**Air Quality Management District**
Assets				
Cash and investments	$ 2,636,962	$ 497,350	$ -	$ 1,229,487
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	38,544	27,284
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	$ 2,636,962	$ 497,350	$ 38,544	$ 1,256,771
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 145	$ 29,007	$ 7,002
Unearned revenue	-	-	-	-
Due to other funds	-	-	9,537	-
Total liabilities	-	145	38,544	7,002
Deferred inflows of resources:				
Unavailable revenue	-	-	-	27,284
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	2,636,962	497,205	-	1,222,485
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	2,636,962	497,205	-	1,222,485
Total liabilities, deferred inflows of resources and fund balances	$ 2,636,962	$ 497,350	$ 38,544	$ 1,256,771

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue			
	Environmental Liability	**Supplemental Law Enforcement**	**Contributions**	**FIIN**
Assets				
Cash and investments	$ 8,641,288	$ -	$ 1,833,799	$ 1,334,785
Receivables:				
Accounts (net of allowance)	9,588	-	383,154	-
Intergovernmental receivables	-	-	179,815	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	16,748	-	-	-
Total assets	$ 8,667,624	$ -	$ 2,396,768	$ 1,334,785
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 62,440	$ -	$ 88,122	$ 1,853
Unearned revenue	-	-	98,391	-
Due to other funds	-	-	-	-
Total liabilities	62,440	-	186,513	1,853
Deferred inflows of resources:				
Unavailable revenue	-	-	383,154	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	16,748	-	-	-
Permanent endowment	-	-	-	-
Restricted	8,588,436	-	1,827,101	1,332,932
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	8,605,184	-	1,827,101	1,332,932
Total liabilities, deferred inflows of resources and fund balances	$ 8,667,624	$ -	$ 2,396,768	$ 1,334,785

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue	Capital Projects		
	CARES Small Business Grant	Assessment District	Fire Station	Facilities Maintenance
Assets				
Cash and investments	$ 2,127,046	$ 2,146,138	$ 11,657,959	$ 2,681,067
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	2,200,760	-	-
Prepaid items	-	-	-	-
Total assets	$ 2,127,046	$ 4,346,898	$ 11,657,959	$ 2,681,067
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 272,281	$ 338,507	$ 123,520
Unearned revenue	2,123,427	-	-	-
Due to other funds	-	-	-	-
Total liabilities	2,123,427	272,281	338,507	123,520
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	3,619	4,074,617	-	-
Committed	-	-	11,319,452	2,557,547
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	3,619	4,074,617	11,319,452	2,557,547
Total liabilities, deferred inflows of resources and fund balances	$ 2,127,046	$ 4,346,898	$ 11,657,959	$ 2,681,067

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Capital Projects			
	Civic Center and Park	**Sunset Ridge Park**	**Strategic Planning**	**Newport Uptown Undergrounding**
Assets				
Cash and investments	$ 1,779,462	$ 105,951	$ 157,239	$ 3,302
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	$ 1,779,462	$ 105,951	$ 157,239	$ 3,302
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 1,950	$ -	$ -	$ -
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	1,950	-	-	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	-	-	-	3,302
Committed	1,777,512	105,951	157,239	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	1,777,512	105,951	157,239	3,302
Total liabilities, deferred inflows of resources and fund balances	$ 1,779,462	$ 105,951	$ 157,239	$ 3,302

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Capital Projects			
	Misc Facilities Financing	**Parks and Community Centers**	**West Newport Community Center**	**Balboa Village Parking Management District**
Assets				
Cash and investments	$ 14,996	$ 3,964,101	$ 344,281	$ 1,066,848
Receivables:				
Accounts (net of allowance)	-	-	-	3,372
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	$ 14,996	$ 3,964,101	$ 344,281	$ 1,070,220
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 124,418	$ -	$ 25,893
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	124,418	-	25,893
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	-	-	-	-
Committed	14,996	3,839,683	344,281	1,044,327
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	14,996	3,839,683	344,281	1,044,327
Total liabilities, deferred inflows of resources and fund balances	$ 14,996	$ 3,964,101	$ 344,281	$ 1,070,220

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Capital Projects			
	Misc SAH Projects	**Neighborhood Enhancement**	**Junior Lifeguards**	**Unrestricted Capital Improvements**
Assets				
Cash and investments	$ 1,438,690	$ 5,433,852	$ -	$ 9,028,175
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	$ 1,438,690	$ 5,433,852	$ -	$ 9,028,175
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 472,579	$ -	$ 438,169
Unearned revenue	1,438,690	-	-	-
Due to other funds	-	-	50,137	-
Total liabilities	1,438,690	472,579	50,137	438,169
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	-	-	-	-
Committed	-	4,961,273	-	8,590,006
Assigned	-	-	-	-
Unassigned	-	-	(50,137)	-
Total fund balances (deficits)	-	4,961,273	(50,137)	8,590,006
Total liabilities, deferred inflows of resources and fund balances	$ 1,438,690	$ 5,433,852	$ -	$ 9,028,175

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Permanent Fund		
	Bay Dredging	**Ackerman Donation**	**Total Other Governmental Funds**
Assets			
Cash and investments	$ 5,450,881	$ 1,221,321	$ 70,091,898
Receivables:			
Accounts (net of allowance)	-	-	396,114
Intergovernmental receivables	-	-	476,220
Restricted cash and investments with fiscal agent	-	-	2,200,760
Prepaid items	-	-	16,748
Total assets	$ 5,450,881	$ 1,221,321	$ 73,181,740
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ -	$ 4,899	$ 2,324,753
Unearned revenue	-	-	3,660,508
Due to other funds	-	-	59,674
Total liabilities	-	4,899	6,044,935
Deferred inflows of resources:			
Unavailable revenue	-	-	410,438
Fund balances (deficits):			
Nonspendable:			
Prepaid items	-	-	16,748
Permanent endowment	3,857,000	772,781	4,629,781
Restricted	1,593,881	443,641	27,417,708
Committed	-	-	34,712,267
Assigned	-	-	-
Unassigned	-	-	(50,137)
Total fund balances (deficits)	5,450,881	1,216,422	66,726,367
Total liabilities, deferred inflows of resources and fund balances	$ 5,450,881	$ 1,221,321	$ 73,181,740

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue			
	State Gas Tax	**SB1 Gas Tax RMRA**	**Asset Forfeiture**	**OTS DUI Grant**
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental	1,992,467	1,509,947	99,712	193,104
Licenses, permits and fees	-	-	-	-
Investment income	64,296	38,853	16,108	-
Net increase in fair value of investments	54,966	33,214	13,770	-
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	2,111,729	1,582,014	129,590	193,104
Expenditures:				
Current:				
Public safety	-	-	18,633	193,104
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	2,341,070	1,858,283	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,341,070	1,858,283	18,633	193,104
Excess (deficiency) of revenues over expenditures	(229,341)	(276,269)	110,957	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(229,341)	(276,269)	110,957	-
Fund balances (deficits), beginning	2,952,062	1,884,421	751,697	-
Fund balances (deficits), ending	$ 2,722,721	$ 1,608,152	$ 862,654	$ -

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue			
	Circulation and Transportation	**Building Excise Tax**	**Community Development Block Grant**	**Air Quality Management District**
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental	-	-	287,403	110,630
Licenses, permits and fees	299,380	133,428	-	-
Investment income	50,023	9,449	-	23,152
Net increase in fair value of investments	42,763	8,078	-	19,792
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	392,166	150,955	287,403	153,574
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	101,513	-
Community services	-	-	-	-
Capital outlay	-	8,490	-	7,002
Debt service:				
Principal	-	-	171,000	-
Interest and fiscal charges	-	-	14,890	-
Total expenditures	-	8,490	287,403	7,002
Excess (deficiency) of revenues over expenditures	392,166	142,465	-	146,572
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(110,000)	-	-
Total other financing sources (uses)	-	(110,000)	-	-
Net change in fund balances	392,166	32,465	-	146,572
Fund balances (deficits), beginning	2,244,796	464,740	-	1,075,913
Fund balances (deficits), ending	$ 2,636,962	$ 497,205	$ -	$ 1,222,485

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue			
	Environmental Liability	Supplemental Law Enforcement	Contributions	FIIN
Revenues:				
Other taxes	$ 719,738	$ -	$ -	$ -
Intergovernmental	-	206,333	894,985	-
Licenses, permits and fees	-	-	-	-
Investment income	167,352	-	36,829	26,758
Net increase in fair value of investments	143,066	-	31,486	22,876
Donations	-	-	9,450	-
Other	34,351	-	22,200	-
Total revenues	1,064,507	206,333	994,950	49,634
Expenditures:				
Current:				
Public safety	-	206,333	-	-
Public works	409,271	-	-	-
Community development	-	-	-	-
Community services	-	-	-	36,026
Capital outlay	-	-	1,262,849	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	409,271	206,333	1,262,849	36,026
Excess (deficiency) of revenues over expenditures	655,236	-	(267,899)	13,608
Other financing sources (uses):				
Transfers in	10,740	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	10,740	-	-	-
Net change in fund balances	665,976	-	(267,899)	13,608
Fund balances (deficits), beginning	7,939,208	-	2,095,000	1,319,324
Fund balances (deficits), ending	$ 8,605,184	$ -	$ 1,827,101	$ 1,332,932

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue	Capital Projects		
	CARES Small Business Grant	Assessment District	Fire Station	Facilities Maintenance
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	1,951	70,696	236,956	72,723
Net increase in fair value of investments	1,668	39,488	202,571	62,170
Donations	-	-	-	-
Other	-	5,237,479	-	-
Total revenues	3,619	5,347,663	439,527	134,893
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	3,293,522	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	1,039,580	1,374,718
Debt service:	-			
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	3,293,522	1,039,580	1,374,718
Excess (deficiency) of revenues over expenditures	3,619	2,054,141	(600,053)	(1,239,825)
Other financing sources (uses):				
Transfers in	-	88,804	-	2,301,391
Transfers out	-	-	-	-
Total other financing sources (uses)	-	88,804	-	2,301,391
Net change in fund balances	3,619	2,142,945	(600,053)	1,061,566
Fund balances (deficits), beginning	-	1,931,672	11,919,505	1,495,981
Fund balances (deficits), ending	$ 3,619	$ 4,074,617	$ 11,319,452	$ 2,557,547

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Capital Projects			
	Civic Center and Park	**Sunset Ridge Park**	**Strategic Planning**	**Newport Uptown Undergrounding**
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	34,075	2,126	3,096	65
Net increase in fair value of investments	29,130	1,818	2,646	56
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	63,205	3,944	5,742	121
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	4,302	3,995	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	1,505	-	-	-
Total expenditures	5,807	3,995	-	-
Excess (deficiency) of revenues over expenditures	57,398	(51)	5,742	121
Other financing sources (uses):				
Transfers in	-	7,515	109,199	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	7,515	109,199	-
Net change in fund balances	57,398	7,464	114,941	121
Fund balances (deficits), beginning	1,720,114	98,487	42,298	3,181
Fund balances (deficits), ending	$ 1,777,512	$ 105,951	$ 157,239	$ 3,302

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Capital Projects			
	Misc Facilities Financing	**Parks and Community Centers**	**West Newport Community Center**	**Balboa Village Parking Management District**
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	381,399
Investment income	384	83,828	6,778	18,765
Net increase in fair value of investments	329	71,663	5,794	16,042
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	713	155,491	12,572	416,206
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	29,149	693,290	-	131,594
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	29,149	693,290	-	131,594
Excess (deficiency) of revenues over expenditures	(28,436)	(537,799)	12,572	284,612
Other financing sources (uses):				
Transfers in	43,685	110,000	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	43,685	110,000	-	-
Net change in fund balances	15,249	(427,799)	12,572	284,612
Fund balances (deficits), beginning	(253)	4,267,482	331,709	759,715
Fund balances (deficits), ending	$ 14,996	$ 3,839,683	$ 344,281	$ 1,044,327

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Capital Projects			
	Misc SAH Projects	**Neighborhood Enhancement**	**Junior Lifeguards**	**Unrestricted Capital Improvements**
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	-	123,749	201	-
Net increase in fair value of investments	-	105,792	171	-
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	-	229,541	372	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	1,836,798	100,509	5,391,888
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	1,836,798	100,509	5,391,888
Excess (deficiency) of revenues over expenditures	-	(1,607,257)	(100,137)	(5,391,888)
Other financing sources (uses):				
Transfers in	-	5,025,724	50,000	6,167,254
Transfers out	-	-	-	-
Total other financing sources (uses)	-	5,025,724	50,000	6,167,254
Net change in fund balances	-	3,418,467	(50,137)	775,366
Fund balances (deficits), beginning	-	1,542,806	-	7,814,640
Fund balances (deficits), ending	$ -	$ 4,961,273	$ (50,137)	$ 8,590,006

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Permanent Funds		
	Bay Dredging	**Ackerman Donation**	**Total Other Governmental Funds**
Revenues:			
Other taxes	$ -	$ -	$ 719,738
Intergovernmental	-	-	5,294,581
Licenses, permits and fees	-	-	814,207
Investment income	107,311	24,125	1,219,649
Net increase in fair value of investments	91,738	20,624	1,021,711
Donations	-	-	9,450
Other	-	-	5,294,030
Total revenues	199,049	44,749	14,373,366
Expenditures:			
Current:			
Public safety	-	-	418,070
Public works	-	-	3,702,793
Community development	-	4,900	106,413
Community services	-	9,307	45,333
Capital outlay	-	-	16,083,517
Debt service:			
Principal	-	-	171,000
Interest and fiscal charges	-	-	16,395
Total expenditures	-	14,207	20,543,521
Excess (deficiency) of revenues over expenditures	199,049	30,542	(6,170,155)
Other financing sources (uses):			
Transfers in	-	-	13,914,312
Transfers out	-	-	(110,000)
Total other financing sources (uses)	-	-	13,804,312
Net change in fund balances	199,049	30,542	7,634,157
Fund balances (deficits), beginning	5,251,832	1,185,880	59,092,210
Fund balances (deficits), ending	$ 5,450,881	$ 1,216,422	$ 66,726,367

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 2,291,196	$ 1,794,699	$ 1,992,467	$ 197,768
Investment income	9,133	9,133	64,296	55,163
Net increase in fair value of investments	-	-	54,966	54,966
Total revenues	2,300,329	1,803,832	2,111,729	307,897
Expenditures:				
Capital outlay	-	5,120,587	2,341,070	2,779,517
Net change in fund balance	2,300,329	(3,316,755)	(229,341)	3,087,414
Fund balance, beginning	2,952,062	2,952,062	2,952,062	-
Fund balance, ending	$ 5,252,391	$ (364,693)	$ 2,722,721	$ 3,087,414

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
SB1 Gas Tax RMRA Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 1,443,005	$ 1,284,900	$ 1,509,947	$ 225,047
Investment income	-	-	38,853	38,853
Net increase in fair value of investments	-	-	33,214	33,214
Total revenues	1,443,005	1,284,900	1,582,014	297,114
Expenditures:				
Capital outlay	-	4,637,397	1,858,283	2,779,114
Net change in fund balance	1,443,005	(3,352,497)	(276,269)	3,076,228
Fund balance, beginning	1,884,421	1,884,421	1,884,421	-
Fund balance, ending	$ 3,327,426	$ (1,468,076)	$ 1,608,152	$ 3,076,228

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ -	$ -	$ 99,712	$ 99,712
Investment income	6,333	6,333	16,108	9,775
Net increase in fair value of investments	-	-	13,770	13,770
Total revenues	6,333	6,333	129,590	123,257
Expenditures:				
Public safety	40,000	40,000	18,633	21,367
Net change in fund balance	(33,667)	(33,667)	110,957	144,624
Fund balance, beginning	751,697	751,697	751,697	-
Fund balance, ending	$ 718,030	$ 718,030	$ 862,654	$ 144,624

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
OTS DUI Grant Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$ -	$ 198,423	$ 193,104	$ (5,319)
Expenditures:				
Public safety	-	198,423	193,104	5,319
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ -	$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Circulation and Transportation Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Licenses, permits and fees	$ 224,769	$ 224,769	$ 299,380	$ 74,611
Investment income	25,559	25,559	50,023	24,464
Net increase in fair value of investments	-	-	42,763	42,763
Total revenues	250,328	250,328	392,166	141,838
Expenditures:				
Capital outlay	-	365,790	-	365,790
Net change in fund balance	250,328	(115,462)	392,166	507,628
Fund balance, beginning	2,244,796	2,244,796	2,244,796	-
Fund balance, ending	$ 2,495,124	$ 2,129,334	$ 2,636,962	$ 507,628

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Licenses, permits and fees	$ 202,950	$ 200,000	$ 133,428	$ (66,572)
Investment income	3,697	3,697	9,449	5,752
Net increase in fair value of investments	-	-	8,078	8,078
Total revenues	206,647	203,697	150,955	(52,742)
Expenditures:				
Capital outlay	-	376,851	8,490	368,361
Excess (deficiency) of revenues over expenditures	206,647	(173,154)	142,465	315,619
Other financing (uses):				
Transfers out	-	(110,000)	(110,000)	-
Net change in fund balance	206,647	(283,154)	32,465	315,619
Fund balance, beginning	464,740	464,740	464,740	-
Fund balance, ending	$ 671,387	$ 181,586	$ 497,205	$ 315,619

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 359,743	$ 367,434	$ 287,403	$ (80,031)
Expenditures:				
Community development	117,311	128,602	101,513	27,089
Capital outlay	-	52,942	-	52,942
Debt service:				
Principal	160,000	171,000	171,000	-
Interest and fiscal charges	17,561	14,890	14,890	-
Total expenditures	294,872	367,434	287,403	80,031
Net change in fund balance	64,871	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ 64,871	$ -	$ -	$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 100,000	$ 100,000	$ 110,630	$ 10,630
Investment income	12,395	12,395	23,152	10,757
Net increase in fair value of investments	-	-	19,792	19,792
Total revenues	112,395	112,395	153,574	41,179
Expenditures:				
Capital outlay	-	350,000	7,002	342,998
Net change in fund balance	112,395	(237,605)	146,572	384,177
Fund balance, beginning	1,075,913	1,075,913	1,075,913	-
Fund balance, ending	$ 1,188,308	$ 838,308	$ 1,222,485	$ 384,177

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other taxes	$ 655,257	$ 655,257	$ 719,738	$ 64,481
Investment income	109,130	109,130	167,352	58,222
Net increase in fair value of investments	-	-	143,066	143,066
Other revenue	40,000	40,000	34,351	(5,649)
Total revenues	804,387	804,387	1,064,507	260,120
Expenditures:				
Public works	576,030	576,030	409,271	166,759
Capital outlay	-	6,610	-	6,610
Total expenditures	576,030	582,640	409,271	173,369
Excess of revenues over expenditures	228,357	221,747	655,236	433,489
Other financing sources:				
Transfers in	-	10,740	10,740	-
Net change in fund balance	228,357	232,487	665,976	433,489
Fund balance, beginning	7,939,208	7,939,208	7,939,208	-
Fund balance, ending	$ 8,167,565	$ 8,171,695	$ 8,605,184	$ 433,489

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 165,000	$ 165,000	$ 206,333	$ 41,333
Expenditures:				
Public safety	165,000	165,000	206,333	(41,333)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ -	$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Contributions Fund Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 2,265,834	$ 5,079,199	$ 894,985	$ (4,184,214)
Investment income	27,670	27,670	36,829	9,159
Net increase in fair value of investments	-	-	31,486	31,486
Donations	500,000	507,500	9,450	(498,050)
Other	-	1,710,931	22,200	(1,688,731)
Total revenues	2,793,504	7,325,300	994,950	(4,641,619)
Expenditures:				
Capital outlay	-	6,806,562	1,262,849	5,543,713
Net change in fund balance	2,793,504	518,738	(267,899)	(786,637)
Fund balance, beginning	2,095,000	2,095,000	2,095,000	-
Fund balance, ending	$ 4,888,504	$ 2,613,738	$ 1,827,101	$ (786,637)

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
FIIN Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Investment income	$ 11,420	$ 11,420	$ 26,758	$ 15,338
Net increase in fair value of investments	-	-	22,876	22,876
Total revenues	11,420	11,420	49,634	38,214
Expenditures:				
Community services	147,000	147,000	36,026	110,974
Net change in fund balance	(135,580)	(135,580)	13,608	149,188
Fund balance, beginning	1,319,324	1,319,324	1,319,324	-
Fund balance, ending	$ 1,183,744	$ 1,183,744	$ 1,332,932	$ 149,188

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
CARES Small Business Grant Special Revenue Fund
For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ -	$ 2,123,427	$ -	$ (2,123,427)
Investment income	-	-	1,951	1,951
Net increase in fair value of investments	-	-	1,668	1,668
Total revenues	-	2,123,427	3,619	(2,119,808)
Expenditures:				
Community services	-	2,123,427	-	-
Net change in fund balance	-	-	3,619	3,619
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ 3,619	$ 3,619

FINANCIAL SECTION

SUPPLEMENTARY INFORMATION
INTERNAL SERVICE FUNDS

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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
Internal Service Funds
Combining Statement of Net Position
June 30, 2020

Assets	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Current assets:						
Cash and investments	$ 35,082,745	$ 5,376,909	$ 791,893	$ 15,196,621	$ 9,733,164	$ 66,181,332
Receivables:						
Accounts (net of allowance)	1,750,877	-	35,763	9,426	-	1,796,066
Intergovernmental receivables	-	-	-	525,135	-	525,135
Inventories	-	-	-	413,015	-	413,015
Prepaid items	43,270	-	254,924	509,902	176,284	984,380
Total current assets	36,876,892	5,376,909	1,082,580	16,654,099	9,909,448	69,899,928
Noncurrent assets:						
Capital assets:						
Equipment	-	-	-	37,331,192	3,406,137	40,737,329
Structures	-	-	-	39,581	-	39,581
Software	-	-	-	-	3,603,419	3,603,419
Work in progress	-	-	-	-	299,296	299,296
Less accumulated depreciation	-	-	-	(23,562,564)	(5,236,784)	(28,799,348)
Total capital assets (net of accumulated depreciation)	-	-	-	13,808,209	2,072,068	15,880,277
Total assets	36,876,892	5,376,909	1,082,580	30,462,308	11,981,516	85,780,205
Deferred outflows of resources:						
Deferred amount from pension plans	-	-	-	322,229	645,869	968,098
Deferred amount from OPEB	-	-	-	85,674	171,724	257,398
Total deferred outflows of resources	-	-	-	407,903	817,593	1,225,496
Liabilities						
Current liabilities:						
Accounts payable	48,219	307,731	5,380	193,010	298,045	852,385
Accrued payroll	8,628	-	150,384	25,580	69,404	253,996
Due to other funds	-	-	367,712	-	-	367,712
Workers' compensation - current	2,867,523	-	-	-	-	2,867,523
General liability - current	2,694,118	-	-	-	-	2,694,118
Compensated absences - current	-	4,022,771	-	-	-	4,022,771
Total current liabilities	5,618,488	4,330,502	523,476	218,590	367,449	11,058,505
Noncurrent liabilities:						
Workers' compensation	12,653,477	-	-	-	-	12,653,477
General liability	5,266,830	-	-	-	-	5,266,830
Compensated absences	-	9,070,548	-	-	-	9,070,548
Net pension liability	-	-	-	2,065,010	4,139,113	6,204,123
Net OPEB liability	-	-	-	255,745	512,619	768,364
Total noncurrent liabilities	17,920,307	9,070,548	-	2,320,755	4,651,732	33,963,342
Total liabilities	23,538,795	13,401,050	523,476	2,539,345	5,019,181	45,021,847
Deferred inflows of resources:						
Deferred amount from pension plans	-	-	-	44,799	89,793	134,592
Deferred amount from OPEB	-	-	-	6,361	12,751	19,112
Total deferred inflows of resources	-	-	-	51,160	102,544	153,704
Net Position						
Invested in capital assets	-	-	-	14,286,787	2,072,068	16,358,855
Unrestricted	13,338,097	(8,024,141)	559,104	13,992,919	5,605,316	25,471,295
Total net position	$ 13,338,097	$ (8,024,141)	$ 559,104	$ 28,279,706	$ 7,677,384	$ 41,830,150

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2020

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Operating revenues:						
Charges for services	$ 11,224,997	$ 2,625,002	$ 3,852,251	$ 5,736,361	$ 7,149,139	$ 30,587,750
Intergovernmental	-	-	-	555,135	-	555,135
Retiree reimbursements	-	-	311,356	-	-	311,356
Employee contributions	-	-	73,580	-	-	73,580
Other	1,348,022	-	709,149	58,579	222	2,115,972
Total operating revenues	12,573,019	2,625,002	4,946,336	6,350,075	7,149,361	33,643,793
Operating expenses:						
Salaries and wages	-	-	5,378	1,205,281	2,839,219	4,049,878
Depreciation	-	-	-	2,837,462	711,082	3,548,544
Professional services	-	-	-	12,079	290,129	302,208
Maintenance and supplies	-	-	-	936,980	1,447,284	2,384,264
Fleet parts and supplies	-	-	-	353,635	-	353,635
Telecommunication	-	-	-	-	169,443	169,443
Hardware	-	-	-	-	372,386	372,386
Software	-	-	-	-	94,490	94,490
Fire equipment	-	-	-	525,135	-	525,135
Workers' compensation	1,646,315	-	-	-	-	1,646,315
Claims and judgments	6,559,117	-	-	-	-	6,559,117
Compensated absences	-	2,924,542	-	-	-	2,924,542
OPEB	-	-	4,924,751	-	-	4,924,751
Total operating expenses	8,205,432	2,924,542	4,930,129	5,870,572	5,924,033	27,854,708
Operating income (loss)	4,367,587	(299,540)	16,207	479,503	1,225,328	5,789,085
Nonoperating revenues:						
Investment income	681,135	97,528	12,292	331,502	182,202	1,304,659
Net Increase in fair value of investments	582,294	83,375	10,509	283,397	155,763	1,115,338
Gain on sale of capital assets	-	-	-	158,449	-	158,449
Total nonoperating revenues	1,263,429	180,903	22,801	773,348	337,965	2,578,446
Income (loss) before transfers	5,631,016	(118,637)	39,008	1,252,851	1,563,293	8,367,531
Transfers in	1,000,000	-	-	-	-	1,000,000
Transfer out	-	-	-	-	(610,000)	(610,000)
Total transfers	1,000,000	-	-	-	(610,000)	390,000
Change in net position	6,631,016	(118,637)	39,008	1,252,851	953,293	8,757,531
Net position, beginning	6,707,081	(7,905,504)	520,096	27,026,855	6,724,091	33,072,619
Net position, ending	$ 13,338,097	$ (8,024,141)	$ 559,104	$ 28,279,706	$ 7,677,384	$ 41,830,150

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2020

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Cash flows from operating activities						
Receipts from user departments	$ 9,474,120	$ 2,625,002	$ 4,154,051	$ 5,728,110	$ 7,149,139	$ 29,130,422
Payments to employees	(2,391,534)	(2,233,656)	-	(1,147,489)	(2,714,064)	(8,486,743)
Payments to suppliers	(5,635,249)	-	(2,686,723)	(2,407,011)	(2,195,175)	(12,924,158)
Other operating cash receipts	1,348,022	-	782,729	88,579	222	2,219,552
Net cash provided by operating activities	2,795,359	391,346	2,250,057	2,262,189	2,240,122	9,939,073
Cash flows from noncapital financing activities:						
Cash received from other funds	1,000,000	-	-	-	-	1,000,000
Cash paid to other funds	-	-	(1,480,965)	-	(610,000)	(2,090,965)
Net cash provided (used) by noncapital financing activities	1,000,000	-	(1,480,965)	-	(610,000)	(1,090,965)
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(3,220,726)	(351,380)	(3,572,106)
Proceeds from sale of capital assets	-	-	-	158,449	-	158,449
Net cash (used) for capital and related financing activities	-	-	-	(3,062,277)	(351,380)	(3,413,657)
Cash flows from investing activities:						
Investment income	1,263,429	180,903	22,801	614,899	337,965	2,419,997
Net cash provided by investing activities	1,263,429	180,903	22,801	614,899	337,965	2,419,997
Net increase (decrease) in cash and cash equivalents	5,058,788	572,249	791,893	(185,189)	1,616,707	7,854,448
Cash and cash equivalents, beginning	30,023,957	4,804,660	-	15,381,810	8,116,457	58,326,884
Cash and cash equivalents, ending	$ 35,082,745	$ 5,376,909	$ 791,893	$ 15,196,621	$ 9,733,164	$ 66,181,332
Reconciliation to the statement of net position:						
Cash and investments reported on statement of net position	$ 35,082,745	$ 5,376,909	$ 791,893	$ 15,196,621	$ 9,733,164	$ 66,181,332
Cash and cash equivalents	$ 35,082,745	$ 5,376,909	$ 791,893	$ 15,196,621	$ 9,733,164	$ 66,181,332
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	$ 4,367,587	$ (299,540)	$ 16,207	$ 479,503	$ 1,225,328	$ 5,789,085
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	-	-	2,837,462	711,082	3,548,544
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	(1,750,877)	-	2,231,994	(8,251)	-	472,866
(Increase) decrease in intergovernmental receivable	-	-	-	(525,135)	-	(525,135)
Decrease in inventories	-	-	-	26,025	-	26,025
(Increase) decrease in prepaid items	(43,270)	-	(10,763)	(509,902)	95,607	(468,328)
Increase (decrease) in accounts payable and accrued payroll	(38,122)	166,544	12,619	(92,287)	98,311	147,065
(Decrease) in workers' compensation	(749,000)	-	-	-	-	(749,000)
Increase in general liability	1,009,041	-	-	-	-	1,009,041
Increase in compensated absences	-	524,342	-	-	-	524,342
Increase in net pension liability and deferred cash flows	-	-	-	84,236	168,845	253,081
(Decrease) in net OPEB liability and deferred cash flows	-	-		(29,462)	(59,051)	(88,513)
Total adjustments	(1,572,228)	690,886	2,233,850	1,782,686	1,014,794	4,149,988
Net cash provided by operating activities	$ 2,795,359	$ 391,346	$ 2,250,057	$ 2,262,189	$ 2,240,122	$ 9,939,073
Noncash investing, capital, and financing activities:						
Net increase in fair value of investments	$ 582,294	$ 83,375	$ 10,509	$ 283,397	$ 155,763	$ 1,115,338
Total of noncash activities	$ 582,294	$ 83,375	$ 10,509	$ 283,397	$ 155,763	$ 1,115,338

FINANCIAL SECTION

SUPPLEMENTARY INFORMATION
FIDUCIARY FUNDS

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, 2020

Assets	**Special Assessment District**	**Business Improvement**	**Totals**
Cash and investments	$ 299,283	$ 314,660	$ 613,943
Restricted cash and investments with fiscal agent	1,752,685	-	1,752,685
Receivable:			
Interest	1,124	-	1,124
Total assets	$ 2,053,092	$ 314,660	$ 2,367,752
Liabilities			
Due to bondholders	$ 2,053,051	$ -	$ 2,053,051
Due to others	41	314,660	314,701
Total liabilities	$ 2,053,092	$ 314,660	$ 2,367,752

CITY OF NEWPORT BEACH
Agency Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Special Assessment District:				
Assets				
Cash and investments	$ 405,087	$ 1,219,856	$ (1,325,660)	$ 299,283
Restricted cash and investments with fiscal agent	2,016,952	1,401,713	(1,665,980)	1,752,685
Receivable:				
Interest	463	1,124	(463)	1,124
Total assets	$ 2,422,502	$ 2,622,693	$ (2,992,103)	$ 2,053,092
Liabilities				
Due to bondholders	$ 2,422,448	$ 4,497,576	$ (4,866,973)	$ 2,053,051
Due to others	54	1,314,532	(1,314,545)	41
Total Liabilities	$ 2,422,502	$ 5,812,108	$ (6,181,518)	$ 2,053,092
Business Improvement District:				
Assets				
Cash and investments	$ 613,526	$ 4,173,606	$ (4,472,472)	$ 314,660
Liabilities				
Due to others	$ 613,526	$ 4,173,606	$ (4,472,472)	$ 314,660
Totals - All Agency Funds:				
Assets				
Cash and investments	$ 1,018,613	$ 5,393,462	$ (5,798,132)	$ 613,943
Restricted cash and investments with fiscal agent	2,016,952	1,401,713	(1,665,980)	1,752,685
Receivable	463	1,124	(463)	1,124
Total assets	$ 3,036,028	$ 6,796,299	$ (7,464,575)	$ 2,367,752
Liabilities				
Due to bondholders	$ 2,422,448	$ 4,497,576	$ (4,866,973)	$ 2,053,051
Due to others	613,580	5,488,138	(5,787,017)	314,701
Total liabilities	$ 3,036,028	$ 9,985,714	$ (10,653,990)	$ 2,367,752

STATISTICAL SECTION

STATISTICAL SECTION

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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 years.

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

	Fiscal Year			
	2011	2012[1]	2013	2014[2]
Governmental activities:				
Net investment in capital assets	$ 2,087,403,003	$ 2,098,349,998	$ 2,124,797,794	$ 2,148,942,928
Restricted	63,940,282	61,923,719	72,119,674	59,998,344
Unrestricted	67,500,916	82,515,232	77,966,414	(184,990,765)
Total governmental activities	$ 2,218,844,201	$ 2,242,788,949	$ 2,274,883,882	$ 2,023,950,507
Business-type activities:				
Net investment in capital assets	$ 108,976,459	$ 108,981,237	$ 111,177,135	$ 115,948,522
Restricted	-	-	-	-
Unrestricted	9,442,988	15,089,798	19,172,398	13,160,611
Total business-type activities	$ 118,419,447	$ 124,071,035	$ 130,349,533	$ 129,109,133
Primary government:				
Net investment in capital assets	$ 2,196,379,462	$ 2,207,331,235	$ 2,235,974,929	$ 2,264,891,450
Restricted	63,940,282	61,923,719	72,119,674	59,998,344
Unrestricted	76,943,904	97,605,030	97,138,812	(171,830,154)
Total primary government	$ 2,337,263,648	$ 2,366,859,984	$ 2,405,233,415	$ 2,153,059,640

[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.
[5] Reflects restatement of net position due to implementation of GASB 75 in fiscal year ended June 30, 2018.
[6] Reflects restatement of net position due to adjustments for capital assets and compensated absences liability in fiscal year ended June 30, 2019.

The City of Newport Beach implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.
The City of Newport Beach implemented GASB 68 for the fiscal year ended June 30, 2015.
The City of Newport Beach implemented GASB 75 for the fiscal year ended June 30, 2018.

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

Fiscal Year					
2015[3]	2016[4]	2017[5]	2018[6]	2019	2020
$ 2,176,644,408	$ 2,193,773,102	$ 2,201,552,683	$ 2,208,832,391	$ 2,218,040,304	$ 2,217,852,660
45,689,702	44,033,677	45,753,736	49,791,908	56,426,811	67,708,225
(150,532,773)	(130,468,268)	(133,461,197)	(122,024,754)	(102,035,181)	(90,214,086)
$ 2,071,801,337	$ 2,107,338,511	$ 2,113,845,222	$ 2,136,599,545	$ 2,172,431,934	$ 2,195,346,799
$ 113,914,514	$ 117,055,576	$ 116,238,944	$ 119,375,596	$ 119,346,350	$ 120,291,689
-	-	-	-	-	-
21,756,124	23,430,189	28,890,311	29,183,382	30,331,669	30,276,662
$ 135,670,638	$ 140,485,765	$ 145,129,255	$ 148,558,978	$ 149,678,019	$ 150,568,351
$ 2,290,558,922	$ 2,310,828,678	$ 2,317,791,627	$ 2,328,207,987	$ 2,337,386,654	$ 2,338,144,349
45,689,702	44,033,677	45,753,736	49,791,908	56,426,811	67,708,225
(128,776,649)	(107,038,079)	(104,570,886)	(92,841,372)	(71,703,512)	(59,937,424)
$ 2,207,471,975	$ 2,247,824,276	$ 2,258,974,477	$ 2,285,158,523	$ 2,322,109,953	$ 2,345,915,150

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

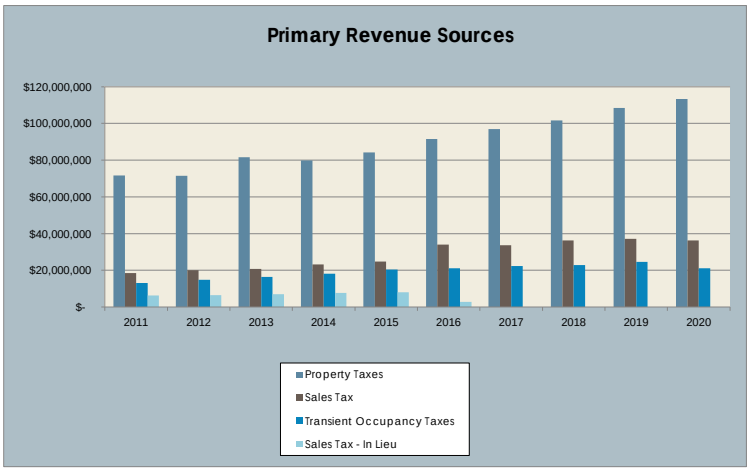
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses:										
Governmental activities:										
General government	$ 15,857,397	$ 14,325,966	$ 15,830,575	$ 18,834,165	$ 24,558,041	$ 19,335,275	$ 20,443,569	$ 19,011,099	$ 20,549,224	$ 20,714,050
Public safety	78,128,006	75,696,570	83,235,188	87,676,062	96,945,872	91,046,455	102,494,314	107,647,562	111,556,065	119,194,302
Public works	40,341,323	48,913,412	47,794,631	42,953,118	45,774,939	45,443,988	54,039,601	47,615,000	53,339,878	60,054,860
Community development	8,637,525	9,365,676	9,223,098	10,283,481	10,073,248	9,943,868	12,056,086	12,377,394	11,493,204	12,842,020
Community services	17,272,374	21,554,696	22,244,661	21,357,271	22,418,287	22,700,052	26,583,440	27,307,115	27,758,097	26,668,079
Interest on long-term debt	5,078,881	8,204,928	7,989,339	7,888,192	7,711,334	7,615,094	7,472,188	7,381,743	7,187,971	7,064,521
Total governmental activities expenses	165,315,506	178,061,248	186,317,492	188,992,289	207,481,721	196,084,732	223,089,198	221,339,913	231,884,439	246,537,832
Business-type activities:										
Water	19,824,996	18,358,646	20,208,300	22,037,284	21,175,954	21,605,197	22,004,013	23,724,918	26,898,075	27,387,120
Wastewater	3,936,949	3,360,418	3,462,165	3,368,656	3,452,398	3,818,165	4,218,926	4,158,155	4,222,228	4,291,755
Total business-type activities expenses	23,761,945	21,719,064	23,670,465	25,405,940	24,628,352	25,423,362	26,222,939	27,883,073	31,120,303	31,678,875
Total primary government expenses	189,077,451	199,780,312	209,987,957	214,398,229	232,110,073	221,508,094	249,312,137	249,222,986	263,004,742	278,216,707
Program revenues:										
Governmental activities:										
Charges for services:										
General government	2,722,527	2,593,741	2,759,306	3,046,232	3,647,210	3,722,557	5,089,123	5,355,887	5,887,265	3,846,962
Public safety	15,686,314	16,240,135	16,008,421	19,124,113	19,386,017	19,108,222	19,899,242	20,733,883	21,979,376	22,232,248
Public works	2,938,315	4,576,208	5,019,835	5,517,103	5,276,991	5,319,510	5,214,426	5,789,579	5,778,441	5,054,694
Community development	5,599,737	6,202,080	7,057,010	8,043,390	8,608,645	8,419,588	10,838,114	9,956,226	9,902,445	9,599,848
Community services	8,962,818	14,119,869	13,176,050	13,270,316	13,667,775	13,964,018	13,653,466	13,974,329	13,556,360	16,936,285
Operating Grants and Contributions:	10,710,266	11,418,147	11,290,989	15,196,696	10,673,286	17,826,914	11,632,188	11,943,941	14,021,506	14,659,016
Capital Grants and Contributions:	11,101,239	14,838,783	25,613,846 [1]	563,786	38,157,665 [2]	2,717,504	27,993,317 [2]	1,815,464	6,638,356	7,352,407
Total governmental activities program revenues	57,721,216	69,988,962	80,925,457	64,761,636	99,417,589	71,078,313	94,319,876	69,569,309	77,763,749	79,681,460
Business-type activities:										
Charges for services:										
Water	20,097,227	23,877,685	26,795,767	29,397,882	27,705,129	24,499,952	25,371,307	26,931,193	26,843,751	27,100,429
Wastewater	3,348,433	3,382,905	3,450,638	3,438,670	3,326,362	3,065,762	3,161,114	3,445,772	4,069,265	4,110,815
Total business-type activities program revenues	23,445,660	27,260,590	30,246,405	32,836,552	31,031,491	27,565,714	28,532,421	30,376,965	30,913,016	31,211,244
Total primary government program revenues	81,166,876	97,249,552	111,171,862	97,598,188	130,449,080	98,644,027	122,852,297	99,946,274	108,676,765	110,892,704
Net revenues (expenses):										
Governmental activities	(107,594,290)	(108,072,286)	(105,392,035)	(124,230,653)	(108,064,132)	(125,006,419)	(128,769,322)	(151,770,604)	(154,120,690)	(166,856,372)
Business-type activities	(316,285)	5,541,526	6,575,940	7,430,612	6,403,139	2,142,352	2,309,482	2,493,892	(207,287)	(467,631)
Total net revenues (expenses)	$ (107,910,575)	$ (102,530,760)	$ (98,816,095)	$ (116,800,041)	$ (101,660,993)	$ (122,864,067)	$ (126,459,840)	$ (149,276,712)	$ (154,327,977)	$ (167,324,003)

[1] 2013 data varies from trend because of increased capital assets related to contribution from State of California.
[2] Data varies from trend because of one-time receipt of developer contributions.

The City of Newport Beach implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.
The City of Newport Beach implemented GASB 68 for the fiscal year ended June 30, 2015.
The City of Newport Beach implemented GASB 75 for the fiscal year ended June 30, 2018.

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property tax	$ 71,630,345	$ 71,546,249	$ 81,603,194	$ 79,889,346	$ 84,121,461	$ 91,516,611	$ 96,964,060	$ 101,593,290	$ 108,365,261	$ 113,313,535
Sales tax	18,455,181	20,107,597	20,764,204	23,142,065	24,832,412	33,937,986	33,702,895	36,373,253	37,168,063	36,232,969
Sales tax in-lieu	6,284,266	6,523,492	7,078,517	7,727,876	8,046,424	2,870,474	-	-	-	-
Transient occupancy tax	13,082,451	14,798,191	16,500,285	18,176,369	20,369,158	21,083,199	22,382,361	22,857,737	24,697,446	21,097,384
Business license tax	4,090,634	4,073,725	4,145,666	4,156,130	4,141,282	4,024,386	4,149,016	4,282,935	4,428,440	4,882,419
Franchise tax	3,730,819	3,845,901	3,820,723	3,998,943	4,189,130	4,047,584	4,026,005	4,228,469	4,286,496	4,394,156
Motor vehicle license fees	403,042	42,911	-	-	-	-	-	-	-	-
Other taxes	226,257	278,521	286,880	216,604	354,919	327,009	358,209	3,346,987	2,633,720	2,592,369
Investment income	366,081	405,674	219,091	542,915	437,272	584,259	589,001	632,808	2,644,319	2,621,488
Net increase in fair value of investments	369,235	246,119	-	53,783	61,337	376,311	-	-	2,234,249	2,520,033
Other	2,601,538	2,789,471	2,748,524	3,803,728	3,161,567	4,001,486	2,290,482	3,416,348	3,495,085	2,116,884
Change in accounting estimates	-	8,484,000	-	-	-	-	-	-	-	-
Capital contributions	-	7,352	319,884	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(3,500,000)	-	-	-
Total governmental activities	121,239,849	133,149,203	137,486,968	141,707,759	149,714,962	162,769,305	160,962,029	176,731,827	189,953,079	189,771,237
Business-type activities:										
Investment income	52,996	49,718	22,442	128,439	123,445	216,576	77,752	184,906	713,970	732,099
Net increase in fair value of investments	58,977	67,696	-	18,199	34,921	148,527	-	-	612,358	625,864
Other	-	-	-	-	-	2,375,000	-	-	-	-
Capital contributions	-	(7,352)	(319,884)	-	-	22,516	-	-	-	-
Transfers	-	-	-	-	-	-	3,500,000	-	-	-
Total business-type activities	111,973	110,062	(297,442)	146,638	158,366	2,762,619	3,577,752	184,906	1,326,328	1,357,963
Total primary government	121,351,822	133,259,265	137,189,526	141,854,397	149,873,328	165,531,924	164,539,781	176,916,733	191,279,407	191,129,200
Changes in net position										
Governmental activities	13,645,559	25,076,917	32,094,933	17,477,106	41,650,830	37,762,886	32,192,707	24,961,223	35,832,389	22,914,865
Business-type activities	(204,312)	5,651,588	6,278,498	7,577,250	6,561,505	4,904,971	5,887,234	2,678,798	1,119,041	890,332
Total primary government	$ 13,441,247	$ 30,728,505	$ 38,373,431	$ 25,054,356	$ 48,212,335	$ 42,667,857	$ 38,079,941	$ 27,640,021	$ 36,951,430	$ 23,805,197



CITY OF NEWPORT BEACH
Fund Balances of Governmental Funds[1]
Last Ten Fiscal Years
(modified accrual basis of accounting)

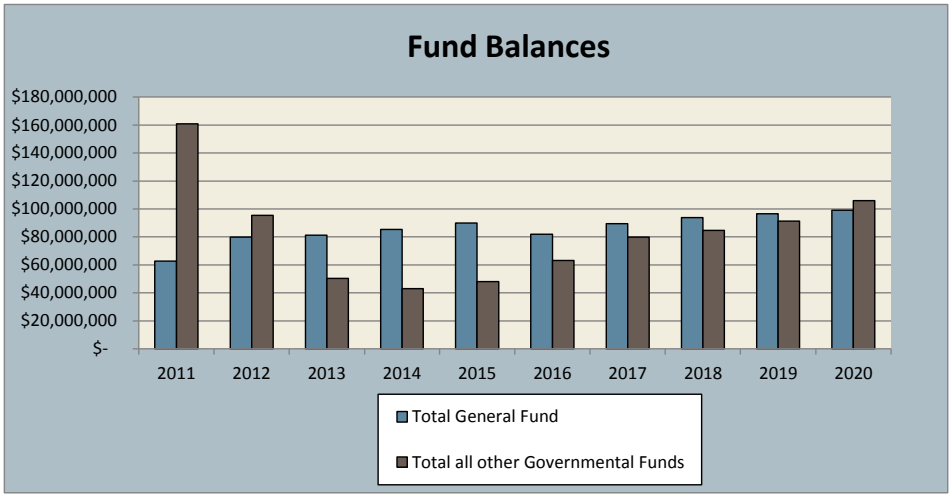
	Fiscal Year			
	2011	2012	2013	2014
General fund:				
Nonspendable	$ 1,031,742	$ 7,854,478	$ 9,919,486	$ 16,316,499
Restricted	1,681,333	2,263,049	2,410,373	3,939,751
Committed	27,619,902	29,673,333	29,371,507	12,782,235 [4]
Assigned	11,865,835	19,431,475	6,843,417	1,326,170
Unassigned	20,570,033	20,570,023	32,585,375	51,015,820 [4]
Total general fund	$ 62,768,845 [2]	$ 79,792,358	$ 81,130,158	$ 85,380,475
All other governmental funds:				
Nonspendable	$ 5,898,234	$ 5,396,436	$ 4,697,220	$ 4,629,781
Restricted	36,445,842	30,957,184	27,433,342	33,243,790
Committed	115,923,344	70,500,156	33,961,163	19,513,389
Assigned	5,633,558	-	-	-
Unassigned	(2,988,102)	(11,339,671)	(15,723,261)	(14,291,969)
Total all other governmental funds	$ 160,912,876 [3]	$ 95,514,105	$ 50,368,464	$ 43,094,991
Total all governmental funds	$ 223,681,721	$ 175,306,463	$ 131,498,622	$ 128,475,466

[1] The City of Newport Beach implemented GASB 54 for the fiscal year ending June 30, 2011.
[2] 2011 general fund data varies from trend due to $31.3 million transfer from General Fund to Facilities Financial Planning Reserve Fund.
[3] 2011 other governmental funds data varies from trend due to issuance of Civic Center COPs.
[4] Data varies from trend due to the reclassification of the contingency reserve from committed fund balance to unassigned fund balance per council approval.
[5] Data varies from trend due to the moving of general fund capital projects to a separate capital project fund.

[6] Data varies from trend due to additional funds set aside for seawall construction and pension related items.

CITY OF NEWPORT BEACH
Fund Balances of Governmental Funds[1]
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 15,784,396	$ 15,210,896	$ 14,434,017	$ 14,050,930	$ 13,147,221	$ 11,864,115
5,389,810	3,083,133	3,797,009	4,412,302	4,757,437	5,710,434
11,847,852	2,726,020 [5]	10,570,638 [6]	13,444,487	13,335,675	2,210,811
1,421,225	4,201,311	567,132	590,368	1,199,682	2,598,828
55,509,258	56,618,041	60,009,244	61,415,049	64,146,123	76,699,284
$ 89,952,541	$ 81,839,401 [5]	$ 89,378,040 [6]	$ 93,913,136	$ 96,586,138	$ 99,083,472
$ 4,669,269	$ 4,629,781	$ 4,666,256	$ 4,787,243	$ 4,715,545	$ 4,646,529
29,842,384	33,662,859	31,950,139	38,629,419	45,958,167	53,310,518
26,159,261	40,248,977	49,510,047	41,731,742	40,732,124	48,032,259
-	-	-	-	-	-
(12,495,729)	(15,422,984)	(6,308,331)	(376,162)	(253)	(50,137)
$ 48,175,185	$ 63,118,633	$ 79,818,111	$ 84,772,242	$ 91,405,583	$ 105,939,169
$ 138,127,726	$ 144,958,034	$ 169,196,151	$ 178,685,378	$ 187,991,721	$ 205,022,641



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

	Fiscal Year			
	2011	2012	2013	2014
Revenues:				
Taxes	$ 117,983,765	$ 121,710,955	$ 134,733,550	$ 137,910,879
Intergovernmental	11,467,471	12,122,963	11,393,589	16,825,839
Licenses, permits and fees	5,198,986	6,691,125	7,682,555	6,659,203
Charges for services	15,285,813	16,020,825	16,254,399	16,864,092
Fines and forfeitures	3,545,229	3,795,787	3,649,532	3,272,951
Investment income	1,045,592	1,142,935	372,514	1,136,062
Net increase in fair value of investments	882,317	704,656	-	124,439
Property income	15,538,387	17,458,143	19,847,371	22,214,256
Donations	1,790,073	13,977,850	587,445	1,170,171
Other	5,091,527	691,125	3,543,894	1,400,048
Total revenues	177,829,160	194,316,364	198,064,849	207,577,940
Expenditures:				
Current:				
General government	15,424,734	12,896,492	13,671,480	14,471,167
Public safety	74,947,173	75,377,871	80,546,969	82,642,988
Public works	31,442,076	32,399,178	32,451,624	32,414,457
Community development	8,430,813	8,939,825	8,994,710	9,768,928
Community services	15,662,011	19,296,505	18,872,022	19,047,813
Capital outlay	37,645,882	80,617,948	72,133,582	33,572,193
Debt service:				
Principal	6,230,080	4,529,854	3,998,000	4,091,000
Interest and fiscal charges	1,179,612	8,320,500	8,152,488	8,052,927
Issuance of debt costs	1,219,071	-	-	-
Total expenditures	192,181,452	242,378,173	238,820,875	204,061,473
Excess (deficiency) of revenues over (under) expenditures	(14,352,292)	(48,061,809)	(40,756,026)	3,516,467
Other financing sources (uses):				
Transfers in	58,763,620	24,640,318	47,875,107	41,223,727
Transfers out	(58,763,620)	(24,953,767)	(50,926,922)	(47,245,283)
Proceeds from issuance of debt	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)	127,815,300	(313,449)	(3,051,815)	(6,021,556)
Net change in fund balances	$ 113,463,008	$ (48,375,258)	$ (43,807,841)	$ (2,505,089)
Debt service as a percentage of noncapital expenditures	4.8%	8.3%	15.8%	6.9%

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

Fiscal Year					
2015	2016	2017	2018	2019	2020
$ 146,664,903	$ 158,386,385	$ 162,184,218	$ 171,982,240	$ 183,455,182	$ 182,983,069
11,813,208	17,262,147	17,073,653	16,148,754	15,818,543	12,672,931
14,676,754	6,571,123	9,844,908	6,405,668	6,302,603	5,783,862
16,914,210	18,827,991	19,197,065	19,828,786	19,472,866	21,125,622
3,732,405	3,684,602	3,590,700	3,181,823	3,347,714	3,509,883
928,729	1,157,539	772,546	1,143,210	3,490,992	3,765,753
177,485	769,460	-	-	2,938,136	3,477,299
21,406,667	22,259,425	23,553,188	25,430,217	26,674,107	25,651,360
22,249,427	4,190,822	16,827,889	414,123	402,709	795,561
6,984,418	2,982,924	2,277,322	2,893,770	5,173,716	5,950,279
245,548,206	236,092,418	255,321,489	247,428,591	267,076,568	265,715,619
14,060,512	14,629,672	15,086,397	16,099,310	16,769,920	15,968,085
94,568,122	96,225,784	98,750,981	109,760,129	116,054,531	118,290,847
33,694,578	36,000,905	35,961,024	38,012,230	44,132,877	45,730,965
9,876,706	10,913,205	11,696,779	12,979,656	12,310,621	12,612,751
20,235,546	21,784,680	23,607,284	25,538,966	26,372,495	24,474,242
47,169,671	31,934,463	30,822,972	24,054,866	26,347,312	20,376,106
4,183,000	4,272,000	4,401,000	3,335,000	3,470,000	3,576,000
7,957,811	7,839,341	7,704,957	7,617,107	7,428,469	7,265,703
-	-	-	-	-	-
231,745,946	223,600,050	228,031,394	237,397,264	252,886,225	248,294,699
13,802,260	12,492,368	27,290,095	10,031,327	14,190,343	17,420,920
53,281,956	48,523,132	45,342,446	45,308,862	54,664,532	40,373,981
(57,431,956)	(54,185,192)	(49,390,226)	(45,850,962)	(59,548,532)	(40,763,981)
-	-	-	-	-	-
-	-	995,802	-	-	-
-	-	-	-	-	-
1,339,000	-	-	-	-	-
(1,339,000)	-	-	-	-	-
(4,150,000)	(5,662,060)	(3,051,978)	(542,100)	(4,884,000)	(390,000)
$ 9,652,260	$ 6,830,308	$ 24,238,117	$ 9,489,227	$ 9,306,343	$ 17,030,920
6.6%	7.2%	6.0%	5.3%	4.8%	4.8%

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 years.

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				
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%
2018	44,862,969,434	5,953,148,011	1,499,414,812	1,464,683,763	53,780,216,020	6.83%	1.000%
2019	48,246,937,786	6,466,645,074	1,474,416,367	1,513,162,553	57,701,161,781	7.29%	1.000%
2020	50,791,887,238	6,807,750,346	1,552,189,492	1,592,979,478	60,744,806,554	5.27%	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; Avenu Insights & Analytics

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	0.081	0.081	0.081	0.081	0.047	0.047	0.047	0.047	0.047	0.032
School Districts	0.1548	0.1546	0.1646	0.1702	0.1819	0.1826	0.1730	0.1764	0.1612	0.1726
Total Overlapping Rate	0.236	0.236	0.245	0.251	0.228	0.229	0.219	0.223	0.208	0.205
Total Direct & Overlapping Rate	$ 1.236	$ 1.236	$ 1.245	$ 1.251	$ 1.228	$ 1.229	$ 1.219	$ 1.223	$ 1.208	$ 1.205

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; Avenu Insights & Analytics

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

	2020			2011		
Taxpayer	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	$ 1,308,633,624	1	2.15%	$ 1,943,855,195	1	5.02%
PH Finance LLC	301,250,758	2	0.50%	N/A	-	0.00%
Villas at Fashion Island	262,841,532	3	0.43%	N/A	-	0.00%
HG Newport Owner LLC	180,030,000	4	0.30%	N/A	-	0.00%
520 Newport Center Drive LLC	177,543,021	5	0.29%	N/A	-	0.00%
650 Newport Center Drive LLC	160,971,896	6	0.26%	N/A	-	0.00%
Newport Bluffs LLC	159,552,819	7	0.26%	137,816,296	3	0.36%
WJ Newport LLC	141,159,898	8	0.23%	N/A	-	0.00%
UDR Newport Beach North LP	138,091,341	9	0.23%	117,510,707	5	0.30%
Balboa Bay Club Ventures LLC	134,362,404	10	0.22%	126,251,407	4	0.33%
	$ 2,964,437,293		4.88%	$ 2,325,433,605		6.01%

Source: HdL, Coren & Cone; Avenu Insights & Analytics

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
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%	642,292	82,833,896	98.80%
2016	84,166,940	81,762,526	97.14%	612,863	82,375,389	97.87%
2017	86,264,321	84,019,053	97.40%	574,124	84,593,177	98.06%
2018	92,139,181	90,279,099	97.98%	581,969	90,861,068	98.61%
2019	98,471,700	96,356,203	97.85%	646,203	97,002,406	98.51%
2020	102,636,451	100,701,002	98.11%	- [3]	100,701,002	98.11%

[1] Net collections reflect deductions for refunds and impoundments.

[2] Exclusive of penalty charges

[3] The total amount of Fiscal Year 2020 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 years.

CITY OF NEWPORT BEACH

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

	Governmental Activities					
Fiscal Year Ended June 30	Certificates of Participation [1]	Note Payable	Pre-Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
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	-	-
2018	107,651,106	-	-	916,000	-	-
2019	104,220,553	-	-	756,000	-	-
2020	100,695,000	-	-	585,000	-	-

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]
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
108,567,106	-	-	108,567,106	1.48%	1,245
104,976,553	-	-	104,976,553	1.36%	1,204
101,280,000	-	-	101,280,000	1.24%	1,181

CITY OF NEWPORT BEACH

Ratios of General Bonded Debt

Last Ten Fiscal Years

Fiscal Year Ended June 30	Certificates of Participation[1]	Amounts restricted for debt service	Total	Percent of Assessed Value[2]	General Bonded Debt Per Capita
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
2018	107,651,106	(2,384,338)	105,266,768	0.20%	1,207
2019	104,220,553	(2,362,228)	101,858,325	0.18%	1,168
2020	100,695,000	(1,159,389)	99,535,611	0.16%	1,160

[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, 2020

City Net Assessed Valuation:		$ 60,744,806,554

	Percentage Applicable [1]	Outstanding Debt 6/30/20	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.964%	$ 37,300,000	$ 732,572
Coast Community College District	34.373%	908,050,757	312,124,287
Rancho Santiago Community College District	2.911%	220,164,038	6,408,975
Rancho Santiago Community College District School Facilities Improvement District No. 1	5.495%	166,020,000	9,122,799
Laguna Beach Unified School District	15.195%	20,005,000	3,039,760
Laguna Beach Unified School District Community Facilities District No. 98-1	100.000%	7,760,000	7,760,000
Newport Mesa Unified School District	73.167%	248,378,251	181,730,915
Newport Mesa Unified School District Community Facilities District No. 90-1	100.000%	2,445,000	2,445,000
Santa Ana Unified School District	6.780%	285,682,392	19,369,266
Irvine Ranch Water District Improvement Districts	2.847% - 100.000%	448,318,900	53,036,701
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	23,525,000	23,525,000
California Statewide Communities Development Authority Community Facilities District No. 2018-3	100.000%	8,300,000	8,300,000
City of Newport Beach 1915 Act Bonds	100.000%	10,652,458	10,652,458
Orange County Newport Coast Assessment District No. 01-1	100.000%	4,019,000	4,019,000
Orange County Newport Coast Reassessment District No. 17-1R	100.000%	24,855,000	24,855,000
Orange County General Fund Obligations	9.707%	386,745,000	37,541,337
Orange County Pension Obligation Bonds	9.707%	466,863,754	45,318,465
Orange County Board of Education Certificates of Participation	9.707%	12,930,000	1,255,115
Coast Community College District Certificates of Participation	34.373%	2,600,000	893,698
Santa Ana Unified School District Certificates of Participation	6.780%	62,467,085	4,235,268
Overlapping Tax Increment Debt (Successor Agencies):	3.749% - 66.569%	13,070,000	5,898,796
TOTAL OVERLAPPING DEBT		$ 3,360,151,635	$ 762,264,412
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	$ 100,695,000	$ 100,695,000
Community Development Block Grant Loan	100.000%	585,000	585,000
TOTAL DIRECT DEBT		$ 101,280,000	$ 101,280,000
TOTAL DIRECT AND OVERLAPPING DEBT			**$ 863,544,412**
GROSS COMBINED TOTAL DEBT [2]			**$ 863,544,412**

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

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

Ratios to 2019-20 Net Assessed Valuation:	
Total Overlapping Debt	1.25%
Total Direct Debt ($101,280,000)	0.17%
Gross Combined Total Debt	1.42%
Ratios to Redevelopment Incremental Valuation ($1,275,334,904)	
Total Overlapping Tax Increment Debt	0.46%

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2011	2012	2013	2014
Assessed valuation	$ 38,751,370,481	$ 39,115,501,760	$ 40,183,130,504	$ 42,341,162,463
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	9,687,842,620	9,778,875,440	10,045,782,626	10,585,290,616
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,453,176,393	1,466,831,316	1,506,867,394	1,587,793,592
Total net debt applicable to limit:				
General obligation bonds	-	-	-	-
Legal debt margin	$ 1,453,176,393	$ 1,466,831,316	$ 1,506,867,394	$ 1,587,793,592
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					
2015	2016	2017	2018	2019	2020
$ 44,752,056,903	$ 47,388,470,098	$ 50,341,686,565	$ 53,780,216,020	$ 57,701,161,781	$ 60,744,806,554
25%	25%	25%	25%	25%	25%
11,188,014,226	11,847,117,525	12,585,421,641	13,445,054,005	14,425,290,445	15,186,201,639
15%	15%	15%	15%	15%	15%
1,678,202,134	1,777,067,629	1,887,813,246	2,016,758,101	2,163,793,567	2,277,930,246
-	-	-	-	-	-
$ 1,678,202,134	$ 1,777,067,629	$ 1,887,813,246	$ 2,016,758,101	$ 2,163,793,567	$ 2,277,930,246
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 years.

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)]
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%
2018	87,182	7,334,970	84,134	2.9%
2019	87,180	7,704,445	88,374	2.6%
2020	85,780	8,183,755	95,404	4.6%

[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 - 2020.

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

(3) State of California, Employment Development Department

CITY OF NEWPORT BEACH

Principal Employers[1]

Current Year and 9 years ago

	2020			2011		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	5,200	1	6.32%	5,000	1	6.22%
Irvine Management Company	1,809	2	2.20%	N/A [2]	-	N/A
Pacific Life Insurance	1,293	3	1.57%	1,119	2	1.39%
PIMCO Advisors	1,250	4	1.52%	1,005	4	1.25%
Glidewell Dental	967	5	1.18%	1,100	3	1.37%
Resort at Pelican Hill	955	6	1.16%	750	7	0.93%
Newport-Mesa Unified School District	800	7	0.97%	895	5	1.11%
Jazz Semi-Conductor	779	8	0.95%	554	8	0.69%
City of Newport Beach	727	9	0.88%	807	6	1.00%
Hyundai Capital America	590	10	0.72%	N/A [2]	-	N/A
Fletcher Jones Motor Cars Inc.	510	11	0.62%	450	11	0.56%
Hyatt Regency Newport Beach	400	12	0.49%	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 employee data for 2011.

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
- Utility 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 years.

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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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government	94	95	94	79	78	77	77	79	80	78
Public safety	381	359	357	366	370	374	371	372	375	375
Community development	51	58	56	53	52	52	52	53	53	53
Public works	144	130	128	119	109	104	99	98	96	100
Community services	70	68	70	74	75	79	81	79	78	78
Water	37	38	32	32	31	32	31	33	34	33
Wastewater	15	15	15	13	13	12	13	11	11	11
Total	792	763	752	736	728	730	724	725	726	727

Source: City Finance Department

CITY OF NEWPORT BEACH

Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
Police:				
Adult Arrests	3,093	2,982	3,161	2,794
Parking Citations Issued	67,459	55,418	58,823	51,609
Fire:				
Fire Responses	165	201	342	356
Fire Inspections	7,100	4,315	4,338	3,352
General Services:				
Street Patching (tons of mix)	2,580	2,246	1,708	2,408
Sidewalk Repair (square feet)	39,972	34,000	37,607	37,607
Recreation & Senior Services:				
Co-Sponsored Youth Organization Attendance	322,000	257,322	293,938	294,000
Senior Transportation Services	15,063	15,264	13,112	13,956
Water:				
New Connections	28	35	54	72
Average Daily Consumption (hundred cubic feet)	17.25	15.15	14.02	15.96
Sewer:				
New Connections	6	15	14	22
Miles of Pipe Cleaned	235	248	215	245
Library Services:				
Library Circulation of Materials	1,770,683	1,582,953	1,582,914	1,689,870

[1] Data varies with trend due to inclusion of responses to fires, hazardous materials, medical and other emergencies

Source: City of Newport Beach

CITY OF NEWPORT BEACH

Operating Indicators by Function

Last Ten Fiscal Years

Fiscal Year					
2015	2016	2017	2018	2019	2020
3,472	3,158	3,178	3,266	3,520	3,093
59,753	64,762	69,246	56,685	67,048	73,372
305	300	247	248	209	11,913 [1]
1,281	1,201	1,216	1,307	1,033	2,842
2,711	1,890	1,439	1,403	1,402	913
27,175	27,000	20,490	22,925	14,840	11,729
303,152	305,000	425,000	437,751	469,959	439,954
13,740	14,000	13,500	13,071	13,386	9,300
187	194	229	210	210	256
16.39	11.66	13.80	14.07	13.75	13.44
20	17	41	137	46	10
260	250	202	211	196	221
1,610,818	1,575,000	1,464,640	1,424,594	1,376,041	1,084,206

CITY OF NEWPORT BEACH

Capital Asset Statistics by Function

Last Ten Fiscal Years

	Fiscal Year			
	2011	2012	2013	2014
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	5,978	5,977	5,977	5,977
Traffic Signals	803	808	808	808
Recreation & Senior Services:				
Parks	63	63	64	64
Community Centers (includes leased property)	14	14	14	14
Aquatic Center	1	1	1	1
Water:				
Water Mains (miles)	303.25	303.25	303.25	298.37
Maximum Daily Capacity (thousands of gallons)	28,540	27,508	26,916	27,704
Wastewater:				
Sanitary Sewers (miles)	202.40	202.40	202.40	202.62
Storm Sewers (miles)	95.40	95.40	95.40	70.62
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					
2015	2016	2017	2018	2019	2020
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
395	399	400	400	400	400
5,977	5,978	5,978	5,978	5,971	5,972
808	808	808	808	808	808
64	64	64	64	65	65
14	15	15	15	15	15
1	1	1	1	1	1
299.58	299.77	300.64	300.30	300.88	300.82
27,800	27,800	27,800	27,800	27,800	27,800
202.64	202.75	202.72	203.56	203.99	204.10
94.14	92.08	94.74	95.12	95.35	95.89
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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Type of Customer:										
Residential	3,656,705	4,001,344	3,890,973	3,902,007	3,853,566	3,072,589	3,564,203	3,603,927	3,439,655	3,747,408
Commercial	1,145,843	2,369,492	2,389,822	2,525,169	2,560,620	1,847,372	2,142,952	2,201,254	2,075,812	2,081,860
Government	320,821	374,091	394,787	455,251	396,605	263,116	305,214	289,738	256,398	270,638
Total	5,123,369	6,744,927	6,675,582	6,882,427	6,810,791	5,183,077	6,012,369	6,094,919	5,771,865	6,099,907
Total direct rate per 100 cubic ft.	$ 2.46	$ 2.73	$ 2.96	$ 3.08	$ 3.08	$ 3.08	$ 3.08	$ 3.08	$ 3.08	$ 3.08

Source: City Utilities Department

CITY OF NEWPORT BEACH

Utility Rates[1]

Last Ten Fiscal Years

Fiscal Year Ended June 30	Monthly Base Rate	Rate per 100 cubic ft
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
2018	23.73	3.46
2019	24.34	3.50
2020	28.09	3.57

[1] 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

	2020			2011		
Water Customer	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Irvine Company Apartment	$ 182,793	1	0.65%	$ 309,815	2	1.54%
Irvine Company Office	173,422	2	0.61%	239,028	3	1.19%
Bluffs Homeowners Association	135,518	3	0.48%	228,745	5	1.13%
Big Canyon Country Club	128,868	4	0.46%	174,812	8	0.87%
Newport Beach Country Club	116,742	5	0.41%	212,512	6	1.05%
Hoag Memorial Hospital	94,657	6	0.33%	312,130	1	1.55%
Newport-Mesa Unified School District	82,727	7	0.29%	152,443	9	0.76%
Park Newport Ltd	66,555	8	0.24%	198,953	7	0.99%
UDR Newport Beach	62,512	9	0.22%	231,063	4	1.15%
Irvine Company Retail	62,076	10	0.22%	121,663	11	0.60%
Pacific View - Pierce Bros.	58,885	11	0.21%	144,035	10	0.71%
Jasmine Creek Community Association	55,154	12	0.19%	76,235	19	0.00%
North Bluff Bay View	52,044	13	0.18%	66,085	22	0.00%
Harbor Ridge Master Association	43,900	14	0.16%	72,647	20	0.00%
One Ford Road Community Association	42,877	15	0.15%	55,464	25	0.00%
	$ 1,358,730		4.80%	$ 2,595,630		11.54%

Source: City Revenue Division

City of Newport Beach
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