



CITY OF NEWPORT BEACH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016



*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016*

*Prepared by the Finance Department
Dan Matusiewicz, Director*



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

INTRODUCTORY SECTION

INTRODUCTORY SECTION

CITY OF NEWPORT BEACH
 Comprehensive Annual Financial Report
 Year Ended June 30, 2016

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INTRODUCTORY SECTION

(Unaudited)

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December 23, 2016

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 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, 2016, is hereby submitted.

The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This report consists of City management's representations concerning the finances of the City of Newport Beach. Responsibility for the accuracy and completeness of the data presented rests with the City. Management of the City is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe the information presented in this report is complete and accurate in all material respects, and that it is reported in a manner designed to fairly present the financial position and results of operations of the various activities of the City of Newport Beach.

The City of Newport Beach's financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of the audit was to provide reasonable assurance that the financial statements of the City of Newport Beach for the fiscal year (FY) ended June 30, 2016, 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, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE CITY

The City of Newport Beach is a community 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 4,300 boats of all types docked within its 21-square-mile harbor. This bay area and the ten miles of ocean beach offer outstanding fishing, swimming, surfing, and aquatic sports activities. The City has a permanent population of 84,270 which typically grows to well over 100,000 during the summer months, including 20,000 to 100,000 tourists daily. There are fine residential areas, modern shopping facilities, and a quality school system. The University of California, Irvine, is located immediately adjacent to the city, and eight other colleges are within a 30-mile-radius.

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



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

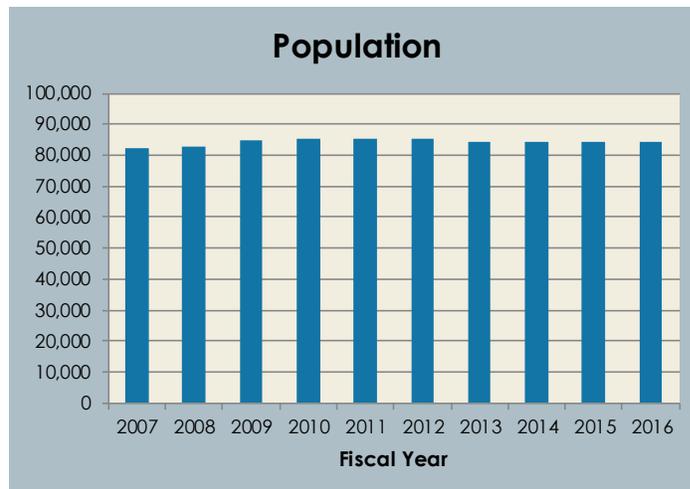
among other things, policy-making, passing local ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day to day operations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

The City of Newport Beach is a full service city providing its residents and visitors with the following functional services: general governance, legal, financial, information technology, and administrative management; police, fire, paramedic, lifeguard, and emergency medical transport services; engineering, construction, and maintenance of public facilities, public streets, beaches, and parks; planning, zoning, and economic development services; building inspection, plan check and code enforcement services; libraries and cultural and arts services; recreation and senior services; and water, wastewater, and street light utility services. The City provides water and wastewater service to most areas within city limits, but it does not provide gas, cable television, electrical, or other utility services. Public elementary and secondary education is provided by the Newport-Mesa Unified School District and the Laguna Beach Unified School District.

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

DEMOGRAPHICS

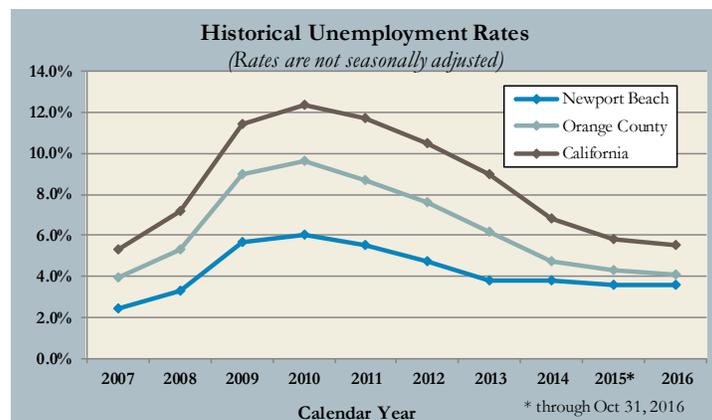
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 84,270, the population has been very stable as indicated by the following chart.



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 over twice that of the U.S. median household income.

2015 Median Household Income	
City of Newport Beach	\$123,351
Orange County	78,428
California	64,500
USA	55,775

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



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

LOCAL ECONOMY

The national unemployment rate stood at 4.9 percent in November, according to the Bureau of Labor Statistics. Compared to November 2015, unemployment has decreased by 0.1 of percentage point and is the lowest it has been since April 2008.

Employment rates in California and the U.S. have been steady or increasing since the end of the great recession as more workers rejoin the labor force. California’s poverty rate fell to 14 percent in 2015 from 15.9 percent in 2014, while real median household income rose 2.7 percent to \$64,500. California’s unemployment rate fell from 5.8 percent in the prior fiscal year to 5.5 percent currently, the lowest reading since October 2007. Orange County unemployment next year is expected to drop below 4 percent for the first time in a decade. The County’s unemployment rate peaked at 9.5 percent in

2010, and now stands at 4.1 percent - one of the lowest unemployment rates in California. Furthermore, Newport Beach's unemployment rate stands even lower at approximately 3.6 percent currently.

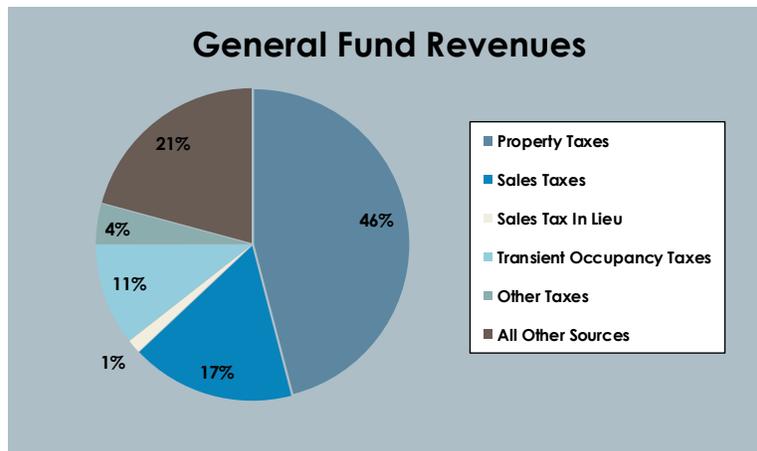
Growth remains a bit sluggish in construction, but is strongest in professional and business services which recorded the largest year-over growth with a gain of 10,400 jobs. Almost 60 percent of the increase in Orange County employment was in professional, scientific and technical services. Construction increased by 9,000 jobs. The largest changes were a 9,600-job gain in specialty trade contractors and a 1,200-job loss in construction of buildings. Heavy and civil engineering construction added 600 jobs.

With its popular dining and shopping options, recreational harbor and proximity to the ocean, Newport Beach has attracted visitors for more than 100 years. Based on data from the city's local destination marketing organization, Newport Beach & Co., it booked 160,862 hotel rooms in Newport Beach during the 2015-16 fiscal year. According to the organization, there were approximately 7 million tourists who visited Newport Beach in the 2015-16 fiscal year.

In spite of these favorable economic trends, a generally conservative outlook is warranted as some economists predict that the current economic recovery is in its latter stages and nearing an end point. As revenues are projected to gradually increase, management will continue to focus on prioritizing expenditures in alignment with core community values and maintaining responsible fiscal planning and forecasting.

TOP THREE REVENUE SOURCES

General Fund revenues were approximately \$199 million during FY 2015-16. The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu, and Transient Occupancy Taxes (TOT), represent 75 percent of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees and other taxes represent nearly 79 percent of all General Fund revenues while only 21 percent is generated by other revenue sources.



Property Taxes

Unlike many cities, property taxes, not sales taxes, are the number one source of revenue for the City of Newport Beach, representing almost half (46 percent) of all General Fund revenues. Due to the limited supply of scenic coastal property and the unique access to the scenic Newport Bay, the Newport Beach community has been developed into affluent residential neighborhoods and high-end commercial districts.

Consistent and vigorous demand for coastal property has allowed the City to enjoy long-term growth trends with its number one revenue source. Value changes in Newport Beach show continued appreciation in property values in FY 2015-16 and the restoration of values previously reduced under the assessed valuation appeal process provided by Proposition 8. Over the past 10 years, assessed valuation increased an average of 4.4 percent per annum and 6.8 percent over a twenty-year period. Newport Beach's assessed property values increased 5.9 percent and came in second in Orange County in total local assessed value at \$47.4 billion for FY 2015-16.

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.



We realized a notable increase in secured property tax, coming in at an increase of 7.4 percent. Residential uses increased 6.5 percent, or a total of \$2.4 billion, and represented 91 percent of the growth experienced in the City. Median home sales

prices of \$1,767,000 in the city far exceed the countywide median sales price of \$625,000.

CITY OF NEWPORT BEACH Median Home Sales* Comparative Month Ending September			
Year	Single Family Residence	Median	%
	Sales	Sales Price	Change
2007	877	\$ 1,625,000	
2008	599	\$ 1,450,000	-10.77%
2009	848	\$ 1,100,000	-24.14%
2010	1,152	\$ 1,253,000	13.91%
2011	1,190	\$ 1,189,000	-5.11%
2012	1,667	\$ 1,260,000	5.97%
2013	1,546	\$ 1,500,000	19.05%
2014	1,354	\$ 1,600,000	6.67%
2015	1,023	\$ 1,650,000	3.13%
2016	1,116	\$ 1,767,500	7.12%

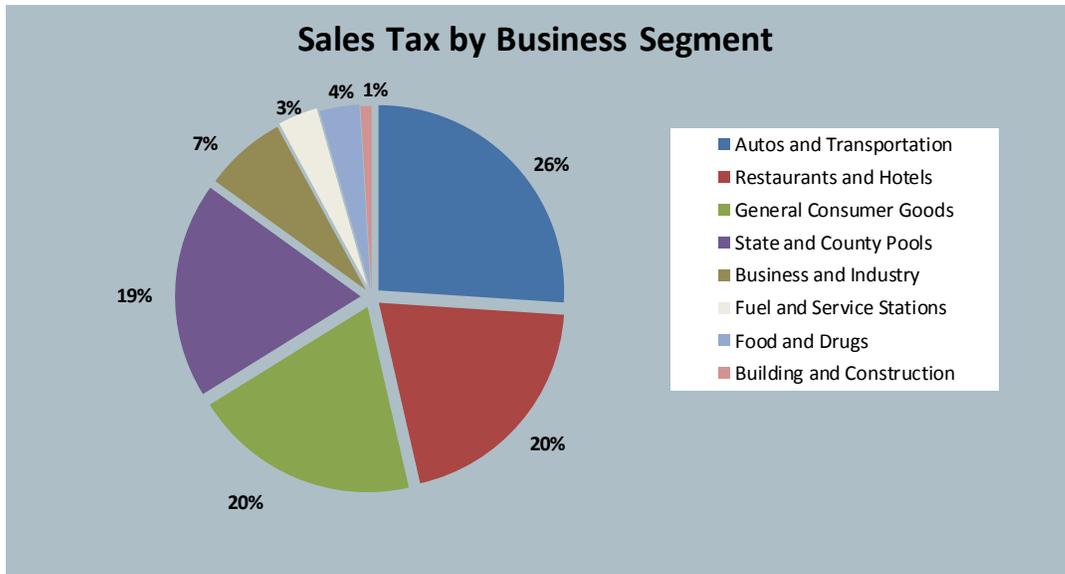
* Source: HdL Coren & Cone

Property tax revenue increased \$7.6 million or 9.0 percent higher than the prior fiscal year.

Sales Taxes and Sales Taxes in Lieu

In March of 2004, voters approved Proposition 57 which allowed the State to enact revenue swapping procedures commonly referred to as the “Triple Flip.” In doing so, Sales Taxes were reallocated to cities in two separate revenue streams, “Sales Taxes” and “Sales Taxes in Lieu,” which impacted the timing and distribution method but did not impact the revenue category in total. Sales Taxes in total represent 18.5 percent of all General Fund revenues.

The City’s sales tax base is generated from a relatively diverse business community and is not dependent on any one merchant or industry. The following chart demonstrates the diversity of the City sales tax revenue. The largest segment, “Autos and Transportation,” accounts for 26 percent of total sales taxes and is represented by 197 new and used auto, boat and aircraft dealers, supply stores and repair shops. The next largest segment, “General Consumer Goods” and “Restaurants and Hotels,” each account for 20 percent of total sales taxes. The third largest sales tax segment, “State and County Pools” accounts for 19 percent of total sales. These pools assign revenue from out of state sellers to local jurisdictions based on each jurisdiction’s share of total taxable sales. Growth in countywide pool allocations is expected to remain strong as online shopping for goods shipped from out-of-state fulfillment centers continues to accelerate. Sales Taxes in total represent 18.5 percent of all General Fund revenues.



Sales Tax revenue increased \$3.9 million or 12 percent from the prior year. Approximately \$2.7 million of the sales tax increase is due to a one-time true-up payment from the state known as the “triple-flip.” This complex, decade-old funding mechanism shifted a portion of sales tax from cities to the state for the payment of economic recovery bonds issued by the state. The State “defeased” the remaining debt this summer. Excluding the one-time triple-flip payment, the City realized a \$1.3 million, or 3.8 percent, increase over the prior year.

Transient Occupancy Taxes (TOT)

TOT accrues to the City at a rate of 10 percent of room charges with 18 percent of this collection going to the local destination marketing organization (Newport Beach & Co.) to promote Newport Beach as a tourist destination. The City distinguishes its transient occupancy taxpayers in two broad property type categories, commercial and residential property. The commercial category is composed of approximately 20 inns, motels, hotels and resorts and accounts for 90 percent of TOT revenues. The residential category is made up of some 884 vacation rentals representing 10 percent of TOT revenue; together, they accounted for \$21 million in TOT revenue during FY 2015-16.

TOT collections increased \$714,041 or 3.5 percent over the prior year. This is the net result of a 18.6 percent increase in residential transient tax collections and a 2.0 percent increase in hotel transient tax collections.

LONG TERM FINANCIAL PLANNING

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

Financial Policies

The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, revenue initiatives, competitive contracting, facility replacement planning and more. Earlier this year, the City Council adopted a budget surplus utilization policy. The 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 shall be 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 shall be used to address 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 adopted a formal debt policy in 2013 that establishes criteria for the issuance of debt and assures that the amount of any debt is affordable and cost effective. The City's debt policy was recognized by the California Debt and Investment Advisory Commission as one of only 14 counties and cities in California whose policies have 20 or more debt management best practice elements. The City's debt and other financial policies can be found on the City's website in the City Council section under City Government at:

www.newportbeachca.gov/policies

Annual Budget

The annual budget serves as the foundation for the City of Newport Beach's financial planning and control and allows the City Council to prioritize City expenditures so that they are aligned with core community values. Per current policy, appropriations for operating expenditures are balanced in relation to current revenue sources and do not over-rely on one-time revenue sources or reserves. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, whenever circumstances warrant. The City Council recently approved a Budget Preparation Framework that consists of goals, strategies and associated tactics as a means of establishing priorities, guiding program activities, and allocating resources for the upcoming budget process.

General Fund revenues ended the year higher than budgeted due to the growing strength of the economy resulting in higher property, sales, and transient occupancy taxes. The City has long taken a conservative approach to forecasting revenues, often assuming a "worst case scenario." This fiscal conservatism has created a stable financial base. As a result, even in a downturn, the City of Newport Beach is able to maintain its services at a high level, while reducing expenses to accommodate reduced revenues. The City's fiscal discipline has allowed it to prepare balanced budgets and to save, both during prosperous and difficult economic periods.

Expenditures were lower than budgeted due to the effective management of operating expenditures, control of labor costs, and outsourcing. Through a combination of early

retirement plans, attrition, outsourcing and lay-offs in recent years the full-time workforce has been reduced 13 percent since FY 2008-09 as depicted in the chart below:



The City Council may authorize the use of Contingency reserves during emergency situations as set forth by the Council Reserve Policy. Last year, the City changed its reserve policy by increasing its Contingency Reserve level from 15 percent to 25 percent of the General Fund “Operating Budget.” Credit rating agencies consider a high level of available “fund balance” to be a credit strength. In 2014, rating agency Standard & Poor’s reaffirmed the City’s AAA credit rating noting the City’s excellent financial management, an outstanding economic base, and healthy reserves in their rationale.

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

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

The City continued its financial commitment to the Facilities Financial Planning Reserve (FFPR) in FY 2015-16 by allocating resources for the Corona del Mar Fire Station No. 5/Library Replacement, Lido Fire Station No. 2 Replacement, and Bonita Creek Park Synthetic Turf, among other projects.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/15	\$ 13,928,520
Sources	
Licenses, Permits and Fees	470,250
Donations - Developer Contributions	3,551,941
Transfer In from General Fund	8,500,000
Interest Income	196,478
Total Sources	12,718,669
Uses	
2010 Civic Center COPs Debt Service ¹	(8,180,999)
Lifeguard Headquarters	(138,585)
Public Arts and Cultural Facilities ²	(67,089)
Misc - Other Facilities	(551,295)
Total Uses	(8,937,968)
Ending Balance 6/30/16	\$ 17,709,221

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

² This represents a transfer to the Public Arts & Cultural Facilities Fund

Overall, the FFPR balance is increasing \$3.8 million from the prior fiscal year due largely to developer contributions in FY 2015-16.

Pensions

As of the actuarial valuation date of June 30th, 2015, the City had an Unfunded Accrued Liability (UAL) of \$275.7 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 55 percent of the Normal Cost of the plan, approaching \$8.6 million annually.
- Reduced the number of full-time staff by 102 Full Time Equivalent (FTE) positions since 2009.
- Adopted a fixed and shorter amortization period of the unfunded liability.
- Contribute no less than Actuarial Determined Contribution (ADC) each & every year.
- Analyzed 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 do not exceed 5 years for any one smoothing cycle.
- Target funding at a level equivalent to a 6.5% discount rate
- Dedicated one-half of any annual budget surplus to accelerate payments.
- Maintain a contingency reserve to project 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. Government Accounting Standards Board (GASB) approved a new reporting statement, GASB Statement No. 68 (GASB 68), titled Accounting and Financial Reporting for Pensions. As required by GASB 68, the City reports the net pension liability in the government wide financial statements, as well as in the proprietary fund statements, in the CAFR – see note (10) of Notes to the Financial Statements.

As with past practice, the City will continue to fund our pension obligation at an amount equal to or greater than the minimum employer contribution rate targeting an amount equivalent to a 6.5% discount rate.. The City has not and will never intentionally short-fund its pension obligations. The City evaluates the cost and benefits of paying down the unfunded pension liability on a faster schedule annually.

TECHNOLOGICAL ENHANCEMENTS

The City continued the implementation of a new Enterprise Resource Planning (ERP) software solution in FY 2015-16. This project will continue through FY 2016-17. An ERP is a business management software system that integrates all of the City’s core functional requirements for financials, human capital management, citizen services and revenues. The City’s legacy financial management system was implemented over 20 years ago. The City has grown since then and developed operational needs beyond the capabilities of the legacy system.

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

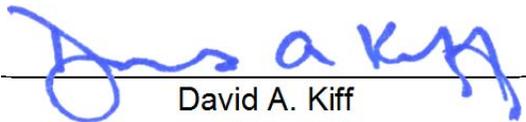
AWARDS AND ACKNOWLEDGMENTS

Awards: The City has prepared a comprehensive annual financial report for the past 23 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, 2015. 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 Accounting Division. In addition, members of the Finance Department would like to thank the City Manager, and the Mayor, and the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. We would also like to thank our auditors, White Nelson Diehl Evans LLP, for their time and assistance in the preparation of the report. This report was completely prepared and published by City employees.



David A. Kiff
City Manager



Dan Matusiewicz
Finance Director



Government Finance Officers Association

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

Presented to

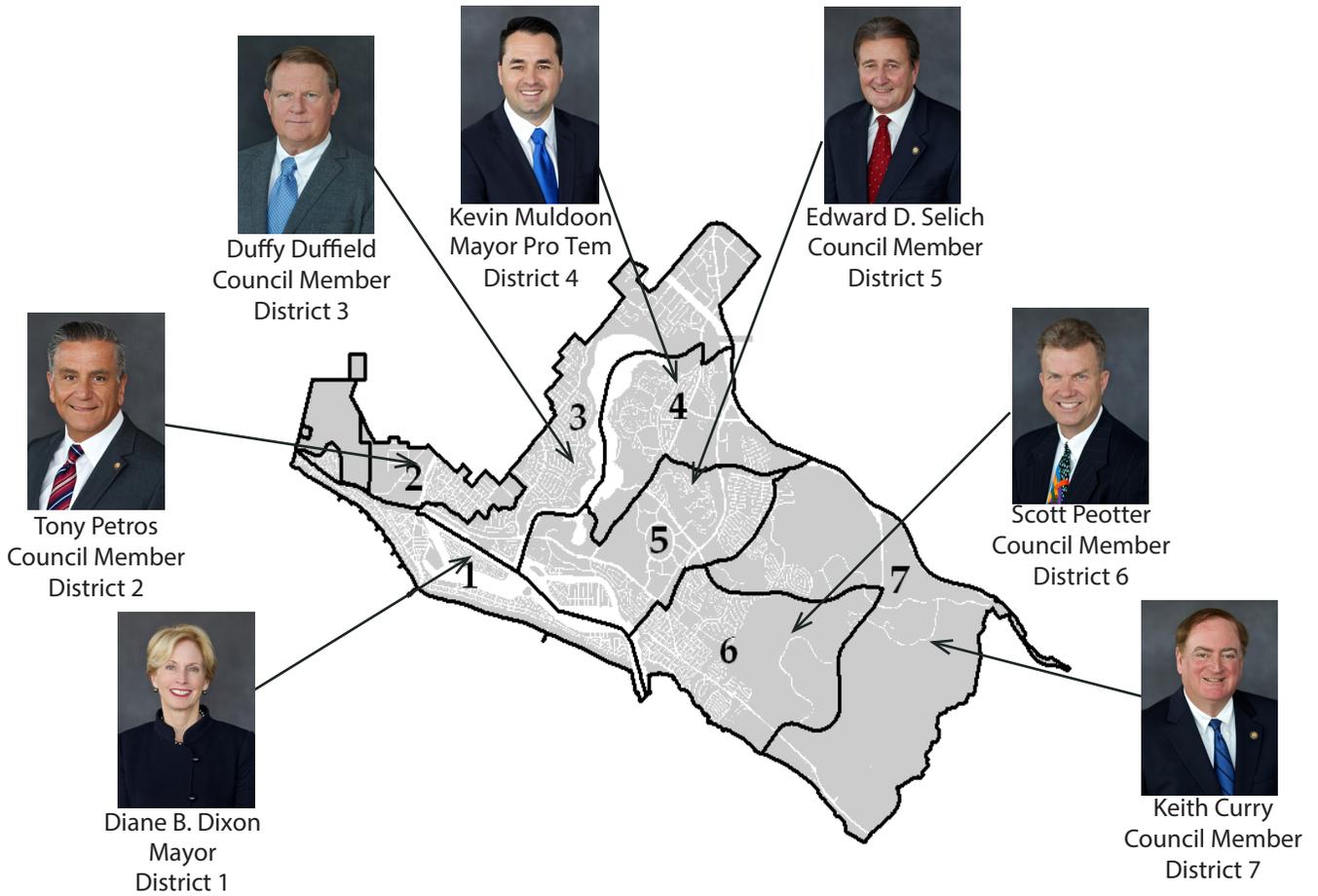
**City of Newport Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

NEWPORT BEACH CITY OFFICIALS



City Attorney
Aaron Harp

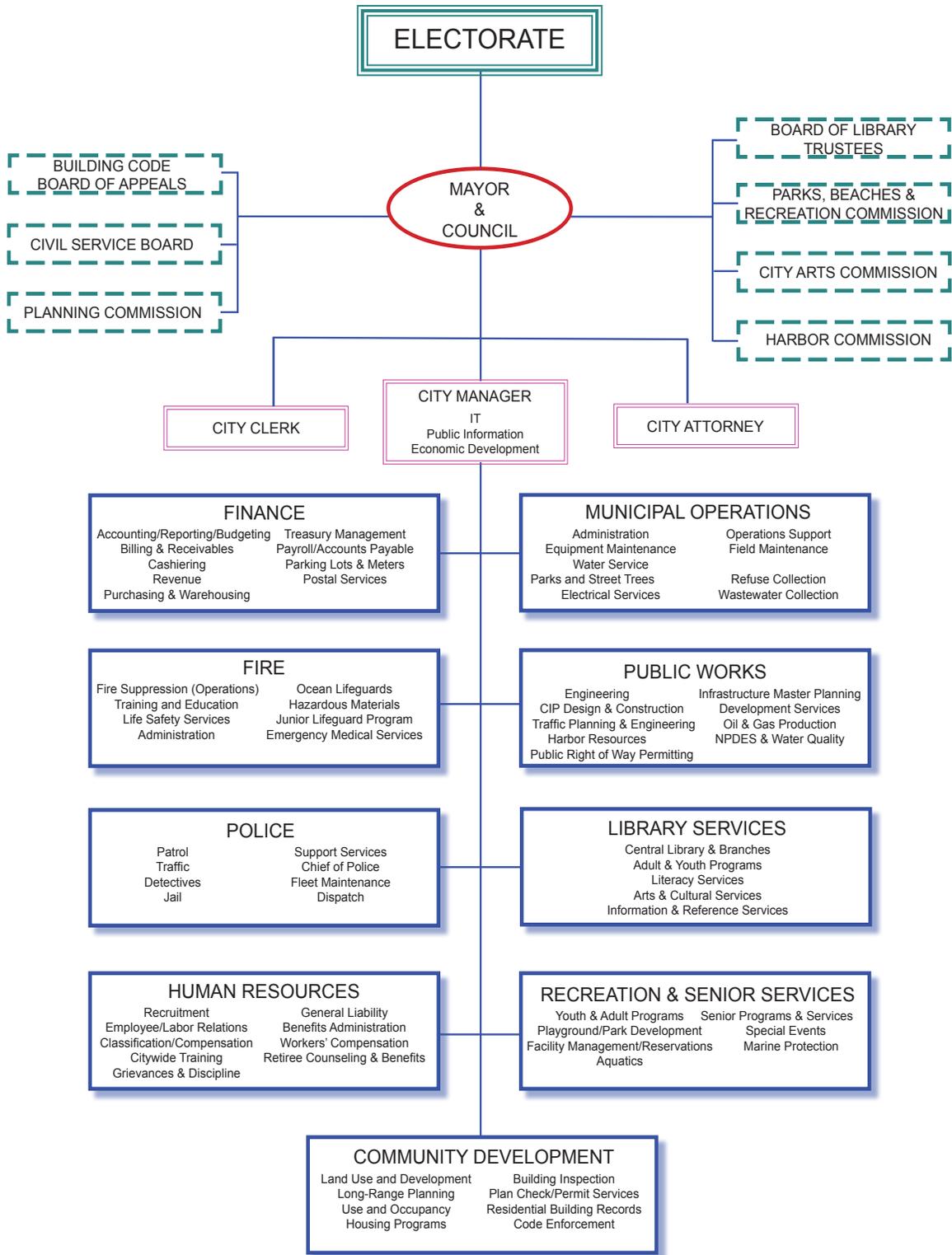


City Manager
Dave Kiff



City Clerk
Leilani Brown

- Carol JacobsAssistant City Manager
- Dan Matusiewicz.....Finance Director/Treasurer
- Kimberly BrandtCommunity Development Director
- Scott Poster.....Fire Chief
- Barbara SalviniHuman Resources Director
- Tim HethertonLibrary Services Director
- George Murdoch, Mike PisaniMunicipal Operations Co-Directors
- Jon LewisPolice Chief
- Dave Webb.....Public Works Director
- Laura DetweilerRecreation & Senior Services Director




ELECTED OFFICIALS


COUNCIL APPOINTED BOARDS & COMMISSIONS


COUNCIL APPOINTED POSITIONS


CITY DEPARTMENTS

Fiscal Year 2015-16

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FINANCIAL SECTION

Independent Auditors' Report

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City Council Members
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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Tide and Submerged Land-Operating Special Revenue Fund, Tide and Submerged Land-Harbor Capital Special Revenue Fund, and Combined Transportation Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the City made some prior period adjustments that resulted in a net increase in previously reported net position of the governmental activities and a decrease in previously reported net position of the compensated absences internal service fund. Our opinions are not modified with respect to these matters.

Other Matters

Report on Required Supplementary Information

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Irvine, California
December 23, 2016

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FINANCIAL SECTION

Management's Discussion and Analysis

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2016. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

Governmental Activities – This category depicts the extent to which programs are self-supporting and the net amount provided by property taxes and other general revenues. Most of the City's basic services are included in this category, such as the public safety, public works, community development, community services and general administration. Taxes and other general revenues finance most of these activities.

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

Fund Financial Statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements such as State and Federal law or bond covenants. Other funds are utilized simply to control and manage resources intended for particular purposes. The Fund Financial Statements provide more detailed information about the City's most significant funds (major funds) but not the City as a whole.

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

The City utilizes three broad categories of funds:

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

Proprietary Funds – Business-like services for which the City provides goods or services to the general public are generally reported in Proprietary Funds (Enterprise Funds and Internal Service Funds). Like the Government-wide Financial Statements, these funds provide both long and short-term financial information utilizing the economic resources measurement focus. The City's Enterprise Funds (Water and Wastewater Funds) are individual funds

represented in the combined presentation of Business-type Activities in the Government-wide Financial Statements. The individual fund presentation provides more detailed information about each business segment, its operating statements, and statements of cash flow. The City also uses Internal Service Funds that are utilized to report and allocate the cost of certain centrally managed and operated activities (e.g. fleet maintenance and other equipment, risk management, retiree insurance, telecommunications systems, information technology services, etc.). Because the Internal Service Funds primarily serve the government, they are reported with Governmental Activities rather than the Business-type Activities in the Government-wide Financial Statements.

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

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

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

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

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Net Position Discussion

As shown in Figure 1, the City's combined net position for year ended June 30, 2016 was \$2.2 billion, increasing \$49.0 million or 2.23% 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 decreased \$1.7 million. This decrease is primarily due to decreases in accounts receivable (net of allowance) and prepaid items, offset by an increase in net other postemployment benefits. Capital assets increased \$15.7 million, much of which is related to the completion of Marina Park, and new capital projects that were started within the fiscal year, but not completed.

Current Liabilities decreased \$6.3 million primarily due to a decrease in accounts payable, accrued payroll, and unearned revenue.

Long-term liabilities increased \$1.5 million. The increase is due to an increase in the net pension liability. See Note (10) of Notes to the Financial Statements for more information.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 222,170	\$ 219,891	\$ 33,633	\$ 34,198	\$ 255,803	\$ 254,089
Capital assets	2,296,490	2,309,083	113,915	117,056	2,410,405	2,426,139
Total assets	2,518,660	2,528,974	147,548	151,254	2,666,208	2,680,228
Deferred Outflows of Resources	19,909	29,795	601	930	20,510	30,725
Current liabilities	29,811	24,032	3,146	2,581	32,957	26,613
Long-term liabilities	405,380	406,498	7,854	8,201	413,234	414,699
Total liabilities	435,191	430,530	11,000	10,782	446,191	441,312
Deferred Inflows of Resources	37,776	18,674	1,478	827	39,254	19,501
Net Position						
Net investment in capital assets	2,176,644	2,193,773	113,915	117,055	2,290,559	2,310,828
Restricted	45,690	44,034	-	-	45,690	44,034
Unrestricted	(156,733)	(128,243)	21,756	23,520	(134,977)	(104,723)
Total net position, before restatement	2,065,601	2,109,564	135,671	140,575	2,201,272	2,250,139
Restatement	6,200 ¹	-	-	-	6,200 ¹	-
Total net position, after restatement	\$ 2,071,801	\$ 2,109,564	\$ 135,671	\$ 140,575	\$ 2,207,472	\$ 2,250,139

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

- The largest portion of the City's net position, at \$2.3 billion or 102.70% of net position reflects the net investment in capital assets (e.g., land, right of way, street trees, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. The city uses these capital assets to provide services to residents. Therefore, they do not represent a financial resource to the City and consequently are not readily available for funding current obligations.
- Restricted net position totaled about \$44 million or 1.96% of net position.

- As of June 30, 2016, unrestricted net position has a deficit of \$104.7 million representing (4.65%) of net position. The deficit is a cumulative effect of the GASB 68 reporting requirements; however, the deficit decreased \$30.3 million from the prior year mainly due to increased revenues in the General Fund and the Combined Transportation Fund, and various cost-savings in the General Fund.

GOVERNMENTAL ACTIVITIES

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

Figure 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 50,587	\$ 50,534	\$ 31,031	\$ 27,566	\$ 81,618	\$ 78,100
Operating grants and capital contributions	10,673	17,827	-	-	10,673	17,827
Capital grants and contributions	38,158	2,718	-	-	38,158	2,718
General Revenues:						
Taxes:						
Property taxes	84,121	91,517	-	-	84,121	91,517
Sales tax	24,832	33,938	-	-	24,832	33,938
Sales tax in-lieu	8,046	2,870	-	-	8,046	2,870
Transient occupancy taxes	20,369	21,083	-	-	20,369	21,083
Other taxes	8,685	8,399	-	-	8,685	8,399
Investment related income	499	960	158	365	657	1,325
Other	3,162	4,001	-	2,375	3,162	6,375
Transfers	-	-	-	23	-	23
Total revenues	<u>249,132</u>	<u>233,847</u>	<u>31,189</u>	<u>30,329</u>	<u>280,322</u>	<u>264,175</u>
Expenses:						
General government	24,558	19,335	-	-	24,558	19,335
Public safety	96,946	91,046	-	-	96,946	91,046
Public works	45,775	45,444	-	-	45,775	45,444
Community development	10,073	9,944	-	-	10,073	9,944
Community services	22,418	22,700	-	-	22,418	22,700
Interest	7,711	7,615	-	-	7,711	7,615
Water	-	-	21,176	21,605	21,176	21,605
Wastewater	-	-	3,452	3,818	3,452	3,818
Total expenses	<u>207,482</u>	<u>196,084</u>	<u>24,628</u>	<u>25,423</u>	<u>232,109</u>	<u>221,507</u>
Increases in net position	41,650	37,763	6,562	4,906	48,212	42,668
Net position at beginning of year	2,291,843	2,065,601	137,927	135,671	2,429,770	2,201,272
Restatement	(267,892) ¹	6,200 ²	(8,818) ¹	-	(276,710) ¹	6,200
Net position at beginning of year, as restated	<u>2,023,951</u>	<u>2,071,801</u>	<u>129,109</u>	<u>135,671</u>	<u>2,153,060</u>	<u>2,207,472</u>
Net position at end of year	<u>\$ 2,065,601</u>	<u>\$ 2,109,564</u>	<u>\$ 135,671</u>	<u>\$ 140,576</u>	<u>\$ 2,201,272</u>	<u>\$ 2,250,140</u>

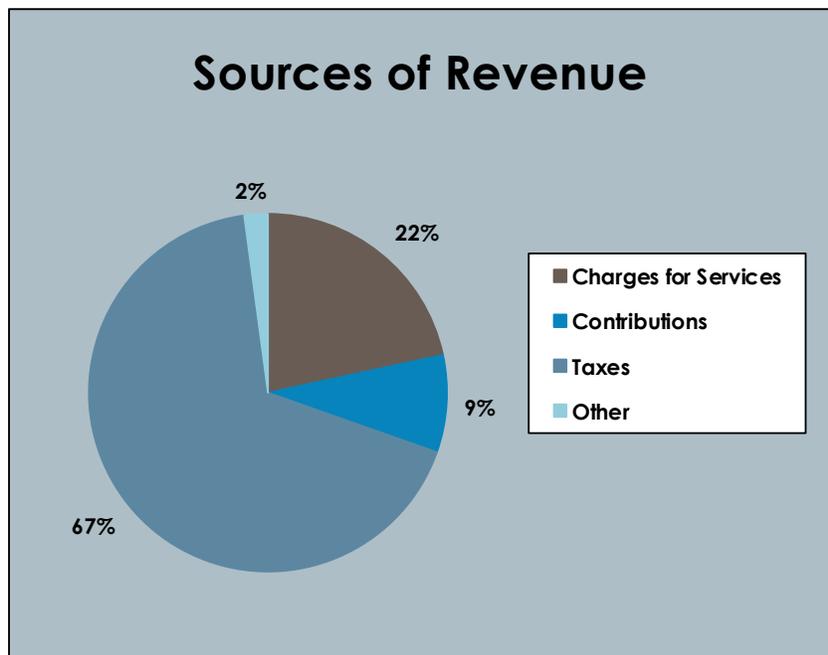
¹ Prior year net position was restated in conformity with GAAP as required by GASB 68, as well as for recording deferred amount from gain on refunding.

² Prior year net position was restated to adjust for deferred outflow of PERS contribution and compensated absence liability in FY14-15.

Revenue Discussion

Figure 3 illustrates how the \$233.8 million in Governmental Activities revenue was derived. As shown on the chart, \$50.5 million or 21% of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another \$20.5 million or 9% 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 \$162.7 million or 70% represented general revenues of the City including taxes, intergovernmental revenues and other miscellaneous revenues.

Figure 3
Governmental Activities Revenue Sources
Year Ended June 30, 2016



As illustrated in Figure 2, grants and contributions to the City decreased \$28.3 million from the prior year primarily related to an expected decrease in one-time developer fees.

The City's governmental general revenues increased \$13.0 million from the prior year largely due to increases in property tax, sales tax, and transient occupancy taxes. The housing market continued to improve in 2016 due to continued job growth, low mortgage rates and continued consumer confidence. The median sales price paid for all Southern California homes sold in June was up 5.5 percent from the prior year.

Property tax collections finished the year \$7.4 million higher than the previous year, notably due to an increase in secured, unsecured, and supplemental taxes.

At \$36.8 million, sales taxes, including sales tax-in-lieu, represent the second largest individual revenue source for the City. Sales taxes increased \$3.9 million from the previous year. The largest sales tax category, "Autos and Transportation", accounts for approximately 33% of total sales tax. The next largest segment, "Restaurants and Hotels", account for 24% of total sales tax and the third largest segment, "General Consumer Goods", accounts for 24% of total sales tax revenue.

At \$21.1 million, transient occupancy taxes (TOT) increased by \$714,041 from the previous fiscal year, which stems from a net increase of \$347,005 in residential TOT and a \$367,036 increase in hotel TOT due mainly from rising occupancy rates in the City's hotels, motels, cottages, and resorts and a generally improving travel and tourism business sector.

Expenses Associated with Governmental Activities

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

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

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

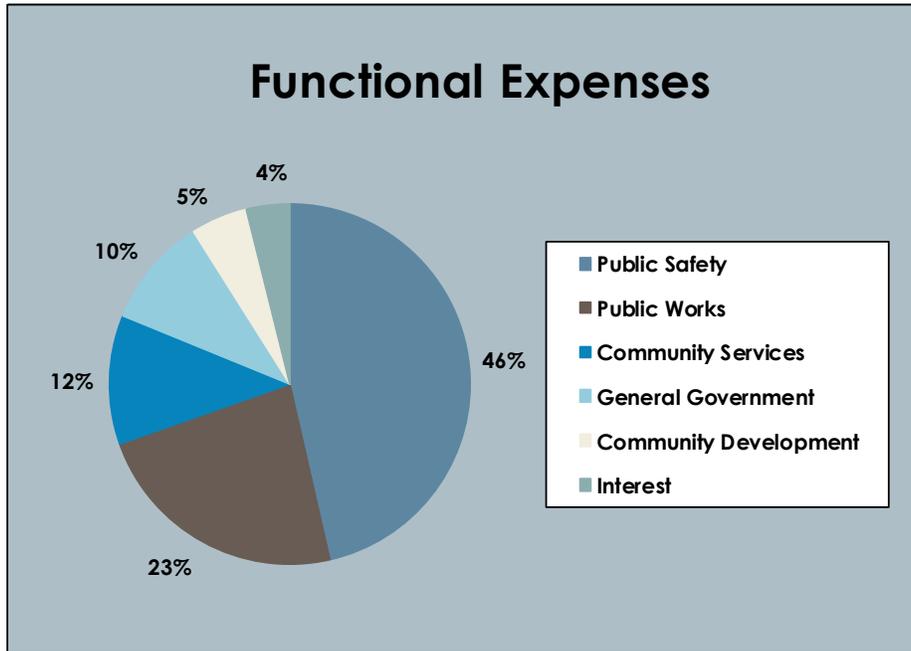
Public Works is comprised of two departments (Public Works and Municipal Operations) providing engineering, construction and maintenance of public streets, highways, buildings, beaches, parks, and related infrastructure; as well as traffic engineering, and street lighting.

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

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

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

Figure 4
Government wide Functional Expenses
Year Ended June 30, 2016



As illustrated in Figure 2, the current year expenses for all governmental activities totaled \$196.1 million. The decrease of \$11.4 million (4.9%) from the prior year due to a combination of a reduction on capital outlay and the reporting of pension expense as required by GASB 68.

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

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

	2015		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 24,558	\$ (20,901)	\$ 19,335	\$ (15,613)
Public safety	96,946	(75,160)	91,046	(69,859)
Public works	45,775	4,530	45,444	(23,963)
Community development	10,073	(310)	9,944	(713)
Community services	22,418	(8,512)	22,700	(7,243)
Interest	7,711	(7,711)	7,615	(7,615)
	<u>\$ 207,481</u>	<u>\$(108,064)</u>	<u>\$ 196,084</u>	<u>\$(125,006)</u>

**Figure 6
Program Expenses and Revenue – Governmental Activities
Year Ended June 30, 2016
(in millions)**

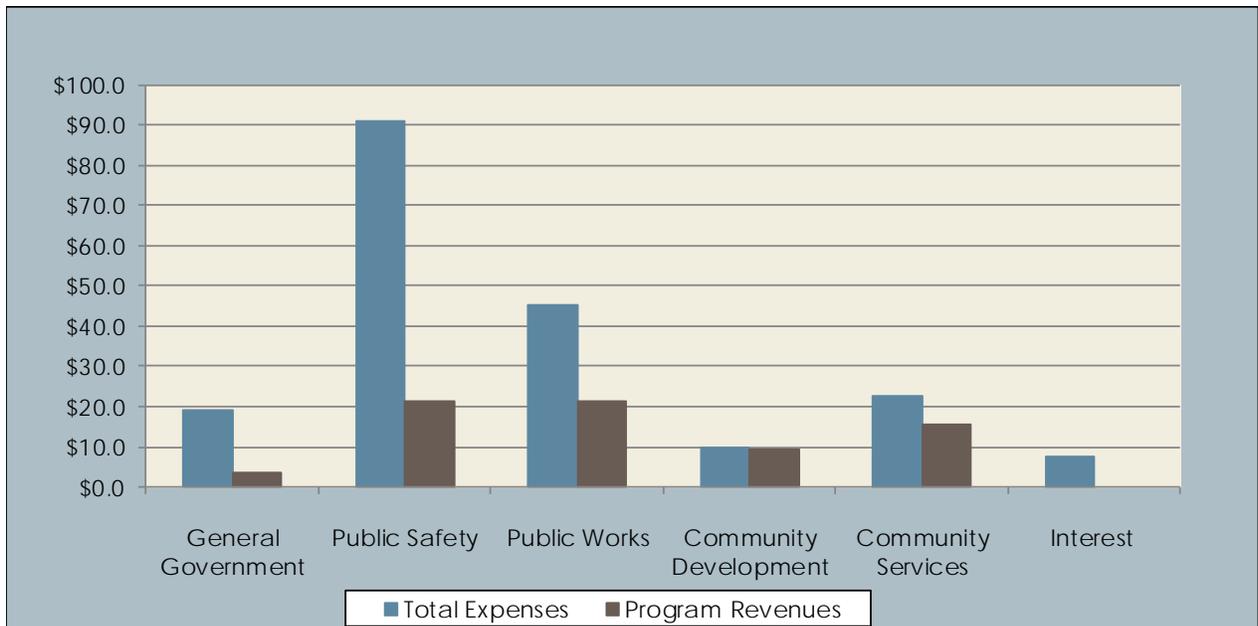
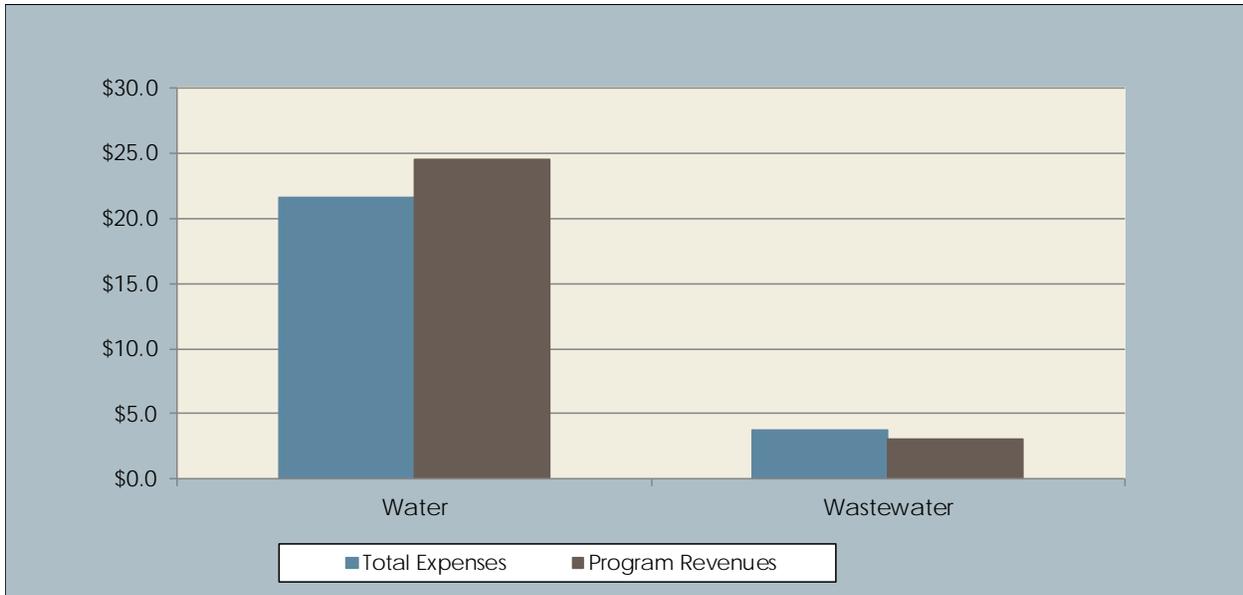


Figure 7
Program Expenses and Revenue – Business-type Activities
Year Ended June 30, 2016
(in millions)



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

Water

Of the \$21.6 million in water related expenses, \$8.1 million (38%) is for the purchase of water, \$3.9 million (18%) covers employee related costs, \$5.3 million (24%) is for maintenance, supplies, and depreciation of the water system, \$2.1 million (10%) is for professional services, and the remaining \$2.2 million (10%) is collectively attributable to miscellaneous other expenses.

Wastewater

Of the \$3.8 million in wastewater related expenses, \$1.7 million (45%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.5 million (40%) is for employee related costs, and the remaining \$579,044 (15%) is attributable to professional services and other miscellaneous expenses.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

Governmental Funds – Utilizing the financial resources measurement focus, the City’s Governmental Funds provide information on near-term inflows and outflows, and

balances of spendable resources. This information is useful in assessing the City's financing requirements and may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund Balance – As shown in Figure 8, the City's Governmental Funds reported combined fund balances of \$145.0 million, an increase of \$6.8 million from the prior year. The increase is the net result of increases in fund balances in the Tide and Submerged Land – Operating Fund, Combined Transportation Fund, Facilities Financial Planning Reserve Fund, Civic Center COP Fund, non-major capital projects funds, and non-major permanent funds in aggregate; offset by decreases in the General Fund, Tide and Submerged Land – Harbor Capital Fund, Marina Park Fund, and non-major special revenue funds in aggregate. The General Fund represented \$81.8 million or 56% of the combined fund balances of the Governmental Funds.

Figure 8
Governmental Funds Fund Balance
(in thousands)

	2015	2016	Change
General Fund	\$ 89,953	\$ 81,839	\$ (8,113)
Tide and Submerged Land - Operating	2,831	4,455	1,623
Tide and Submerged Land - Harbor Capital	(7,145)	(7,829)	(684)
Combined Transportation	(1,327)	2,723	4,049
Facilities Financial Planning Reserve	13,929	17,709	3,781
Marina Park	(2,891)	(7,210)	(4,319)
Civic Center COP	2,350	2,363	13
Non-major special revenue	19,573	18,946	(627)
Non-major capital projects	14,705	25,785	11,080
Non-major permanent	6,149	6,177	27
	<u>\$ 138,128</u>	<u>\$ 144,958</u>	<u>\$ 6,830</u>

Nonspendable Fund Balance – The City has \$19.8 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$19.8 million nonspendable fund balance, \$176,172 is for prepaid items, \$225,165 is for inventories, \$14.8 million is for long-term loan receivables, and \$4.6 million is for permanent endowments.

Restricted Fund Balance – The City has \$36.7 million in fund balance classified as restricted to indicate that it has an externally imposed restriction on how the money may be spent. Of the \$36.7 million restricted fund balance, close to \$3.1 million is restricted in the General Fund, of which \$1.7 million is for Affordable Housing and \$1.4 million is for Oceanfront Encroachment; \$3.9 million is in the Tide and Submerged Land – Operating Fund, of which \$3.2 million is restricted for other and \$659,077 is restricted for the Upper Newport Bay restoration; \$2.7 million is restricted for Combined Transportation Fund; \$2.4 million is restricted for Civic Center COP debt service; and \$4.0 million for park improvements in the Facilities Financial Planning Reserve Fund. Of the remaining \$20.6 million in restricted fund balance, \$19.0 million is restricted for

various special revenue funds, \$72,981 is restricted for an Assessment District Fund, and \$1.5 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has \$43.0 million in fund balance classified as committed to indicate that the City Council has committed how the money will be spent. Of the \$43.0 million committed fund balance; \$2.7 million is committed to the General Fund, of which \$1.9 million is for encumbrances and \$786,170 is committed for support of NBTV programming; \$13.7 million is committed to the Facilities Financial Planning Reserve Fund; \$11.2 million is committed to the Unrestricted Capital Improvements Fund; \$5.9 million is committed to the Fire Station Fund; \$2.8 million for Sunset Ridge Park Fund; \$1.7 million is committed to the Civic Center and Park Fund; \$2.0 million is committed to the Facilities Maintenance Fund; \$932,876 million is committed to the Parks and Community Centers Fund; \$560,000 is committed to the oil and gas reserves in the Tide and Submerged Land - Operating Fund; \$481,130 is committed to Public Art & Cultural Facilities Fund; \$485,748 is committed to the Neighborhood Enhancement Fund; \$410,164 is committed to the Balboa Village Parking Management District Fund; and \$40,489 is committed to various capital projects.

Assigned Fund Balance – The City has \$4.2 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 \$41.2 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted.

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

- Overall General Fund Revenues finished \$13.3 million or 7.2% higher than the prior year, while expenditures finished \$1.8 million or 1.1% lower than the prior year. The net result is that General Fund income before transfers and other financing sources and uses increased by \$15.1 million. Actual General Fund revenues were \$4.9 million over estimated revenues primarily due to conservative property tax estimates and higher than expected transient occupancy tax revenue and fee for service activity. Expenditures came in at \$8.7 million under budget primarily due to control of labor costs (including overtime and benefits), reduction in professional services, supplies and materials, and maintenance and repairs. In total, the General Fund decreased \$8.1 million ending the year with \$81.8 million fund balance.
- The Tide and Submerged Land - Operating fund balance increased \$1.6 million and ended the current year with \$4.5 million in fund balance. This increase was primarily due to capital improvement projects not completed in the current fiscal year.
- The Tide and Submerged Land – Harbor Capital Fund decreased \$684,093 due to Marina Park which opened in the current fiscal year. The fund closed the fiscal

year at a \$7.8 million deficit balance due to a gap between certain limited incremental revenues from the Tidelands Operating Fund and marina park capital project. The General Fund has provided the Tide and Submerged Land – Harbor Capital Fund an advance for harbor related capital improvements. The advance will be paid back to the General Fund from incremental revenues.

- The Facilities Financial Planning Reserve fund balance increased \$3.8 million to \$17.7 million. This was largely due to the receipt of developer contributions.
- The Combined Transportation fund balance ended the year with \$2.7 million in deficit fund balance due to an increase in grants received in the current fiscal year.

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 \$5.8 million primarily due to a settlement for the Bonita Canyon Reservoir cover.
- Net Position in the Wastewater Fund decreased \$732,062 due to a decrease in water consumption as wastewater rates are tied to water consumption.

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

- Net position in the Internal Service Funds increased \$5.6 million in the current year. An operating loss of \$678,187 was mostly generated due to increases in claims and judgments, offset by \$633,008 in non-operating revenues (gain on sale of vehicles and investment income) and \$5.6 million in net transfers.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$2.4 million from the original budget during the year ended June 30, 2016. Significant factors contributing to this fluctuation are highlighted as follows:

- Other revenue increased by \$1.5 million from the original budget primarily due to contributions made to the library and expected financing and rebates for a large scale streetlight retrofit project.

- Final budgeted intergovernmental revenue increased \$478,859 due to anticipated increase in reimbursements and grants from other governmental agencies.
- Final budgeted donations increased \$21,676 from the original budget due to higher than expected private donations made to the library.
- Final budgeted charges for services increased \$411,047 from the original budget due to a rise in police department traffic services, the fire department's involvement in a paramedicine pilot study, and an increase in records management services.
- Final budgeted expenditures for the General Fund decreased \$18.6 million from the original budget during the year ended June 30, 2016. General Fund capital project expenditures being moved to a separate capital project fund, was the main reason for the decrease. Another significant factor contributing to this fluctuation includes the routine reclassification of General Fund expenditures as Tidelands expenditures. This reclassification occurs at year end once all such eligible expenditures can be properly attributed to Tidelands activity. These amounts were offset by increases in expenditures appropriated for paying down unfunded pension liability, professional services and library supplies due to unexpected library donations.

Variance with Final Budget

Actual revenues came in at \$4.9 million above final budgeted revenues for the year ended June 30, 2016 due to the growing strength of the economy resulting in higher property, transient occupancy taxes, charges for services, and property income. Significant factors contributing to this favorable variance are summarized as follows:

- A \$3.6 million favorable variance was realized in property taxes due to higher than expected tax revenues and payments for the dissolution of redevelopment agencies.
- Higher than expected transient occupancy tax revenues of \$426,349 is the result of an increase in disposable income as the strength of the economy continues to grow.
- A \$1.5 million favorable variance was realized in charges for services due to an increase in public safety related services highlighted by paramedic services, higher construction and renovation activity leading to higher than expected building, zoning, planning check fees, and engineering service fees.
- A \$530,717 favorable variance was realized in property income related to increased facilities' rentals, including harbor slip rentals, and parking revenues.

- Investment income was higher than expected by \$425,177.
- There were unfavorable variances totaling \$1.7 million mostly related to licenses, permits and fees, and the rest to sales tax, intergovernmental, fines and forfeitures, and other revenues that offset some of the above favorable variances.

Actual General Fund expenditures of \$162.7 million were significantly less than final budgetary estimates of \$171.4 million. Significant factors contributing to this \$8.7 million variance are summarized as follows:

- A \$2.1 million favorable variance was realized in General Government due to salary & benefits savings and reductions in professional services, outside counsel and special department expenses.
- A \$2.1 million favorable variance in Public Safety was generated by salary & benefit savings, a reduction in professional services and supplies and equipment.
- A \$2.5 million favorable variance in Public Works was due to salary savings and reductions in professional and contract services, and special department expenses and supplies.
- A \$864,749 million favorable variance in Community Development due to salary savings, a reduction in professional and contract services, and a reduction in equipment.
- A \$1.2 million favorable variance in Community Services generated by salary savings and reductions in professional services, contract services, contract recreation instructors, supplies and equipment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2016, amounts to \$2.4 billion, net of accumulated depreciation. This investment is comprised of a broad range of capital assets including land, buildings, machinery and equipment, park facilities, road improvements, storm drains, piers, oil wells, sound walls, an 800 MHz radio communications system, parking pay stations, and meters and bridges. The total net investment in capital assets increased \$15.7 million over the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 1,880,744	\$ 1,890,772	\$ 2,219	\$ 2,219	\$ 1,882,963	\$ 1,892,992
Structures	178,796	199,995	501	486	179,298	200,480
Equipment	17,128	21,102	92	74	17,221	21,176
Infrastructure	186,297	186,135	111,102	109,692	297,398	295,827
Work in progress	33,525	11,079	-	4,584	33,525	15,663
Totals	\$ 2,296,490	\$ 2,309,083	\$ 113,915	\$ 117,056	\$ 2,410,404	\$ 2,426,138

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

- Capital asset additions totaled \$67.8 million in both the Governmental and Business Type Activities in the current year. Of the \$67.8 million, \$25.3 million represents additions of non-depreciable assets such as land and rights of way and work in progress. The remaining \$42.5 million is comprised of additions from structures of \$25.5 million, equipment of \$7.7 million, and infrastructure of \$9.4 million.
- Of the \$62.4 million of additions in governmental assets in the current year, additions in structures contributed \$25.5 million, which was mainly due to the opening of Marina Park. The remaining \$36.9 million added in the current year as governmental assets, is comprised of \$10.0 million in land acquisitions, \$10.7 million of work in progress, \$7.7 million of equipment, and \$8.5 million in infrastructure additions.
- The \$5.5 million of business-type asset additions in the current year is entirely comprised of water system additions with \$4.6 million being work in progress additions and \$895,276 being infrastructure additions.

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

Long-term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$116.5 million for all governmental activities.

Figure 10
Outstanding Debt at Year End
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Certificates of participation	\$ 116,595	\$ 113,655	\$ -	\$ -	\$ 116,595	\$ 113,655
Bond premium	602	482	-	-	602	482
Pre-annexation agreement	2,400	1,200	-	-	2,400	1,200
CDBG Loan	1,339	1,207	-	-	1,339	1,207
Totals	\$ 120,936	\$ 116,544	\$ -	\$ -	\$ 120,936	\$ 116,544

The City's total debt decreased \$4.4 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 U.S. Treasury rate curve steepened significantly in November 2016 largely due to the heightened expectations for fiscal stimulus, a potential increase in inflation, and a potential increase in Treasury issuance, following President-elect Trump's victory and the Republican Party's congressional sweep in the November election. The Federal Reserve has signaled a willingness to let the economy run hot (i.e. allow inflation to run above-target) in order to boost labor-force participation, which has fueled an increase in market-based inflation expectations and put upward pressure on longer-term Treasury yields. The labor market continues to improve with the unemployment rate falling. Consumer confidence remains strong and housing trends remain favorable. The manufacturing sector has slightly improved but may come under renewed pressure due to the recent dollar strength. Looking ahead, domestic economic data remains indicative of moderate growth.

Economists anticipate continued steady gains in employment through 2018 and a steady decrease in the unemployment rate over the next two years in California.

However, the cumulative job growth of 2.8 percent in Orange County has lagged the U.S. (3.3 percent and California 4.9 percent) and County high-tech and information jobs have taken a dramatic dive of 16.3 percent since 2007. This year, Broadcom announced it would cut nearly 700 jobs at its Irvine campus, and Western Digital said it would shed 99 positions. Southern California has been especially hard hit by the loss of well-paid factory jobs. The state lost 11.3 percent of its manufacturing jobs since 2007, higher than the U.S. As a result, Orange County's per capita personal income, which in 2007 was 16.4 percent greater than that of California, is now only 8.7 percent higher. Housing affordability continues to be a challenge. At \$625,000, the median cost of a house in Orange County is almost 13 times its residents' average annual wages while in the U.S. it's just over four times higher.

As the result of these economic trends, a generally conservative outlook is warranted as some economists predict that the current economic recovery is in its latter stages and nearing an end point.

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 2016-17 budget that maintains a deliberate resource balance between these important municipal expenses:

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

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

Fiscal year 2016-17 will mark the second year of an accelerated plan, approved last year, to pay down the City's unfunded pension liability within 19 years. This accelerated payment plan will result in a present value savings of \$47 million when compared to the 30-year plan the City had prior to the Council's action in November 2014. The adopted

budget includes an additional \$2.7 million to pay down the City's unfunded liability faster. 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. Overall assessed valuation (AV) has been stable despite the economic downturn of 2009-2012, with growth in the each of the last 20 years. Local unemployment remains exceptionally low. 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. The City's Contingency Reserve is now \$45.8 million.

Expenditure controls within the past five years have included early retirement incentive plans, increased employee contributions to pension plans, contracting services, and freezing vacant positions. The FY 2016-17 budget includes a net 6.0 FTE decrease in staffing. Financial operations produced net surpluses (after transfers) in the last seven years due to conservative budgeting, successful negotiation of labor concessions, and a stable and growing tax revenue base.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department, 100 Civic Center Drive, Newport Beach, CA 92660, (949) 644-3146. The City's Budgets, Comprehensive Annual Financial Reports as well as other City financial information can be found on the City's website at: www.newportbeachca.gov/financialinfo

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FINANCIAL SECTION

Government-Wide Financial Statements

FINANCIAL SECTION

CITY OF NEWPORT BEACH
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Cash and investments (note 4)	\$ 185,310,625	\$ 29,043,276	\$ 214,353,901
Receivables:			
Accounts (net of allowance)	7,627,521	5,229,016	12,856,537
Interest	572,116	-	572,116
Intergovernmental receivables	14,048,021	-	14,048,021
Cash with fiscal agent (note 4)	8,004,755	-	8,004,755
Internal balances	73,959	(73,959)	-
Investment in joint ventures (note 14)	156,347	-	156,347
Inventory	581,266	-	581,266
Net other post employment benefits assets (note 11)	2,681,929	-	2,681,929
Prepaid items	834,311	-	834,311
Capital assets, (note 5):			
Non-depreciable	1,901,851,144	6,803,785	1,908,654,929
Depreciable	616,270,987	175,359,814	791,630,801
Accumulated depreciation	(209,039,362)	(65,108,023)	(274,147,385)
Total Assets	<u>2,528,973,619</u>	<u>151,253,909</u>	<u>2,680,227,528</u>
Deferred Outflows of Resources:			
Deferred amount from pension plans (note 10)	<u>29,794,869</u>	<u>930,139</u>	<u>30,725,008</u>
Total Deferred Outflows of Resources	<u>29,794,869</u>	<u>930,139</u>	<u>30,725,008</u>
Liabilities:			
Accounts payable	11,889,668	2,462,469	14,352,137
Accrued payroll	2,022,868	96,328	2,119,196
Accrued interest payable	3,772,137	-	3,772,137
Deposits payable	2,593,787	22,500	2,616,287
Unearned revenue	3,753,135	-	3,753,135
Noncurrent liabilities (note 6):			
Net pension liability (note 10)	255,892,906	8,200,501	264,093,407
Due within one year	13,853,318	-	13,853,318
Due in more than one year	136,752,237	-	136,752,237
Total Liabilities	<u>430,530,056</u>	<u>10,781,798</u>	<u>441,311,854</u>
Deferred Inflows of Resources:			
Deferred amount from pension plans (note 10)	18,526,831	826,641	19,353,472
Deferred amount from gain on refunding	147,378	-	147,378
Total Deferred Inflows of Resources	<u>18,674,209</u>	<u>826,641</u>	<u>19,500,850</u>
Net Position:			
Net investment in capital assets	2,193,773,102	117,055,576	2,310,828,678
Restricted for:			
Public safety	1,257,279	-	1,257,279
Public works	25,164,074	-	25,164,074
Community services	8,000,589	-	8,000,589
Community development	3,434,931	-	3,434,931
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,547,023	-	1,547,023
Unrestricted	(128,242,556)	23,520,033	(104,722,523)
Total Net Position	<u>\$ 2,109,564,223</u>	<u>\$ 140,575,609</u>	<u>\$ 2,250,139,832</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 19,335,275	\$ 3,722,557	\$ -	\$ -	\$ 3,722,557
Public safety	91,046,455	19,108,222	2,078,851	-	21,187,073
Public works	45,443,988	5,319,510	13,901,246	2,259,765	21,480,521
Community development	9,943,868	8,419,588	797,577	14,147	9,231,312
Community services	22,700,052	13,964,018	1,049,240	443,592	15,456,850
Interest on long-term debt	7,615,094	-	-	-	-
Total governmental activities	<u>196,084,732</u>	<u>50,533,895</u>	<u>17,826,914</u>	<u>2,717,504</u>	<u>71,078,313</u>
Business-type activities:					
Water	21,605,197	24,499,952	-	-	24,499,952
Wastewater	3,818,165	3,065,762	-	-	3,065,762
Total business-type activities	<u>25,423,362</u>	<u>27,565,714</u>	<u>-</u>	<u>-</u>	<u>27,565,714</u>
Total primary government	<u>\$ 221,508,094</u>	<u>\$ 78,099,609</u>	<u>\$ 17,826,914</u>	<u>\$ 2,717,504</u>	<u>\$ 98,644,027</u>

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

Change in net position

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

Net Position at end of year

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (15,612,718)	\$ -	\$ (15,612,718)
(69,859,382)	-	(69,859,382)
(23,963,467)	-	(23,963,467)
(712,556)	-	(712,556)
(7,243,202)	-	(7,243,202)
(7,615,094)	-	(7,615,094)
<u>(125,006,419)</u>	<u>-</u>	<u>(125,006,419)</u>
-	2,894,755	2,894,755
-	(752,403)	(752,403)
-	<u>2,142,352</u>	<u>2,142,352</u>
<u>(125,006,419)</u>	<u>2,142,352</u>	<u>(122,864,067)</u>
91,516,611	-	91,516,611
33,937,986	-	33,937,986
2,870,474	-	2,870,474
21,083,199	-	21,083,199
4,024,386	-	4,024,386
4,047,584	-	4,047,584
327,009	-	327,009
584,259	216,576	800,835
376,311	148,527	524,838
4,001,486	2,375,000	6,376,486
-	22,516	22,516
<u>162,769,305</u>	<u>2,762,619</u>	<u>165,531,924</u>
37,762,886	4,904,971	42,667,857
<u>2,071,801,337</u>	<u>135,670,638</u>	<u>2,207,471,975</u>
<u>\$ 2,109,564,223</u>	<u>\$ 140,575,609</u>	<u>\$ 2,250,139,832</u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

Fund Financial Statements Governmental Funds

FINANCIAL SECTION

GOVERNMENTAL FUNDS

Major Funds

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

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

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

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

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

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

Other Governmental Funds

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

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2016

Assets	Special Revenue Funds		
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital
Cash and investments (note 4)	\$ 54,945,171	\$ 4,405,879	\$ 7,066,199
Receivables:			
Accounts (net of allowance)	4,354,804	861,966	-
Interest	572,116	-	-
Intergovernmental receivables	12,559,164	-	552,108
Cash with fiscal agent (note 4)	-	-	-
Advance to other funds (note 12)	14,809,559	-	-
Due from other funds (note 12)	7,923,338	-	-
Prepaid items	176,172	-	-
Inventory	225,165	-	-
Total assets	<u>\$ 95,565,489</u>	<u>\$ 5,267,845</u>	<u>\$ 7,618,307</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 7,147,703	\$ 651,863	\$ 145,946
Accrued payroll	1,958,513	8,994	-
Deposits payable	2,322,309	152,478	-
Unearned revenue	2,222,563	-	-
Advance from other funds (note 12)	-	-	14,809,559
Due to other funds (note 12)	-	-	-
Total liabilities	<u>13,651,088</u>	<u>813,335</u>	<u>14,955,505</u>
Deferred Inflows of Resources			
Unavailable revenue	<u>75,000</u>	<u>-</u>	<u>491,567</u>
Total deferred inflows of resources	<u>75,000</u>	<u>-</u>	<u>491,567</u>
Fund balances (deficits):			
Nonspendable:			
Prepaid items	176,172	-	-
Inventories	225,165	-	-
Long-Term Loan Receivable	14,809,559	-	-
Permanent Endowment	-	-	-
Restricted:			
Affordable housing	1,653,479	-	-
Oceanfront Encroachment	1,429,654	-	-
Upper Newport Bay Restoration	-	659,077	-
Other	-	3,235,433	-
Committed:			
Oil and Gas	-	560,000	-
Other	2,726,020	-	-
Assigned:	4,201,311	-	-
Unassigned:	<u>56,618,041</u>	<u>-</u>	<u>(7,828,765)</u>
Total fund balances (deficits)	<u>81,839,401</u>	<u>4,454,510</u>	<u>(7,828,765)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 95,565,489</u>	<u>\$ 5,267,845</u>	<u>\$ 7,618,307</u>

See accompanying notes to basic financial statements

<u>Special Revenue</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
<u>Combined Transportation</u>	<u>Marina Park</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ 2,813,224	\$ -	\$ -	\$ 67,332,005	\$ 136,562,478
-	-	-	1,671,507	6,888,277
-	-	-	-	572,116
807,658	-	-	129,091	14,048,021
-	-	8,004,755	-	8,004,755
-	-	-	-	14,809,559
-	-	-	5,675,311	13,598,649
-	-	-	-	176,172
-	-	-	-	225,165
<u>\$ 3,620,882</u>	<u>\$ -</u>	<u>\$ 8,004,755</u>	<u>\$ 74,807,914</u>	<u>\$ 194,885,192</u>
\$ 403,350	\$ 24,783	\$ 40	\$ 2,540,116	\$ 10,913,801
-	-	-	-	1,967,507
-	-	-	119,000	2,593,787
11,696	-	-	1,518,876	3,753,135
-	-	-	-	14,809,559
-	7,185,141	5,641,811	329,513	13,156,465
<u>415,046</u>	<u>7,209,924</u>	<u>5,641,851</u>	<u>4,507,505</u>	<u>47,194,254</u>
483,273	-	-	1,683,064	2,732,904
<u>483,273</u>	<u>-</u>	<u>-</u>	<u>1,683,064</u>	<u>2,732,904</u>
-	-	-	-	176,172
-	-	-	-	225,165
-	-	-	-	14,809,559
-	-	-	4,629,781	4,629,781
-	-	-	-	1,653,479
-	-	-	-	1,429,654
-	-	-	-	659,077
2,722,563	-	2,362,904	24,682,882	33,003,782
-	-	-	-	560,000
-	-	-	39,688,977	42,414,997
-	-	-	-	4,201,311
-	(7,209,924)	-	(384,295)	41,195,057
<u>2,722,563</u>	<u>(7,209,924)</u>	<u>2,362,904</u>	<u>68,617,345</u>	<u>144,958,034</u>
<u>\$ 3,620,882</u>	<u>\$ -</u>	<u>\$ 8,004,755</u>	<u>\$ 74,807,914</u>	<u>\$ 194,885,192</u>

See accompanying notes to basic financial statements

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CITY OF NEWPORT BEACH
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Fund balances of governmental funds	\$	144,958,034
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.		2,292,534,966
Long term debt that have not been reported in the governmental fund activity. Amounts exclude long-term debt activity from internal service funds which have been added below:		
Certificates of participation payable		(113,655,000)
Premium on certificates		(482,212)
Pre-annexation agreement liability		(1,200,000)
CDBG loan		(1,207,000)
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		29,183,088
Deferred inflows of resources		(17,983,123)
Pension liability		(250,499,175)
Deferred inflows related to gain on refunding is not reported on governmental funds		(147,378)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(3,772,137)
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.		2,732,904
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.		28,870,950
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.		156,347
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.		73,959
Net position of governmental activities	\$	<u><u>2,109,564,223</u></u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Tide and Submerged Land - Operating</u>	<u>Tide and Submerged Land - Harbor Capital</u>
Revenues:			
Taxes and assessments:			
Property tax	\$ 91,516,611	\$ -	\$ -
Sales tax	33,937,986	-	-
Sales tax in-lieu	2,870,474	-	-
Transient occupancy tax	21,083,199	-	-
Other taxes	8,398,979	-	-
Intergovernmental	2,127,317	-	-
Licenses, permits and fees	4,384,210	40,673	-
Charges for services	18,817,193	10,798	-
Fines and forfeitures	3,678,982	5,620	-
Investment income	584,068	60,611	47,224
Net increase in fair value of investments	376,310	41,567	32,386
Property income	9,189,593	10,689,412	2,380,420
Donations	198,129	-	-
Other	1,966,056	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	199,129,107	10,848,681	2,460,030
Expenditures:			
Current:			
General government	13,837,082	792,590	-
Public safety	86,444,910	9,196,603	-
Public works	31,612,573	2,996,261	-
Community development	10,783,781	13,249	-
Community services	19,841,460	1,943,220	-
Capital outlay	-	255,466	3,144,123
Debt service (note 6):			
Principal	-	-	-
Interest and fiscal charges	188,013	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	162,707,819	15,197,389	3,144,123
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	36,421,288	(4,348,708)	(684,093)
Other financing sources (uses):			
Transfers in (note 13)	116,698	5,971,756	-
Transfers out (note 13)	(44,651,126)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(44,534,428)	5,971,756	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	(8,113,140)	1,623,048	(684,093)
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), beginning	89,952,541	2,831,462	(7,144,672)
	<hr/>	<hr/>	<hr/>
Fund balances (deficit), ending	\$ 81,839,401	\$ 4,454,510	\$ (7,828,765)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to basic financial statements

<u>Special Revenue</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<u>Combined Transportation</u>	<u>Marina Park</u>	<u>Civic Center COP</u>		
\$ -	\$ -	\$ -	\$ -	\$ 91,516,611
-	-	-	-	33,937,986
-	-	-	-	2,870,474
-	-	-	-	21,083,199
-	-	-	579,136	8,978,115
7,480,818	-	2,362,803	5,291,209	17,262,147
-	-	-	2,146,240	6,571,123
-	-	-	-	18,827,991
-	-	-	-	3,684,602
22,658	-	191	442,787	1,157,539
15,539	-	-	303,658	769,460
-	-	-	-	22,259,425
-	-	-	3,992,693	4,190,822
-	1	-	1,016,867	2,982,924
<u>7,519,015</u>	<u>1</u>	<u>2,362,994</u>	<u>13,772,590</u>	<u>236,092,418</u>
-	-	-	-	14,629,672
-	-	-	584,271	96,225,784
-	-	-	1,392,071	36,000,905
-	-	-	116,175	10,913,205
-	-	-	-	21,784,680
3,428,477	4,318,836	-	20,787,561	31,934,463
-	-	2,940,000	1,332,000	4,272,000
-	-	7,591,299	60,029	7,839,341
<u>3,428,477</u>	<u>4,318,836</u>	<u>10,531,299</u>	<u>24,272,107</u>	<u>223,600,050</u>
<u>4,090,538</u>	<u>(4,318,835)</u>	<u>(8,168,305)</u>	<u>(10,499,517)</u>	<u>12,492,368</u>
113,189	-	8,180,999	34,140,490	48,523,132
(154,558)	-	-	(9,379,508)	(54,185,192)
<u>(41,369)</u>	<u>-</u>	<u>8,180,999</u>	<u>24,760,982</u>	<u>(5,662,060)</u>
4,049,169	(4,318,835)	12,694	14,261,465	6,830,308
<u>(1,326,606)</u>	<u>(2,891,089)</u>	<u>2,350,210</u>	<u>54,355,880</u>	<u>138,127,726</u>
<u>\$ 2,722,563</u>	<u>\$ (7,209,924)</u>	<u>\$ 2,362,904</u>	<u>\$ 68,617,345</u>	<u>\$ 144,958,034</u>

See accompanying notes to basic financial statements

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CITY OF NEWPORT BEACH
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2016

Net change in fund balances - total governmental funds \$ 6,830,308

Amounts reported for governmental activities in the statement of activities differ from the amounts reported in governmental funds because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 9,844,064

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

Repayment of principal 4,272,000

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

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

Accrued Interest for debt service is the net change in accrued interest for the current period. 53,165

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. 13,853,194

Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds. This is the net change in unearned revenue for the current period. (3,055,335)

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. 5,594,365

Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities. (17,630)

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. 217,673

Change in net position of governmental activities \$ 37,762,886

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
General Fund
Budgetary Comparison Statement
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments:				
Property	\$ 87,874,505	\$ 87,874,505	\$ 91,516,611	\$ 3,642,106
Sales	32,019,302	32,019,302	33,937,986	1,918,684
Sales tax in-lieu	4,980,791	4,980,791	2,870,474	(2,110,317)
Transient occupancy	20,656,850	20,656,850	21,083,199	426,349
Other taxes	8,399,388	8,399,388	8,398,979	(409)
Intergovernmental	1,772,743	2,251,602	2,127,317	(124,285)
Licenses, permits and fees	5,508,553	5,508,553	4,384,210	(1,124,343)
Charges for services	16,877,527	17,288,574	18,817,193	1,528,619
Fines and forfeitures	3,771,632	3,771,632	3,678,982	(92,650)
Investment income	535,201	535,201	584,068	48,867
Net increase in fair value of investments	-	-	376,310	376,310
Property income	8,705,543	8,658,876	9,189,593	530,717
Donations	113,800	135,476	198,129	62,653
Other	567,930	2,108,899	1,966,056	(142,843)
	<u>191,783,765</u>	<u>194,189,649</u>	<u>199,129,107</u>	<u>4,939,458</u>
Expenditures:				
General government:				
City council	1,111,132	1,475,352	1,007,415	467,937
City clerk	731,823	793,188	811,294	(18,106)
City attorney	2,295,648	2,308,907	1,843,660	465,247
City manager	2,995,977	2,712,892	2,059,478	653,414
Finance	5,907,668	5,909,094	5,577,870	331,224
Human resources	2,611,673	2,699,922	2,537,365	162,557
Total General government	<u>15,653,921</u>	<u>15,899,355</u>	<u>13,837,082</u>	<u>2,062,273</u>
Public safety:				
Police	52,335,029	50,190,704	50,105,026	85,678
Fire	43,246,286	38,392,108	36,339,884	2,052,224
Total Public safety	<u>95,581,315</u>	<u>88,582,812</u>	<u>86,444,910</u>	<u>2,137,902</u>
Public works:				
MOD- general services	28,436,541	27,186,486	25,121,299	2,065,187
Public works	7,098,455	6,924,311	6,491,274	433,037
Total Public works	<u>35,534,996</u>	<u>34,110,797</u>	<u>31,612,573</u>	<u>2,498,224</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
General Fund
Budgetary Comparison Statement
For the Year Ended June 30, 2016
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community development:				
Community development	9,637,005	10,315,315	9,472,514	842,801
Code and water quality enforcement	1,343,602	1,333,215	1,311,267	21,948
Total Community development	<u>10,980,607</u>	<u>11,648,530</u>	<u>10,783,781</u>	<u>864,749</u>
Community services:				
Parking operations	1,519,989	1,195,757	1,106,754	89,003
Library services	7,508,264	8,386,113	7,927,063	459,050
Recreation and senior services	11,399,888	11,411,886	10,807,643	604,243
Total community services	<u>20,428,141</u>	<u>20,993,756</u>	<u>19,841,460</u>	<u>1,152,296</u>
Capital outlay	<u>11,614,095</u>	-	-	-
Debt service:				
Interest and fiscal charges	168,896	168,896	188,013	(19,117)
Total expenditures	<u>189,961,971</u>	<u>171,404,146</u>	<u>162,707,819</u>	<u>8,696,327</u>
Excess (deficiency) of revenues over expenditures	<u>1,821,794</u>	<u>22,785,503</u>	<u>36,421,288</u>	<u>13,635,785</u>
Other financing sources (uses):				
Transfers in	24,000	106,581	116,698	10,117
Transfers out	(12,986,443)	(44,651,126)	(44,651,126)	-
Total other financing sources (uses)	<u>(12,962,443)</u>	<u>(44,544,545)</u>	<u>(44,534,428)</u>	<u>10,117</u>
Net change in fund balance	(11,140,649)	(21,759,042)	(8,113,140)	13,645,902
Fund balance, beginning	<u>89,952,541</u>	<u>89,952,541</u>	<u>89,952,541</u>	-
Fund balance, ending	<u>\$ 78,811,892</u>	<u>\$ 68,193,499</u>	<u>\$ 81,839,401</u>	<u>\$ 13,645,902</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Tide and Submerged Land - Operating
Budgetary Comparison Statement
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Licenses, permits and fees	\$ 25,500	\$ 25,500	\$ 40,673	\$ 15,173
Charges for services	-	-	10,798	10,798
Fines and forfeitures	-	-	5,620	5,620
Investment income	14,460	14,460	60,611	46,151
Net increase in fair value of investments	-	-	41,567	41,567
Property income	12,104,838	12,151,505	10,689,412	(1,462,093)
Total revenues	12,144,798	12,191,465	10,848,681	(1,342,784)
Expenditures:				
General government	-	792,590	792,590	-
Public safety	-	9,196,603	9,196,603	-
Public works	1,039,782	3,246,447	2,996,261	250,186
Community development	-	-	13,249	(13,249)
Community services	1,793,523	2,192,773	1,943,220	249,553
Capital outlay	3,299,100	3,629,699	255,466	3,374,233
Total expenditures	6,132,405	19,058,112	15,197,389	3,860,723
Excess (deficiency) of revenues over expenditures	6,012,393	(6,866,647)	(4,348,708)	2,517,939
Other financing uses:				
Transfers in	-	5,971,756	5,971,756	-
Total other financing sources	-	5,971,756	5,971,756	-
Net change in fund balance	6,012,393	(894,891)	1,623,048	2,517,939
Fund balance, beginning	2,831,462	2,831,462	2,831,462	-
Fund balance, ending	\$ 8,843,855	\$ 1,936,571	\$ 4,454,510	\$ 2,517,939

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Tide and Submerged Land - Harbor Capital
Budgetary Comparison Statement
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	-	-	47,224	47,224
Net increase in fair value of investments	-	-	32,386	32,386
Property income	<u>2,298,286</u>	<u>2,298,286</u>	<u>2,380,420</u>	<u>82,134</u>
Total revenues	<u>2,298,286</u>	<u>2,298,286</u>	<u>2,460,030</u>	<u>161,744</u>
Expenditures:				
Capital outlay	<u>1,523,000</u>	<u>4,735,737</u>	<u>3,144,123</u>	<u>1,591,614</u>
Net change in fund balance	775,286	(2,437,451)	(684,093)	1,753,358
Fund balance (deficit), beginning	<u>(7,144,672)</u>	<u>(7,144,672)</u>	<u>(7,144,672)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (6,369,386)</u>	<u>\$ (9,582,123)</u>	<u>\$ (7,828,765)</u>	<u>\$ 1,753,358</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Combined Transportation
Budgetary Comparison Statement
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 5,652,357	\$ 10,109,288	\$ 7,480,818	\$ (2,628,470)
Investment income	3,484	3,484	22,658	19,174
Net increase in fair value of investments	-	-	15,539	15,539
	<u>5,655,841</u>	<u>10,112,772</u>	<u>7,519,015</u>	<u>(2,593,757)</u>
Expenditures:				
Capital outlay	<u>6,404,730</u>	<u>8,924,144</u>	<u>3,428,477</u>	<u>5,495,667</u>
Excess (deficiency) of revenues over expenditures	(748,889)	1,188,628	4,090,538	2,901,910
Other financing uses:				
Transfers in	-	113,189	113,189	-
Transfers out	-	(154,558)	(154,558)	-
Total other financing sources (uses)	<u>-</u>	<u>(41,369)</u>	<u>(41,369)</u>	<u>-</u>
Net change in fund balance	(748,889)	1,147,259	4,049,169	2,901,910
Fund balance, beginning	<u>(1,326,606)</u>	<u>(1,326,606)</u>	<u>(1,326,606)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (2,075,495)</u>	<u>\$ (179,347)</u>	<u>\$ 2,722,563</u>	<u>\$ 2,901,910</u>

FINANCIAL SECTION

Fund Financial Statements Proprietary Funds

FINANCIAL SECTION

PROPRIETARY FUNDS

Business-type Activities

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

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

Governmental Activities

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

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Net Position
June 30, 2016

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and investments	\$ 26,848,780	\$ 2,194,496	\$ 29,043,276	\$ 48,748,147
Receivables:				
Accounts (net of allowance)	4,623,745	605,271	5,229,016	739,244
Inventories	-	-	-	356,101
Net other pension employment benefits assets	-	-	-	2,681,929
Prepaid items	-	-	-	658,139
Total current assets	31,472,525	2,799,767	34,272,292	53,183,560
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	-
Equipment	162,750	-	162,750	34,676,799
Software	-	-	-	3,417,862
Infrastructure	128,693,595	45,815,073	174,508,668	-
Work in progress	4,584,335	-	4,584,335	46,868
Less accumulated depreciation	(48,102,196)	(17,005,827)	(65,108,023)	(21,593,726)
Total capital assets (net of accumulated depreciation)	88,246,330	28,809,246	117,055,576	16,547,803
Total assets	119,718,855	31,609,013	151,327,868	69,731,363
Deferred outflows of resources:				
Deferred amount from pension plans	672,050	258,089	930,139	611,781
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	2,415,595	46,874	2,462,469	975,867
Accrued payroll	69,317	27,011	96,328	55,361
Deposits payable	22,500	-	22,500	-
Due to other funds (note 12)	-	-	-	442,184
Workers' compensation - current	-	-	-	2,852,436
General liability - current	-	-	-	4,448,405
Compensated absences - current	-	-	-	2,030,924
Total current liabilities	2,507,412	73,885	2,581,297	10,805,177
Noncurrent liabilities:				
Workers' compensation (note 6)	-	-	-	11,928,564
General liability (note 6)	-	-	-	3,755,065
Compensated absences (note 6)	-	-	-	9,045,949
Net pension liability (note 10)	5,925,088	2,275,413	8,200,501	5,393,731
Total noncurrent liabilities	5,925,088	2,275,413	8,200,501	30,123,309
Total liabilities	8,432,500	2,349,298	10,781,798	40,928,486
Deferred inflows of resources:				
Deferred amount from pension plans	597,271	229,370	826,641	543,708
Net Position				
Net investment in capital assets	88,246,330	28,809,246	117,055,576	16,547,803
Unrestricted	23,114,804	479,188	23,593,992	12,323,147
Total net position	\$ 111,361,134	\$ 29,288,434	140,649,568	\$ 28,870,950
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(73,959)	
Net position of business-type activities			\$ 140,575,609	

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, 2016

	<u>Enterprise Funds</u>			<u>Governmental</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 24,368,646	\$ -	\$ 24,368,646	\$ -
Charges for services	-	-	-	22,611,653
Sewer service and connection fees	-	3,041,421	3,041,421	-
Retiree reimbursements	-	-	-	274,199
Employee contributions	-	-	-	143,250
Other	131,306	24,341	155,647	1,348,222
Total operating revenues	<u>24,499,952</u>	<u>3,065,762</u>	<u>27,565,714</u>	<u>24,377,324</u>
Operating expenses:				
Purchase of water	8,061,091	-	8,061,091	-
Salaries and benefits	3,929,323	1,541,274	5,470,597	3,221,130
Depreciation	1,729,474	609,075	2,338,549	3,036,740
Professional services	2,080,088	362,987	2,443,075	170,543
Maintenance and supplies	2,228,368	925,438	3,153,806	2,120,529
System maintenance	1,099,777	173,334	1,273,111	-
Fleet parts and supplies	-	-	-	391,141
800 MHz	-	-	-	137,442
Telecommunication	-	-	-	273,982
Hardware	-	-	-	405,704
Software	-	-	-	664,342
Workers' compensation	-	-	-	3,772,650
Claims and judgments	-	-	-	5,062,544
Compensated absences	-	-	-	2,572,554
OPEB ARC - Cash subsidy	-	-	-	3,226,210
Other	2,249,403	216,057	2,465,460	-
Total operating expenses	<u>21,377,524</u>	<u>3,828,165</u>	<u>25,205,689</u>	<u>25,055,511</u>
Operating income (loss)	<u>3,122,428</u>	<u>(762,403)</u>	<u>2,360,025</u>	<u>(678,187)</u>
Nonoperating revenues (expenses):				
Investment income	198,578	17,998	216,576	324,594
Net increase in fair value of investments	136,184	12,343	148,527	222,605
Settlements	2,375,000	-	2,375,000	-
Gain on removal of capital assets	-	-	-	85,809
Total nonoperating revenues (expenses)	<u>2,709,762</u>	<u>30,341</u>	<u>2,740,103</u>	<u>633,008</u>
Income (loss) before transfers	5,832,190	(732,062)	5,100,128	(45,179)
Transfers in (note 13)	22,516	-	22,516	5,639,544
Total transfers in (out)	22,516	-	22,516	5,639,544
Change in net position	5,854,706	(732,062)	5,122,644	5,594,365
Net position, beginning of year	105,506,428	30,020,496		24,676,585
Net position, end of year	<u>\$ 111,361,134</u>	<u>\$ 29,288,434</u>		<u>\$ 28,870,950</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(217,673)	
Change in net position of business-type activities			<u>\$ 4,904,971</u>	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Cash Flows
For the Year ended June 30, 2016

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Cash flows from operating activities:				
Cash received from customers or user departments	\$ 24,586,773	\$ 3,031,493	\$ 27,618,266	\$ 22,919,488
Cash payments to employees for services	(4,509,540)	(1,763,019)	(6,272,559)	(9,340,502)
Cash payments to suppliers for goods and services	(13,749,523)	(1,577,022)	(15,326,545)	(16,427,492)
Cash received (payments made) for other operating activities	(2,118,097)	(191,716)	(2,309,813)	1,491,472
Net cash provided (used) by operating activities	4,209,613	(500,264)	3,709,349	(1,357,034)
Cash flows from noncapital financing activities:				
Cash received from other funds	22,516	-	22,516	6,081,728
Cash paid to other funds	-	-	-	(284,200)
Net cash provided by noncapital financing activities	22,516	-	22,516	5,797,528
Cash flows from capital related financing activities:				
Acquisition of capital assets	(5,479,611)	-	(5,479,611)	(5,789,347)
Proceeds from sale of capital assets	-	-	-	89,350
Settlements	2,375,000	-	2,375,000	-
Net cash used for capital related financing activities	(3,104,611)	-	(3,104,611)	(5,699,997)
Cash flows from investing activities:				
Interest on investments	334,762	30,341	365,103	547,199
Net cash provided by investing activities	334,762	30,341	365,103	547,199
Net increase (decrease) in cash and cash equivalents	1,462,280	(469,923)	992,357	(712,304)
Cash and cash equivalents, beginning	25,386,500	2,664,419	28,050,919	49,460,451
Cash and cash equivalents, ending	\$ 26,848,780	\$ 2,194,496	\$ 29,043,276	\$ 48,748,147
Reconciliation of cash equivalents to the statement of net position:				
Cash and investments reported on statement of net position	\$ 26,848,780	\$ 2,194,496	\$ 29,043,276	\$ 48,748,147
Cash and cash equivalents	\$ 26,848,780	\$ 2,194,496	\$ 29,043,276	\$ 48,748,147
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 3,122,428	\$ (762,403)	\$ 2,360,025	\$ (678,187)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,729,474	609,075	2,338,549	3,036,740
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	219,100	(9,928)	209,172	73,096
Decrease in inventories	-	-	-	16,117
(Increase) in net other pension employment benefits	-	-	-	(1,077,915)
Decrease in prepaid items	-	-	-	796,114
(Decrease) in accounts payable and accrued payroll	(402,776)	(161,259)	(564,035)	(150,088)
(Decrease) in deposits payable	(973)	-	(973)	-
Increase in workers' compensation	-	-	-	436,000
(Decrease) in general liability	-	-	-	(3,668,913)
Increase in compensated absences	-	-	-	276,602
(Decrease) in net of pension liability and deferred cash flows	(457,640)	(175,749)	(633,389)	(416,600)
Total adjustments	1,087,185	262,139	1,349,324	(678,847)
Net cash provided (used) by operating activities	\$ 4,209,613	\$ (500,264)	\$ 3,709,349	\$ (1,357,034)
<u>Noncash investing, capital and financing activities:</u>				
Net increase in fair value of investments	\$ 136,184	\$ 12,343	\$ 148,527	\$ 222,554
Gain on disposal of capital assets	-	-	-	85,809
Total of noncash activities	\$ 136,184	\$ 12,343	\$ 148,527	\$ 308,363

See accompanying notes to basic financial statements

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FINANCIAL SECTION

Fund Financial Statements Fiduciary Funds

FINANCIAL SECTION

FIDUCIARY FUNDS

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

CITY OF NEWPORT BEACH
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2016

Assets	Totals
Cash and investments (note 4)	\$ 1,823,098
Cash with fiscal agent (note 4)	<u>4,314,572</u>
Total assets	<u><u>\$ 6,137,670</u></u>
Liabilities	
Due to bondholders	\$ 5,718,353
Due to others	<u>419,317</u>
Total liabilities	<u><u>\$ 6,137,670</u></u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

Notes to the Financial Statements

FINANCIAL SECTION

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

(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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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

Fund Financial Statements

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

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

Governmental Funds

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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.

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

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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 \$1,547,023. The amount of investment earnings available for expenditure is reported as Restricted Fund Balance in the fund level financial statements. The endowment principal is reported as Nonspendable for Permanent Endowments in the Balance Sheet. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504. The authority for spending investment earnings for scholarships resides with the City Manager and for periodic maintenance dredging in the Newport Bay resides with the City Council.

Proprietary & Fiduciary Funds

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

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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.

Combined Transportation Fund

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

Capital Project Funds

Marina Park Fund

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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. The following governmental fund types are used for non-major funds:

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

Other Capital Projects Funds – Other Capital Projects Funds are used to account for resources used for the acquisition and construction of capital facilities by the City, except those financed by Enterprise Funds.

Other Permanent Funds – Other 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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *“Fair Value Measurement and Application”*. GASB Statement No. 72 requires the City to use valuation techniques, which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City’s financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73 – *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, contains provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68 and has been early implemented.

GASB Statement No. 76 – *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, was required to be implemented in the current fiscal year, and did not impact the City.

GASB Statement No. 79 – *“Certain External Investment Pools and Pool Participants”*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 82 – *“Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73”*, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Pending Accounting Standards

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

- GASB 74 – *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 – *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 77 – *“Tax Abatement Disclosures”*, effective for periods beginning after December 15, 2015
- GASB 78 – *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015.
- GASB 79 – *“Certain External Investment Pools and Pool Participants”*, contains certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 – *“Blending Requirements for Certain Component Units”*, effective for periods beginning after June 15, 2016.
- GASB 81 – *“Irrevocable Split-Interest Agreements”*, effective for periods beginning after December 15, 2016.
- GASB 82 – *“Pension Issues”*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which are effective in the first reporting periods in which the measurement date of the pension liability is on or after June 15, 2017.

e. **Accounts Receivables (net of allowance)**

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

likely to be received due to the government's credit worthiness. As of June 30, 2016, the balance for Allowance for Doubtful Accounts was as follows:

General Fund:	\$1,038,440
Tide and Submerged Land – Operating:	\$2,072
Water Fund:	\$184,734
Waste Water Fund:	\$15,624
Equipment Maintenance Internal Service Fund:	\$19,118

f. Cash and Investments

Cash and Cash Equivalents

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

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 \$25,938,236 at June 30, 2016. 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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

government agencies. As of June 30, 2016, the balance of this account was \$14,048,021.

h. Inventories

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

i. Capital Assets

Capital assets, which include land, structures, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Equipment purchased in excess of \$5,000 is capitalized if it has an expected useful life of three years or more. Building, infrastructure, and improvements are capitalized if cost is in excess of \$30,000 if it has an expected useful life of three years or more. The cost of normal maintenance 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 fair market value at the date of contribution.

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

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

j. Claims and Judgments

The City accounts for material claims and judgments and associated legal and administrative costs when it is probable that the liability claim has been incurred and the amount of the loss can be reasonably estimated. The City records the estimated loss liabilities in the Internal Service Fund. Included therein are claims

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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	1 st installment
	March 1	2 nd installment
Collection dates	December 10	1 st installment
	April 10	2 nd 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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

m. Deposits Payable

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

n. Unearned Revenue

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

o. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has one item that qualifies for reporting in this category, which is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

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 the deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt. The third item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The fourth item is a deferred inflow related to pensions resulting from the difference between actual and expected experience. The fifth item is a deferred inflow related to pensions resulting from the changes in assumptions. This amount is amortized over 3.1 years for the Miscellaneous Plan and 4.6 years for the Safety Plan.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

p. Fund Balance Classifications

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

Nonspendable fund balance

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

Restricted fund balance

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

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 in spendable form and is not otherwise restricted, committed or assigned. These amounts are available to be used for any purpose.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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

q. Estimates

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

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, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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

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

The “total fund balances” of the City’s governmental funds \$144,958,034 differs from “net position” of governmental activities \$2,109,564,223 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	\$2,479,980,602
Accumulated depreciation	<u>(187,445,636)</u>
Total capital assets, net*	<u>\$2,292,534,966</u>

*Amount excludes net capital assets of \$16,547,803 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, 2016 were:

Certificates of participation	\$113,655,000
Bond premium	482,212
Pre-annexation agreement	1,200,000
CDBG loan	<u>1,207,000</u>
Total	<u>\$116,544,212</u>

Deferred Inflows - Refunding

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

(\$147,378)

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Accrued Interest

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

Accrued interest added	<u>\$3,772,137</u>
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Investment in Joint Venture

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

Net equity in joint venture	<u>\$156,347</u>
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Unavailable Revenue

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

Unavailable revenue	<u>\$2,732,904</u>
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Internal Service Funds

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

Internal Service Funds	<u>\$28,870,950</u>
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Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability – GASB 68

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

Deferred Outflows of Resources	\$29,183,088
Deferred Inflows of Resources	(17,983,123)
Pension Liability	(250,499,175)

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Internal Balance

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

Internal Balance	<u>\$73,959</u>
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Reclassifications and Eliminations

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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

Assets and Deferred Outflows of Resources	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Cash and investments	\$ 136,562,478	\$ -	\$ -	\$ -
Receivables:				
Accounts	6,888,277	-	-	-
Advances to other funds	14,809,559	-	-	-
Interest	572,116	-	-	-
Intergovernmental receivables	14,048,021	-	-	-
Cash with fiscal agent	8,004,755	-	-	-
Interfund balances	13,598,649	-	-	-
Investment in joint venture	-	-	-	-
Inventory	225,165	-	-	-
Net other pension employment benefits (assets)	-	-	-	-
Prepaid items	176,172	-	-	-
Capital assets	-	2,479,980,602	-	-
Accumulated depreciation	-	-	(187,445,636)	-
Total assets	<u>\$ 194,885,192</u>	<u>\$ 2,479,980,602</u>	<u>\$ (187,445,636)</u>	<u>\$ -</u>
Deferred Outflows of Resources:				
Deferred amount from pension plans	-	-	-	29,183,088
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,183,088</u>
Total assets and deferred outflows of resources	<u>\$ 194,885,192</u>	<u>\$ 2,479,980,602</u>	<u>\$ (187,445,636)</u>	<u>\$ 29,183,088</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position				
Liabilities:				
Accounts payable	\$ 10,913,801	\$ -	\$ -	\$ -
Accrued payroll	1,967,507	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,593,787	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Unearned revenue	3,753,135	-	-	-
Interfund balance	13,156,465	-	-	-
Advance from other funds	14,809,559	-	-	-
Long-term liabilities	-	-	-	367,043,387
Total liabilities	<u>47,194,254</u>	<u>-</u>	<u>-</u>	<u>367,043,387</u>
Deferred Inflows of Resources:				
Unavailable revenue	2,732,904	-	-	-
Deferred amount from pension plans	-	-	-	17,983,123
Deferred gain from refunding	-	-	-	147,378
Total deferred inflows of resources	<u>2,732,904</u>	<u>-</u>	<u>-</u>	<u>18,130,501</u>
Fund balances / net position	<u>144,958,034</u>	<u>2,479,980,602</u>	<u>(187,445,636)</u>	<u>(355,990,800)</u>
Total liabilities, deferred inflows of resources and fund balances / net position	<u>\$ 194,885,192</u>	<u>\$ 2,479,980,602</u>	<u>\$ (187,445,636)</u>	<u>\$ 29,183,088</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

<u>Interest Payable</u>	<u>Investment in Joint Venture</u>	<u>Unavailable Revenue</u>	<u>Internal Service Funds</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Position</u>
\$ -	\$ -	\$ -	\$ 48,748,147	\$ -	\$ 185,310,625
-	-	-	739,244	-	7,627,521
-	-	-	-	(14,809,559)	-
-	-	-	-	-	572,116
-	-	-	-	-	14,048,021
-	-	-	-	-	8,004,755
-	-	-	-	(13,524,690)	73,959
-	156,347	-	-	-	156,347
-	-	-	356,101	-	581,266
-	-	-	2,681,929	-	2,681,929
-	-	-	658,139	-	834,311
-	-	-	38,141,529	-	2,518,122,131
-	-	-	(21,593,726)	-	(209,039,362)
<u>\$ -</u>	<u>\$ 156,347</u>	<u>\$ -</u>	<u>\$ 69,731,363</u>	<u>\$ (28,334,249)</u>	<u>\$ 2,528,973,619</u>
-	-	-	611,781	-	29,794,869
-	-	-	611,781	-	29,794,869
<u>\$ -</u>	<u>\$ 156,347</u>	<u>\$ -</u>	<u>\$ 70,343,144</u>	<u>\$ (28,334,249)</u>	<u>\$ 2,558,768,488</u>
\$ -	\$ -	\$ -	\$ 975,867	\$ -	\$ 11,889,668
-	-	-	55,361	-	2,022,868
3,772,137	-	-	-	-	3,772,137
-	-	-	-	-	2,593,787
-	-	-	4,448,405	-	4,448,405
-	-	-	2,852,436	-	2,852,436
-	-	-	2,030,924	-	2,030,924
-	-	-	-	-	3,753,135
-	-	-	442,184	(13,598,649)	-
-	-	-	-	(14,809,559)	-
-	-	-	30,123,309	-	397,166,696
<u>3,772,137</u>	<u>-</u>	<u>-</u>	<u>40,928,486</u>	<u>(28,408,208)</u>	<u>430,530,056</u>
-	-	(2,732,904)	-	-	-
-	-	-	543,708	-	18,526,831
-	-	-	-	-	147,378
<u>-</u>	<u>-</u>	<u>(2,732,904)</u>	<u>543,708</u>	<u>-</u>	<u>18,674,209</u>
<u>(3,772,137)</u>	<u>156,347</u>	<u>2,732,904</u>	<u>28,870,950</u>	<u>73,959</u>	<u>2,109,564,223</u>
<u>\$ -</u>	<u>\$ 156,347</u>	<u>\$ -</u>	<u>\$ 70,343,144</u>	<u>\$ (28,334,249)</u>	<u>\$ 2,558,768,488</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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

Net position of the City's Enterprise Funds of \$140,649,568 differs from net position of the business-type activities of \$140,575,609 reported in the government-wide statement of net position. The difference, (\$73,959) results from the consolidation of internal service fund activities related to the enterprise funds.

Assets and Deferred Outflows of Resources	Total Enterprise Funds	Internal Service Funds	Government-wide Statement of Net Position
Cash and investments	\$ 29,043,276	\$ -	\$ 29,043,276
Receivables:			
Accounts	5,229,016	-	5,229,016
Interfund balances	-	(73,959)	(73,959)
Capital assets, net	117,055,576	-	117,055,576
Total assets	<u>151,327,868</u>	<u>(73,959)</u>	<u>151,253,909</u>
Deferred outflows of resources:			
Deferred amount from pension plans	<u>930,139</u>	<u>-</u>	<u>930,139</u>
Total assets and deferred outflows of resources	<u>\$ 152,258,007</u>	<u>\$ (73,959)</u>	<u>\$ 152,184,048</u>
Liabilities, Deferred Inflows of Resources and Fund Balances / Net Position			
Liabilities:			
Accounts payable	\$ 2,462,469	\$ -	\$ 2,462,469
Accrued payroll	96,328	-	96,328
Deposits payable	22,500	-	22,500
Net pension liability	8,200,501	-	8,200,501
Total liabilities	<u>10,781,798</u>	<u>-</u>	<u>10,781,798</u>
Deferred outflows of resources:			
Deferred amount from pension plans	<u>826,641</u>	<u>-</u>	<u>826,641</u>
Net Position			
Net investment in capital assets	\$ 117,055,576	\$ -	\$ 117,055,576
Unrestricted	<u>23,593,992</u>	<u>(73,959)</u>	<u>23,520,033</u>
Total liabilities, deferred outflows of resources and net position	<u>\$ 140,649,568</u>	<u>\$ (73,959)</u>	<u>\$ 140,575,609</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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

The “net change in fund balances” for governmental funds \$6,830,308 differs from the “change in net position” for governmental activities \$37,762,886 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the difference is illustrated below.

Capital Related Items

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

Capital outlay	\$ 55,095,323
Transfers out of WIP	<u>(31,644,912)</u>
Capital outlays expended	<u>23,450,411</u>
Governmental funds - asset deletions	<u>(3,006,660)</u>
Net change in capital related items	<u>\$ 20,443,751</u>
Depreciation expense	\$ (11,744,379)
Deletions in governmental funds accumulated depreciation	<u>1,144,692</u>
Net change in accumulated depreciation	<u>\$ (10,599,687)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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	\$2,940,000
Pre-annexation agreement	1,200,000
CDBG loan	132,000
Amortization of gain on refunding	50,529
Amortization of debt premium	<u>120,553</u>
Total debt payments	<u><u>\$4,443,082</u></u>

Accrued Interest

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

Net change in accrued interest	<u>\$53,165</u>
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Investment in Joint Venture

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

Net change in investment in joint venture	<u>(\$17,630)</u>
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Unavailable Revenue

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

Net change in unavailable revenue	<u>(\$3,055,335)</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Pension Expense

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

Pension expense	<u>\$13,853,194</u>
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Internal Service Funds

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

Net change in internal service funds	<u>\$5,594,365</u>
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Reclassification and Eliminations

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

Net change in reclassifications and eliminations to consolidate internal service funds	<u>\$217,673</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

**Explanation of Differences Between Government Funds
Operating Statement and the Statement of Activities**

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Accumulated Depreciation</u>	<u>Long-term Debt Transactions</u>
Revenues:				
Taxes and assessments	\$ 158,386,385	\$ -	\$ -	\$ -
Intergovernmental	17,262,147	-	-	-
Licenses and permits	6,571,123	-	-	-
Charges for services	18,827,991	-	-	-
Fines and forfeitures	3,684,602	-	-	-
Investment income	1,157,539	-	-	-
Net increase in fair value of investments	769,460	-	-	-
Property income	22,259,425	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	4,190,822	-	-	-
Gain on sale of capital assets	-	-	-	-
Capital contributions	-	-	-	-
Other	2,982,924	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	236,092,418	-	-	-
Expenditures:				
Current:				
General government	14,629,672	-	2,660,313	(1,642,781)
Public safety	96,225,784	-	623,389	(7,812,783)
Public works	36,000,905	3,006,660	5,687,899	(2,045,437)
Community development	10,913,205	-	21,371	(1,077,749)
Community services	21,784,680	-	1,606,715	(1,274,444)
Capital outlay	31,934,463	(23,450,411)	-	-
Debt service:				
Principal retirement	4,272,000	-	-	(4,272,000)
Interest and fiscal charges	7,839,341	-	-	-
Amortization of gain on refunding	-	-	-	(50,529)
Amortization of debt premium	-	-	-	(120,553)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	223,600,050	(20,443,751)	10,599,687	(18,296,276)
Other financing sources (uses):				
Transfers in	48,523,132	-	-	-
Transfers out	(54,185,192)	-	-	-
Total other financing sources (uses)	(5,662,060)	-	-	-
Net change in fund balances / net position	6,830,308	20,443,751	(10,599,687)	18,296,276
Fund balances / net position, beginning of year as restated	<hr/>	<hr/>	<hr/>	<hr/>
	138,127,726	2,459,536,851	(176,845,949)	(374,287,076)
Fund balances / net position, end of year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 144,958,034	\$ 2,479,980,602	\$ (187,445,636)	\$ (355,990,800)

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

<u>Interest Payable</u>	<u>Investment in Joint Venture</u>	<u>Unavailable Revenue</u>	<u>Internal Service Funds</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Activities</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 158,386,385
-	-	(3,055,335)	-	-	14,206,812
-	-	-	-	-	6,571,123
-	-	-	-	217,673	19,045,664
-	-	-	-	-	3,684,602
-	-	-	324,594	-	1,482,133
-	-	-	222,605	-	992,065
-	-	-	-	-	22,259,425
-	(17,630)	-	-	-	(17,630)
-	-	-	-	-	4,190,822
-	-	-	85,809	-	85,809
-	-	-	-	-	-
-	-	-	-	-	2,982,924
<u>-</u>	<u>(17,630)</u>	<u>(3,055,335)</u>	<u>633,008</u>	<u>217,673</u>	<u>233,870,134</u>
-	-	-	73,266	3,614,805	19,335,275
-	-	-	340,872	1,669,193	91,046,455
-	-	-	107,496	2,686,465	45,443,988
-	-	-	87,041	-	9,943,868
-	-	-	69,512	513,589	22,700,052
-	-	-	-	(8,484,052)	-
-	-	-	-	-	-
(53,165)	-	-	-	(171,082)	7,615,094
-	-	-	-	50,529	-
-	-	-	-	120,553	-
<u>(53,165)</u>	<u>-</u>	<u>-</u>	<u>678,187</u>	<u>-</u>	<u>196,084,732</u>
-	-	-	5,639,544	(54,185,192)	(22,516)
-	-	-	-	54,185,192	-
-	-	-	5,639,544	-	(22,516)
53,165	(17,630)	(3,055,335)	5,594,365	217,673	37,762,886
<u>(3,825,302)</u>	<u>173,977</u>	<u>5,788,239</u>	<u>23,276,585</u>	<u>(143,714)</u>	<u>2,071,801,337</u>
<u>\$ (3,772,137)</u>	<u>\$ 156,347</u>	<u>\$ 2,732,904</u>	<u>\$ 28,870,950</u>	<u>\$ 73,959</u>	<u>\$ 2,109,564,223</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

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

The change in net position for the City's enterprise funds \$5,122,644 differs from the change in net position of the business-type activities \$4,904,971 reported in the government-wide statement of activities. The difference, (\$217,673), 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	\$ 24,368,646	\$ -	\$ 24,368,646
Sewer service and connection fees	3,041,421	-	3,041,421
Other	155,647	-	155,647
Total operating revenues	<u>27,565,714</u>	<u>-</u>	<u>27,565,714</u>
Operating expenses:			
Purchase of water	8,061,091	-	8,061,091
Salaries and wages	5,470,597	-	5,470,597
Depreciation	2,338,549	-	2,338,549
Professional services	2,443,075	-	2,443,075
Maintenance and supplies	3,153,806	217,673	3,371,479
System maintenance	1,273,111	-	1,273,111
Other	2,465,460	-	2,465,460
Total operating expenses	<u>25,205,689</u>	<u>217,673</u>	<u>25,423,362</u>
Operating income	2,360,025	(217,673)	2,142,352
Nonoperating revenues (expenses):			
Investment income	216,576	-	216,576
Net increase in fair value of investments	148,527	-	148,527
Settlements	2,375,000	-	2,375,000
Total nonoperating revenues (expenses)	<u>2,740,103</u>	<u>-</u>	<u>2,740,103</u>
Income before transfers	5,100,128	(217,673)	4,882,455
Transfers In	<u>22,516</u>	<u>-</u>	<u>22,516</u>
Change in net position	5,122,644	(217,673)	4,904,971
Net position, beginning of year	<u>135,526,924</u>	<u>143,714</u>	<u>135,670,638</u>
Net position, end of year	<u>\$ 140,649,568</u>	<u>\$ (73,959)</u>	<u>\$ 140,575,609</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
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(3) Budgetary Control and Compliance

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

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

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

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Supplemental Law Enforcement	\$ 138,000	\$ 165,843	\$ (27,843)

The following funds reported deficit fund balances:

Major Funds

Tide and Submerged Land - Harbor Capital	\$ 7,828,765
Marina Park	\$ 7,209,925

Other Governmental Funds

Corporate Yard Consolidation	\$ 192,644
Newport Uptown Undergrounding	\$ 119,000
West Newport Community Center	\$ 33,500
Office of Traffic Safety (OTS) DUI Grant	\$ 88,212

Internal Service Funds

Compensated Absences	\$ 7,082,494
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The City's intentions are to eliminate deficit fund balances through future grant funding, other future revenue sources, or interfund transfers.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

(4) Cash and Investments

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 214,353,901
Cash with fiscal agent	8,004,755
Fiduciary funds:	
Cash and investments	1,823,098
Cash with fiscal agent	4,314,572
Total cash and investments	\$ 228,496,326

Cash and investments as of June 30, 2016, consist of the following:

Cash on hand	\$ 24,063
Deposits with financial institutions	8,407,337
Investments	220,064,926
Total Cash and investments	\$ 228,496,326

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	30%	5%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
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	10%	5%

CITY OF NEWPORT BEACH
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Reverse Repurchase Agreements	30 days	10%	5%
Medium-Term Notes	5 years	30%	5%
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	5%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$50M
JPA Pools (other investment pools)	N/A	None	None

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

Investments Authorized by Debt Agreements

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

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

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Notes to Basic Financial Statements
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Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Investment Maturities (In Years)				Total
		Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 729,393	\$ 729,393	\$ -	\$ -	\$ -	\$ 729,393
U.S. Treasury Obligations	44,332,951	1,929,729	35,389,266	7,013,956	-	44,332,951
U.S. Agency Securities	69,787,986	14,196,211	50,435,930	5,155,845	-	69,787,986
Mortgage Pass-Through	6,439,638	-	6,001,287	438,351	-	6,439,638
Medium-Term Notes	43,387,587	8,916,508	33,450,689	1,020,390	-	43,387,587
Certificates of Deposit	11,205,000	5,300,000	5,905,000	-	-	11,205,000
Commercial Paper	3,691,102	3,691,102	-	-	-	3,691,102
LAIF	25,938,236	25,938,236	-	-	-	25,938,236
Local Agency Bonds	255,000	255,000	-	-	-	255,000
Supranational	1,978,707	-	1,978,707	-	-	1,978,707
Investments with Fiscal Agent:						
Money Market Funds	11,138,750	11,138,750	-	-	-	11,138,750
Investment Agreements *	1,180,576	-	-	-	1,180,576	1,180,576
	\$ 220,064,926	\$ 72,094,929	\$ 133,160,879	\$ 13,628,542	\$ 1,180,576	\$ 220,064,926

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

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

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2016, the City did not have any investments (including investments held by fiscal agent) whose fair values were highly sensitive to interest rate fluctuations.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating by Standard & Poor's as of year end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Exempt from Disclosure	Actual Rating											Not Rated	
				AAA	AA+	AA	AA-	A+	A	A-	A-1+	A-1				
Money Market Funds	\$ 729,393	AAA	-	\$ 729,393	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Treasury Obligations	44,332,951	N/A	44,332,951	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Agency Securities	69,787,986	N/A	-	-	67,689,960	-	-	-	-	-	-	-	-	-	-	-
Mortgage Pass-Through	6,439,638	AA	-	3,921,703	-	-	-	-	-	-	-	-	2,098,026	-	-	2,517,935
Medium-Term Notes	43,387,587	A	-	489,404	6,393,933	652,927	12,684,048	7,751,599	11,775,291	3,640,385	-	-	-	-	-	-
Certificates of Deposit	11,205,000	A-1	-	-	-	-	1,260,000	-	-	-	-	-	3,345,000	6,600,000	-	-
Commercial Paper	3,691,102	A-1	-	-	-	-	-	-	-	-	-	-	998,416	2,692,686	-	-
LAIF	25,938,236	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	25,938,236
Local Agency Bonds	255,000	A	-	-	-	-	-	-	-	-	-	-	-	-	-	255,000
Supranational	1,978,707	AA	-	1,978,707	-	-	-	-	-	-	-	-	-	-	-	-
Investments with Fiscal Agent:																
Money Market Funds	11,138,750	AAA	-	11,138,750	-	-	-	-	-	-	-	-	-	-	-	-
Investment Agreements	1,180,576	N/A	-	-	-	-	-	-	-	1,180,576	-	-	-	-	-	-
	\$ 220,064,926		\$ 44,332,951	\$ 18,257,957	\$ 74,083,893	\$ 652,927	\$ 13,944,048	\$ 7,751,599	\$ 12,955,867	\$ 3,640,385	\$ 6,441,442	\$ 9,292,686	\$ 28,711,171			

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	1. \$30,481,729
FHLB	Federal agency securities	2. \$13,844,435

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

CITY OF NEWPORT BEACH
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June 30, 2016

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, 2016, 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.

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 relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

	Fair Value	Investments That Are Not Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 729,393	\$ 729,393	\$ -	\$ -	\$ -
U.S. Treasury Obligations	44,332,951	-	-	44,332,951	-
U.S. Agency Securities	69,787,986	-	-	69,787,986	-
Mortgage Pass-Through	6,439,638	-	-	6,439,638	-
Medium-Term Notes	43,387,587	-	-	43,387,587	-
Certificates of Deposit	11,205,000	-	-	11,205,000	-
Commercial Paper	3,691,102	-	-	3,691,102	-
LAIF	25,938,236	25,938,236	-	-	-
Local Agency Bonds	255,000	-	-	255,000	-
Supranational	1,978,707	-	-	1,978,707	-
Investments with Fiscal Agent:					
Money Market Funds	11,138,750	11,138,750	-	-	-
Investment Agreements	1,180,576	1,180,576	-	-	-
	<u>\$ 220,064,926</u>	<u>\$ 38,986,955</u>	<u>\$ -</u>	<u>\$ 181,077,971</u>	<u>\$ -</u>

The asset's or liability's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment or liability.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.

When quoted prices in active markets are not available, fair values are based on evaluated prices received from a third party service provider. Inputs to their pricing models are based on observable market inputs in active markets. These investments are classified within Level 2 of the fair value hierarchy.

The City has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

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(5) Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2016
Non-depreciable:				
Land and rights of way	\$ 1,880,743,635	\$ 10,028,786	\$ -	\$ 1,890,772,421
Work in progress	33,524,585	10,663,471	(33,109,333)	11,078,723
	<u>1,914,268,220</u>	<u>20,692,257</u>	<u>(33,109,333)</u>	<u>1,901,851,144</u>
Depreciable:				
Structures	206,133,298	25,469,216	-	231,602,514
Equipment	39,431,454	7,695,052	(1,172,520)	45,953,986
Infrastructure	333,220,343	8,500,804	(3,006,660)	338,714,487
	<u>578,785,095</u>	<u>41,665,072</u>	<u>(4,179,180)</u>	<u>616,270,987</u>
Less accumulated depreciation for:				
Structures	(27,336,816)	(4,271,122)	-	(31,607,938)
Equipment	(22,303,027)	(3,709,512)	1,160,744	(24,851,795)
Infrastructure	(146,923,834)	(6,800,487)	1,144,692	(152,579,629)
	<u>(196,563,677)</u>	<u>(14,781,121)</u>	<u>2,305,436</u>	<u>(209,039,362)</u>
Net Depreciable	<u>382,221,418</u>	<u>26,883,951</u>	<u>(1,873,744)</u>	<u>407,231,625</u>
Net Capital Assets	<u>\$ 2,296,489,638</u>	<u>\$ 47,576,208</u>	<u>\$ (34,983,077)</u>	<u>\$ 2,309,082,769</u>

Governmental Activities capital assets net of accumulated depreciation at June 30, 2016 are comprised of the following:

General Capital Assets, net	\$ 2,292,534,966
Internal Service Fund Capital Assets, net	<u>16,547,803</u>
	<u>\$ 2,309,082,769</u>

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

	Beginning Balance	Additions	Deletions	Balance June 30, 2016
Non-depreciable:				
Land and rights of way	\$ 2,219,450	\$ -	\$ -	\$ 2,219,450
Work in progress	-	4,584,335	-	4,584,335
	<u>2,219,450</u>	<u>4,584,335</u>	<u>-</u>	<u>6,803,785</u>
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	162,750	-	-	162,750
Infrastructure	173,613,392	895,276	-	174,508,668
	<u>174,464,538</u>	<u>895,276</u>	<u>-</u>	<u>175,359,814</u>
Less accumulated depreciation for:				
Structures	(187,357)	(15,356)	-	(202,713)
Equipment	(70,660)	(17,888)	-	(88,548)
Infrastructure	(62,511,457)	(2,305,305)	-	(64,816,762)
	<u>(62,769,474)</u>	<u>(2,338,549)</u>	<u>-</u>	<u>(65,108,023)</u>
Net Depreciable	<u>111,695,064</u>	<u>(1,443,273)</u>	<u>-</u>	<u>110,251,791</u>
Net Capital Assets	<u>\$ 113,914,514</u>	<u>\$ 3,141,062</u>	<u>\$ -</u>	<u>\$ 117,055,576</u>

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

	Governmental Activities*	Business-type Activities
General government	\$ 4,633,773	\$ -
Public safety	1,362,260	-
Public works	6,948,324	-
Community development	21,371	-
Community service	1,815,393	-
Water	-	1,729,474
Wastewater	-	609,075
	<u>\$ 14,781,121</u>	<u>\$ 2,338,549</u>

*Internal Service Fund depreciation of \$3,036,740 is allocated to governmental functions above.

CITY OF NEWPORT BEACH
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(6) Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of participation payable	\$ 116,595,000	\$ -	\$ (2,940,000)	\$ 113,655,000	\$ 3,060,000
Bond premium	602,765	-	(120,553)	482,212	120,553
Pre-annexation agreement	2,400,000	-	(1,200,000)	1,200,000	1,200,000
CDBG loan	1,339,000	-	(132,000)	1,207,000	141,000
Workers' compensation payable	14,345,000	3,896,572	(3,460,572)	14,781,000	2,852,436
Claims and judgments payable	11,872,383	7,845,631	(11,514,544)	8,203,470	4,448,405
Compensated absences	9,400,271	3,972,554	(2,295,952)	11,076,873	2,030,924
Total governmental activities	<u>\$ 156,554,419</u>	<u>\$ 15,714,757</u>	<u>\$ (21,663,621)</u>	<u>\$ 150,605,555</u>	<u>\$ 13,853,318</u>

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

Governmental Activities

- Certificates of Participation

In Fiscal Year 2010-11, the City issued \$20,085,000 of Series 2010A (Tax Exempt) and \$106,575,000 of Series 2010B (Federally Taxable Direct Pay Build America Bonds) Certificates of Participation. The 2010A Certificates were issued to prepay the \$3,990,000 principal outstanding on the 1998 Library Certificates of Participation. Accordingly, the 1998 Library Certificates have been defeased and are no longer outstanding. The remaining proceeds from the Series 2010A Certificates were used to finance the acquisition, improvement and equipping of the Civic Center Project. The Series 2010B Certificates were issued to provide additional financing for the Civic Center Project. The proceeds of the Certificates were applied to pay certain costs of issuance incurred in connection with the Certificates.

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The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began January 1, 2011, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2010A Certificates carry interest rates from 2.00% to 4.00%, while the 2010B Certificates interest rates range from 4.45% to 7.17%. The City has designated the Series 2010B Certificates as "Build America Bonds" (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009. Thus, the City receives refundable credits from the United States Treasury on the interest paid on the 2010B Certificates. As of June 30, 2016 the City has received \$13,511,608 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. Principal payments for the Series 2010A, which commenced July 1, 2011 and continue through July 1, 2019, range from \$410,000 to \$3,185,000. The future principal payments for the Series 2010B Certificates, which commence July 1, 2018 and are payable through July 1, 2040, range from \$2,900,000 to \$7,245,000. The total outstanding balance at June 30, 2016 amounted to \$113,655,000.

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 3,060,000	\$ 7,465,417	\$ 10,525,417
2018	3,185,000	7,340,517	10,525,517
2019	3,310,000	7,204,077	10,514,077
2020	3,405,000	7,052,048	10,457,048
2021	3,065,000	6,895,351	9,960,351
2022-2025	13,340,000	25,799,084	39,139,084
2026-2029	15,760,000	21,911,692	37,671,692
2030-2033	18,850,000	17,014,346	35,864,346
2034-2037	22,580,000	11,099,289	33,679,289
2038-2041	27,100,000	3,995,443	31,095,443
	<u>\$ 113,655,000</u>	<u>\$ 115,777,264</u>	<u>\$ 229,432,264</u>

- Newport Coast Pre-Annexation Agreement Payable

In conjunction with the January 1, 2002, annexation of Newport Coast, the City entered into an agreement payable with the Newport Coast Committee for a total of \$18,000,000 to reduce property owner assessments used to finance certain road and street improvements. The principal-only agreement, which began in the 2003 fiscal year, is payable over a period of fifteen years in equal installments of \$1,200,000. The outstanding balance at June 30, 2016, amounted to \$1,200,000.

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- CDBG Loan

In fiscal year 2003, the City received \$2,400,000 in Section 108 loan proceeds to assist with the funding for the Balboa Village Improvement Program. The loan is collateralized by future Community Development Block Grant allocations. 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 \$141,000 to \$208,000 through June 30, 2023. The outstanding balance at June 30, 2016, amounts to \$1,207,000.

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 141,000	\$ 20,605	\$ 161,605
2018	150,000	19,322	169,322
2019	160,000	17,561	177,561
2020	171,000	14,890	185,890
2021	182,000	11,480	193,480
2021-2023	403,000	9,935	412,935
	<u>\$ 1,207,000</u>	<u>\$ 93,793</u>	<u>\$ 1,300,793</u>

- Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in Note (8). These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2016, 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, 2016, for general liability amounted to \$8,203,470 and for workers' compensation was \$14,781,000.

- 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, 2016, is \$11,076,873.

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(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, 2016, for each district under the Bond Acts of 1911 and 1915, and other special assessments, are as follows:

<u>Assessment District</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2016</u>
Reassessment District 2012	\$13,583,436	\$8,819,270
No. 95-1 CIOSA Refunding Series A	\$15,495,000	\$1,225,000

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

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance with independent third parties for loss risks associated with real and personal property, and automotive liability. The City purchases fidelity bonds for employees in key positions. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

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

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

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

The Insurance Reserve fund was established to account for costs associated with general liability and workers' compensation. The Insurance Reserve fund is accounted for as an internal service fund where assets are set aside for risk management, administration, claim settlements and benefit distribution. A premium is charged to each

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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 \$22,984,470, which represents the discounted present value at June 30, 2016. The claims are discounted using an interest rate of 2.5 percent.

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Unpaid claims, beginning of fiscal year	\$ 9,892,365	\$ 11,872,383	\$ 13,956,000	\$ 14,345,000
Incurred claims (including IBNR)	9,438,852	7,845,631	3,131,894	3,896,572
Claim payments	<u>(7,458,834)</u>	<u>(11,514,544)</u>	<u>(2,742,894)</u>	<u>(3,460,572)</u>
Unpaid claims, end of fiscal year	<u>\$ 11,872,383</u>	<u>\$ 8,203,470</u>	<u>\$ 14,345,000</u>	<u>\$ 14,781,000</u>

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

(9) Deferred Compensation Plan

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

Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries. Therefore, all employee assets held in Section 457 plans are not the property of the City and are not subject to the claims of the City's general creditors. The assets under the plan, which are not included in the accompanying financial statements, totaled \$92,906,490 at June 30, 2016.

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(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 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. 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 at June 30, 2016, are summarized as follows:

	Miscellaneous		
	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5%@55	2.0%@60	2.0%@62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	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	22.424% - 21.774%	22.424% - 21.774%	22.424% - 21.774%
	Safety		
	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
Hire date			
Benefit formula	3.0%@50	2.0%@50; 3.0%@50	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	10.5% - 14.6%	10.5% - 14.6%	10.5% - 14.6%
Required employer contribution rates	58.706% - 54.606%	58.706% - 54.606%	58.706% - 54.606%

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Employees Covered – At the valuation date of June 30, 2014, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	579	410
Inactive employees entitled to but not yet receiving benefits	534	87
Active employees	497	269
	<hr/>	<hr/>
Total	<u>1,610</u>	<u>766</u>

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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

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, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	
Investment Rate of Return	7.5% ⁽¹⁾	7.5% ⁽¹⁾
Mortality Rate Table ⁽²⁾	Derived using CalPERS' Membership Date for all Funds Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	
Post Retirement Benefit Increase		

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

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

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

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund

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(PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100%</u>		

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

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

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c. Changes in the Net Pension Liability

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

<u>Miscellaneous Plan:</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 348,568,768	\$ 255,635,920	\$ 92,932,848
Changes in the year:			
Service cost	6,087,960	-	6,087,960
Interest on the total pension liability	25,427,094	-	25,427,094
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(4,736,006)	-	(4,736,006)
Changes in assumptions	(6,309,248)	-	(6,309,248)
Plan to Plan Resource Movement	-	26,981	(26,981)
Contribution – employer	-	6,615,920	(6,615,920)
Contribution – employee	-	4,321,646	(4,321,646)
Net investment income	-	5,687,908	(5,687,908)
Benefit payments, including refunds of employee contributions	(16,374,370)	(16,374,370)	-
Administrative Expense	-	(287,862)	287,862
Net changes	4,095,430	(9,777)	4,105,207
Balance at June 30, 2015	\$ 352,664,198	\$ 255,626,143	\$ 97,038,055

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<u>Safety Plan:</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at June 30, 2014	\$ 476,354,508	\$ 312,608,474	\$ 163,746,034
Changes in the year:			
Service cost	8,077,826	-	8,077,826
Interest on the total pension liability	35,098,055	-	35,098,055
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(316,827)	-	(316,827)
Changes in assumptions	(8,359,009)	-	(8,359,009)
Plan to Plan Resource Movement	-	-	-
Contribution – employer	-	21,529,513	(21,529,513)
Contribution – employee	-	2,969,503	(2,969,503)
Net investment income	-	7,049,577	(7,049,577)
Benefit payments, including refunds of employee contributions	(25,838,982)	(25,838,982)	-
Administrative Expense	-	(357,866)	357,866
Net changes	<u>8,661,063</u>	<u>5,351,745</u>	<u>3,309,318</u>
Balance at June 30, 2015	<u>\$ 485,015,571</u>	<u>\$ 317,960,219</u>	<u>\$ 167,055,352</u>

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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.65%	6.65%
Net Pension Liability	\$144,891,301	\$222,904,965
Current Discount Rate	7.65%	7.65%
Net Pension Liability	\$97,038,055	\$167,055,352
1% Increase	8.65%	8.65%
Net Pension Liability	\$57,576,080	\$115,082,125

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

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

For the year ended June 30, 2016, the City recognized pension expense of \$15,856,818. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 30,725,008	\$ -
Differences between actual and expected experience	-	(3,456,214)
Changes in assumptions	-	(10,815,840)
Net differences between projected and actual earnings on plan investments	-	(5,081,418)
Total	<u>\$ 30,725,008</u>	<u>\$ (19,353,472)</u>

\$30,725,008 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2017	(9,160,428)
2018	(9,160,428)
2019	(5,953,742)
2020	4,921,126
Thereafter	-

e. Payable to the Pension Plan

At June 30, 2016, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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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, 2016, the City's covered payroll for employees participating in the plan was \$3,592,802. Employees made contributions of \$134,730 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,182,363 at June 30, 2016.

(11) Post Employment Health Care Benefits (OPEB)

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

Plan Description

Effective January 2006, the City and employee associations agreed to major changes in the Post Employment Healthcare Plan. All employees and eligible retirees will participate in a Health Reimbursement Arrangement ("HRA") sponsored by the City, the single employer of the plan and held in trust and managed by OPTUM (Trustee), under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

All employees hired after January 1, 2006, and certain employees hired prior to this date, as well as employees who elected to fully convert (Fully Converted) to a defined contribution formula, participate in a program that requires mandatory employee and employer contributions. However, once these contributions have been made to the employee's account, the City has no further funding obligation to the Plan on their behalf, except for the Public Employees' Medical and Hospital Care Act ("PEMHCA") minimum which is the responsibility of the City.

Certain employees hired prior to January 1, 2006, had the option to retain a hybrid of the former defined benefit Plan, or to fully convert to the new Plan. Employees electing to retain a hybrid of the former defined benefit formula (Hybrid) participate in a program

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requiring mandatory defined contributions by employees and employer, as well as a defined benefit consisting of an ongoing contribution from the City to the participant's HRA account, each month after retirement. Additionally, these employees are eligible to receive health care benefits under the City's group health care plans. However, in order to receive these benefits these employees are required to pay the City \$100 per month up until their retirement to offset the unfunded portion of post employment health benefits existing at the inception of the Plan.

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

Total participants involved in the plan are 1,277 as of June 30, 2016, consisting of 458 miscellaneous employees, 265 safety employees, and 554 retirees and/or termed and their beneficiaries. Copies of the PERS annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

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

Plan Contributions

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

Hybrid employees receive a one-time contribution of \$75 per month for every month paid into the defined benefit program, up to a maximum of 180 months. For Hybrid employees, the City also contributes a percentage of any flexible leave bank

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conversions. The percentage contributed to the HRA account is based on the bargaining unit each employee is associated with. Upon retirement, Hybrid employees receive a defined benefit consisting of a monthly contribution, made by the City, to the participant's HRA account of approximately \$400.

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

Actuarial Valuation, Assumptions and Methods

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Annual Required Contribution (ARC)

The 2015-16 Annual Required Contribution (ARC) includes the Normal Cost plus a 20-year amortization of the Unfunded AAL (in 000's):

Fiscal Year	Beginning Balance	ARC ¹	AOC ¹	Actual Contribution	Percentage Contributed	Annual Covered Payroll	ARC As a % of Payroll	Ending Balance
2013-14								
Cash Subsidy	\$ -	\$ 3,381	\$ 3,381	\$ 4,881	144%	\$ 65,193	5.2%	\$ (1,500)
Net OPEB Obligation (Asset)	<u>\$ -</u>	<u>\$ 3,381</u>	<u>\$ 3,381</u>	<u>\$ 4,881</u>	<u>144%</u>	<u>\$ 65,193</u>	<u>5.2%</u>	<u>\$ (1,500)</u>
2014-15								
Cash Subsidy	\$ (1,500)	\$ 2,612	\$ 2,659	\$ 2,763	106%	\$ 67,149	3.9%	\$ (1,604)
Net OPEB Obligation	<u>\$ (1,500)</u>	<u>\$ 2,612</u>	<u>\$ 2,659</u>	<u>\$ 2,763</u>	<u>105.8%</u>	<u>\$ 72,611</u>	<u>3.6%</u>	<u>\$ (1,604)</u>
2015-16								
Cash Subsidy	\$ (1,604)	\$ 2,713	\$ 2,769	\$ 3,846	142%	\$ 69,163	3.9%	(2,681)
Net OPEB Obligation	<u>\$ (1,604)</u>	<u>\$ 2,713</u>	<u>\$ 2,769</u>	<u>\$ 3,846</u>	<u>141.8%</u>	<u>\$ 69,163</u>	<u>3.9%</u>	<u>\$ (2,681)</u>

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

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

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

The June 30, 2016, NOO (Asset) is determined as follows (in 000's):

Fiscal Year	July 1, NOO	AOC	Prefunding Contributions & Benefit Payments	June 30, NOO (Asset)
2013-14				
Cash Subsidy	\$ -	\$ 3,381	\$ (4,881)	\$ (1,500)
Total	<u>\$ -</u>	<u>\$ 3,381</u>	<u>\$ (4,881)</u>	<u>\$ (1,500)</u>
2014-15				
Cash Subsidy	\$ (1,500)	\$ 2,659	\$ (2,763)	\$ (1,604)
Total	<u>\$ (1,500)</u>	<u>\$ 2,659</u>	<u>\$ (2,763)</u>	<u>\$ (1,604)</u>
2015-16				
Cash Subsidy	\$ (1,604)	\$ 2,769	\$ (3,846)	\$ (2,681)
Total	<u>\$ (1,604)</u>	<u>\$ 2,769</u>	<u>\$ (3,846)</u>	<u>\$ (2,681)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Annual OPEB Cost (AOC)

The AOC is equal to the ARC, except when the City has a Net OPEB Obligation (NOO) at the beginning of the year. In that case, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The 2015-16 AOC is determined as follows (in 000's):

	ARC	Interest on NOO	Amortization of NOO	Total AOC	AOC as % of Payroll
Cash Subsidy	\$2,713	\$ (105)	\$ 161	\$ 2,769	4.0%
Implied Subsidy	-	-	-	-	0.0%
Total	<u>\$2,713</u>	<u>\$ (105)</u>	<u>\$ 161</u>	<u>\$ 2,769</u>	<u>4.0%</u>

Three-Year Funding Status Trend

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

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
06/30/2011						
Cash Subsidy	\$35,922	\$ 7,889	\$28,033	22.0%	\$70,326	39.9%
Implied Subsidy	-	-	-	0.0%	\$70,326	0.0%
Total	<u>\$35,922</u>	<u>\$7,889</u>	<u>\$28,033</u>	<u>22.0%</u>	<u>\$70,326</u>	<u>39.9%</u>
06/30/2013						
Cash Subsidy	\$35,564	\$ 9,979	\$25,585	28.0%	\$65,193	39.0%
Implied Subsidy	-	-	-	0.0%	\$65,193	0.0%
Total	<u>\$35,564</u>	<u>\$9,979</u>	<u>\$25,585</u>	<u>28.0%</u>	<u>\$65,193</u>	<u>39.0%</u>
06/30/2015						
Cash Subsidy	\$35,522	\$14,891	\$20,631	41.9%	\$70,277	29.4%
Implied Subsidy	7,116	-	\$7,116	0.0%	\$70,277	10.1%
Total	<u>\$42,638</u>	<u>\$14,891</u>	<u>\$27,747</u>	<u>34.9%</u>	<u>\$70,277</u>	<u>39.5%</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

(12) Interfund Receivables and Payables

At June 30, 2016, interfund advances receivable and payable were as follows:

	Advance from	Advance to
General Fund	\$14,809,559	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	14,809,559
Total	\$14,809,559	\$14,809,559

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

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

		Advance #1 Dredging Projects	Advance #2 Marina Park Project	Total
Fiscal Year		Repayment	Repayment	Repayment
2017	\$	750,000	\$ 132,900	\$ 882,900
2018		750,000	250,000	1,000,000
2019		750,000	250,000	1,000,000
2020		750,000	500,000	1,250,000
2021		750,000	500,000	1,250,000
2022		750,000	500,000	1,250,000
2023		750,000	500,000	1,250,000
2024		750,000	500,000	1,250,000
2025		750,000	500,000	1,250,000
2026		750,000	500,000	1,250,000
2027		750,000	500,000	1,250,000
2028		426,659	500,000	926,659
2029		-	500,000	500,000
2030		-	500,000	500,000
Total	\$	8,676,659	\$ 6,132,900	\$ 14,809,559

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

At June 30, 2016, interfund receivables and payable were as follows:

	Due from	Due to
General Fund	\$ 7,923,338	\$ -
Marina Park	-	7,185,141
Civic Center COP	-	5,641,811
Internal Service Funds	-	442,184
Nonmajor Funds	5,675,311	329,513
Total	\$13,598,649	\$13,598,649

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

(13) Interfund Transfers

Interfund transfers at June 30, 2016, consisted of the following:

		Transfers In							
		General Fund	Tide and Submerged Land - Operating	Unrestricted Capital Improvements	Civic Center COP	Internal Service Fund	Non-Major Funds	Water Enterprise Fund	Total
Transfers Out	General Fund	\$ -	\$ 5,971,756	\$ 20,127,941	\$ -	\$ 5,595,559	\$ 12,955,870	\$ -	\$ 44,651,126
	Unrestricted Capital Improvements	-	-	-	-	-	113,189	-	113,189
	Non-Major Funds	116,698	-	14,396	8,180,999	43,985	1,042,283	22,516	9,420,877
	Total	\$ 116,698	\$ 5,971,756	\$ 20,142,337	\$ 8,180,999	\$ 5,639,544	\$ 14,111,342	\$ 22,516	\$ 54,185,192

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred \$5,971,756 to subsidize the maintenance and operation of the Tide and Submerged Land-Operating Fund; \$8,500,000 to the Facilities Financial Planning Reserve Non-major Fund to cash fund construction projects for General Fund supported facilities; \$20,127,941 to the Unrestricted Capital Improvements Fund for General Fund capital improvements which are now recorded in a separate capital projects fund; \$5,595,559 to Internal Service Funds which includes \$3,366,108 to the Insurance Reserve Fund to mitigate certain liabilities; \$1,788,178 to the Equipment Maintenance Fund to fund for 800 MHZ radios and infrastructure and recreation equipment; and, \$441,273 to the Information Technology Fund to fund for new hardware; \$12,955,870 to non-major funds which includes \$8,500,000 to Facilities Financial Planning Reserve; \$1,500,000 to the Facilities Maintenance Fund; \$1,065,579 to the Contributions Fund; \$975,000 to the FIIN Fund; \$900,000 to the Neighborhood Enhancement Fund and \$15,291 to the Misc SAH Projects Fund.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

The Facilities Financial Planning Reserve Non-major Fund transferred \$8,180,999 to the Civic Center COP Fund for the debt service payments related to the Civic Center Certificates of Participation; \$756,969 which includes \$551,295 to the Miscellaneous Facilities Financing Non-major Fund, \$138,585 to the Lifeguard Headquarters Non-major Fund and \$67,089 to the Public Arts and Cultural Facilities Non-major Fund.

The Unrestricted Capital Improvements Fund transferred \$113,189 to Combined Transportation Non-major Fund.

Nonmajor funds transferred \$116,698 to the General Fund which includes \$46,247 from the Combined Transportation Fund, \$45,583 from the Contributions Fund and \$24,868 from the Newport Coast Annexation fund. Various other transfers from nonmajor funds include \$22,516 from the Contributions Fund to the Water Fund, \$14,396 from the Combined Transportation Fund to the Unrestricted Capital Improvements Fund, \$43,985 from the Ackerman Donation Fund to the Information Technology Fund, \$93,916 from the Combined Transportation Fund to the Circulation and Transportation Fund and \$191,398 from the Circulation and Transportation Fund to the CIOSA Construction Fund for debt service.

(14) Joint Venture Agreements

Bonita Canyon Public Facilities Financing Authority

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint venture formed by the City of Newport Beach, Irvine Unified School District, and Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within their boundaries. In 1998, the Authority issued \$45,000,000 of special tax bonds to be repaid by special assessments. The Authority paid the City \$30,577,712 (81.7%) to pay for the costs of acquiring and constructing public facilities including parks and road improvements. In Fiscal Year 2011-12, the Authority issued \$38,330,000 of special tax bonds to refinance the 1998 Series; the City is not obligated in any manner to repay the bonds. At June 30, 2015, the contributions from property owners have been fully spent and no funds are held in trust as cash with fiscal agent. The City does not make any annual contributions to this joint venture. The City does not include the Authority as a component unit, as the City is not financially accountable for the Authority's activities and the Authority is not fiscally dependent on the City. The City's equity interest in this joint venture is not readily determinable. Complete separate financial statements can be obtained at the Newport Mesa Unified School District, 2985 Bear Street, Suite 8M, Costa Mesa, California.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Metro Cities Fire Authority

The City of Newport Beach is a member of a joint venture agreement with the cities of Anaheim, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, and Orange for the operation of a communication network to provide fire suppression, emergency medical assistance, and rescue services. The oversight board consists of one voting member and one alternate appointed by the governing body of each member agency. The City of Newport Beach's costs are based each fiscal year upon the number of recorded incidents attributable to the City divided by the recorded incidents attributable to all members during the year and, are recorded in the General Fund as an expenditure for service. Upon termination of the agreement, the proceeds from the sale of the property and assets of the joint venture will be paid to each member agency pursuant to their fair share percentage. Annually, the amounts paid by the City to this joint venture are approximately \$575,373. The City's 10.17% interest in the net equity of this joint venture at June 30, 2016, amounts to \$156,347. Complete separate financial statements can be obtained at the Metro Cities Fire Authority offices at 201 S. Anaheim Boulevard, Suite 302, Anaheim, California.

Integrated Law and Justice Agency of Orange County

The City is a participant in a joint venture agreement with several other public agencies in Orange County for the operation of the Integrated Law and Justice Agency of Orange County (ILJAOC). The ILJAOC went into effect in fiscal year 2007, and consists of 23 member agencies, with an oversight board consisting of 12 members from the participating agencies. Annually, each member agency pays a percentage of the operating and replacement costs for the ILJAOC. The City's annual contribution and interest in the net equity of this joint venture was immaterial as of June 30, 2016. The City of Newport Beach acted as the Treasurer/Controller of the ILJAOC from inception through the end of fiscal year 2011-12. Beginning July 1, 2011, the City of Brea, another member agency, was appointed to serve as Treasurer/Controller, and assumed responsibility for all operating activities of the ILJAOC. Complete separate financial statements can be obtained from the City of Brea, 1 Civic Center Circle, Brea, California 92821.

(15) Commitments and Contingencies

Claims and Judgments

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Circulation Improvement and Open Space Agreement

The City entered into a Circulation Improvement and Open Space Agreement (CIOSA) with a developer whereby the City received a loan of \$14,395,572 to be used only for certain transportation and circulation improvements. The City agreed to match the contribution (without interest) by pledging 50% of future Fair Share Fees (developer impact fees) which are recorded in the Circulation and Transportation Special Revenue Fund. This agreement expired February 20, 2016, and any amounts not contributed by then were forgiven. During the year ended June 30, 2016, the City received \$382,797 of Fair Share fees before the February 20, 2016 expiration date, and \$191,398 was paid to the CIOSA Construction capital projects fund. Through June 30, 2016, \$5,223,840 of Fair Share Fees has been paid.

Newport Coast Pre-Annexation Agreement

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

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

Among other basic provisions, the Pre-Annexation Agreement stipulates specific requirements for the use of proceeds from the sale of the water rights to Irvine Ranch Water District. The City has entered into an agreement to reimburse Newport Coast residents \$18.0 million of the \$25.0 million for certain public road and street improvements previously financed by property owner assessments. The assessment debt relief will be provided to Newport Coast residents in equal installments of \$1.2 million over 15 years. The remaining \$7.0 million was used in locating, planning, and constructing a Community Center within the annexed area. The outstanding Assessment debt relief balance at June 30, 2016 was \$1.2 million.

Operating Agreements

The City of Newport Beach first entered into an agreement with Visit Newport Beach Inc. (VNB), a legally separate non-profit marketing organization, in 1987. The primary responsibility of the VNB is to attract additional visitor business by promoting the City as the premier tourist and business destination in Orange County. The VNB is governed by an Executive Committee comprised of seven individuals not appointed by the City Council of the City of Newport Beach. The current agreement was entered into on 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, 2016, the City paid VNB \$4,618,946.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
Park Avenue Bridge Replacement	\$ 8,562,133	\$ 1,698,419	\$ 5,734,473
Residential Street Overlay	3,837,425	264,395	3,573,030
Marina Park	8,906,755	7,054,782	1,851,973
Newport Blvd 32nd St Modification	4,838,649	3,449,051	1,216,527
East Coast Highway Signal Rehab	2,250,000	1,356,701	815,343
15th St/Balboa Blvd Reconstruction	3,781,760	2,946,371	509,220

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

	Major Governmental Funds			Non-Major Governmental Funds		Total
	General	Tide and Submerged Land Operating	Combined Transportation	Special Revenue Funds	Capital Project Funds	
Drainage	\$ -	\$ -	\$ -	\$ -	\$ 141,039	\$ 141,039
Streets	-	-	2,659,222	3,721,726	1,152,461	7,533,409
Miscellaneous and studies	-	-	-	-	115,003	115,003
Parks	-	-	-	-	79,001	79,001
Contract services	127,791	-	-	-	-	127,791
Supplies and materials	443,472	-	-	-	-	443,472
Maintenance and repairs	344,096	-	-	-	107,326	451,422
General	1,024,491	-	-	-	-	1,024,491
Capital expenditures	-	-	-	-	112,132	112,132
Beaches	-	150,587	-	-	-	150,587
Marinas	-	294,911	-	-	-	294,911
Dredging	-	184,450	-	-	-	184,450
Environmental	-	-	-	-	-	-
Total encumbrances	<u>\$ 1,939,850</u>	<u>\$ 629,948</u>	<u>\$ 2,659,222</u>	<u>\$ 3,721,726</u>	<u>\$ 1,706,962</u>	<u>\$ 10,657,708</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

(16) Fund Balance

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

Governmental Fund Balance under Statement No. 54, at June 30, 2016, is classified as follows:

	Governmental Fund Balance									
	General	Tide and Submerged Land Operating	Tide and Submerged Land Harbor Capital	Combined Transportation	Marina Park	Civic Center COP	Non-Major Governmental Funds			Totals
							Special Revenue Funds	Capital Project Funds	Permanent Funds	
Nonspendable:										
Prepaid items (legally restricted)	\$ 176,172	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,172
Inventories (legally restricted)	225,165	-	-	-	-	-	-	-	-	225,165
Long-term loan receivable (form restricted)	14,809,559	-	-	-	-	-	-	-	-	14,809,559
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:										
Affordable housing	1,653,479	-	-	-	-	-	-	-	-	1,653,479
Oceanfront encroachment	1,429,654	-	-	-	-	-	-	-	-	1,429,654
Upper Newport bay restoration	-	659,077	-	-	-	-	-	-	1,170,184	1,829,261
Public safety	-	-	-	-	-	-	763,861	-	-	763,861
Parks	-	-	-	-	-	-	310,411	4,028,434	-	4,338,845
Transportation	-	-	-	-	-	-	1,072,116	-	-	1,072,116
Air quality improvement	-	-	-	-	-	-	1,094,190	-	-	1,094,190
Environmental liability mitigation	-	-	-	-	-	-	6,388,888	-	-	6,388,888
Libraries	-	-	-	-	-	-	-	-	155,791	155,791
Scholarships	-	-	-	-	-	-	-	-	221,048	221,048
Newport coast annexation	-	-	-	-	-	-	1,200,000	-	-	1,200,000
Fiin	-	-	-	-	-	-	1,427,855	-	-	1,427,855
Debt service	-	-	-	-	-	2,362,904	-	-	-	2,362,904
Capital re-appropriations	-	2,605,485	-	63,341	-	-	3,055,397	72,981	-	5,797,204
Encumbrance reserve:										
Beaches	-	150,587	-	-	-	-	-	-	-	150,587
Marinas	-	294,911	-	-	-	-	-	-	-	294,911
Dredging	-	184,450	-	-	-	-	-	-	-	184,450
Streets	-	-	-	2,659,222	-	-	3,721,726	-	-	6,380,948
Committed:										
Facilities replacement	-	-	-	-	-	-	-	13,680,787	-	13,680,787
Facilities maintenance	-	-	-	-	-	-	-	1,661,414	-	1,661,414
Civic center and park	-	-	-	-	-	-	-	1,606,816	-	1,606,816
Sunset ridge park	-	-	-	-	-	-	-	2,630,372	-	2,630,372
Oil and gas liabilities	-	560,000	-	-	-	-	-	-	-	560,000
Public arts and cultural facilities	-	-	-	-	-	-	-	416,445	-	416,445
Parks and community centers	-	-	-	-	-	-	-	782,876	-	782,876
Cable franchise reserve	786,170	-	-	-	-	-	-	-	-	786,170
Parking management	-	-	-	-	-	-	-	5,372	-	5,372
Neighborhood enhancement	-	-	-	-	-	-	-	10,027	-	10,027
Capital re-appropriations	-	-	-	-	-	-	-	17,236,967	-	17,236,967
Encumbrance reserve:										
Drainage	-	-	-	-	-	-	-	141,039	-	141,039
Streets	-	-	-	-	-	-	-	1,152,461	-	1,152,461
Miscellaneous and studies	-	-	-	-	-	-	-	115,003	-	115,003
Parks	-	-	-	-	-	-	-	79,001	-	79,001
Contract services	127,791	-	-	-	-	-	-	-	-	127,791
Supplies and materials	443,472	-	-	-	-	-	-	-	-	443,472
Maintenance and repairs	344,096	-	-	-	-	-	-	107,326	-	451,422
General	1,024,491	-	-	-	-	-	-	-	-	1,024,491
Capital expenditures	-	-	-	-	-	-	-	112,132	-	112,132
Assigned:										
Recreation and senior services	325,000	-	-	-	-	-	-	-	-	325,000
Wastewater subsidy	3,500,000	-	-	-	-	-	-	-	-	3,500,000
Fair value adjustment reserve	376,311	-	-	-	-	-	-	-	-	376,311
Unassigned:	56,618,041	-	(7,828,765)	-	(7,209,924)	-	(88,212)	(345,144)	-	41,145,996
Total fund balances	\$ 81,839,401	\$ 4,454,510	\$ (7,828,765)	\$ 2,722,563	\$ (7,209,924)	\$ 2,362,904	\$ 18,946,232	\$ 43,494,309	\$ 6,176,804	\$ 144,958,034

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2016

(17) Net Position/Fund Balance Restatement

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

Proprietary Fund:

	Compensated Absences
Net position at June 30, 2015, as previously reported	\$ (5,494,088)
Adjustment to record compensated absence liability in FY 14-15	(1,400,000)
Net position at July 1, 2015, as restated	\$ (6,894,088)

Government -wide:

	Governmental Activities
Net position at June 30, 2015, as previously reported	\$ 2,065,601,337
Adjustment for deferred outflow of PERS contribution in FY14-15	7,600,000
Adjustment to record compensated absence liability in FY 14-15	(1,400,000)
Net position at July 1, 2015, as restated	\$ 2,071,801,337

FINANCIAL SECTION

Required Supplementary Information

FINANCIAL SECTION

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years *

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

Measurement Period	2016 June 30, 2015	2015 June 30, 2014
Total Pension Liability		
Service cost	\$ 6,087,960	\$ 6,523,874
Interest on total pension liability	25,427,094	24,624,559
Differences between expected and actual experience	(4,736,006)	-
Changes in assumptions	(6,309,248)	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(16,374,370)	(15,290,340)
Net Change in total pension liability	4,095,430	15,858,093
Total Pension Liability - beginning	348,568,768	332,710,675
Total Pension Liability - ending (a)	\$ 352,664,198	\$ 348,568,768
Plan fiduciary net position		
Contributions - employer	\$ 6,615,920	\$ 5,793,768
Contributions - employee	4,321,646	4,319,336
Net investment income	5,687,908	38,237,161
Administrative expense	(287,862)	-
Plan to plan resource movement	26,981	-
Benefit payments	(16,374,370)	(15,290,340)
Net change in plan fiduciary net position	(9,777)	33,059,925
Plan Fiduciary net position - beginning	255,635,920	222,575,995
Plan Fiduciary net position - ending (b)	\$ 255,626,143	\$ 255,635,920
Net pension liability - ending (a)-(b)	\$ 97,038,055	\$ 92,932,848
Plan fiduciary net position as a percentage of the total pension liability	72.48%	73.34%
Covered - employee payroll	\$ 38,512,011	\$ 37,775,051
Net pension liability as percentage of covered - employee payroll	251.97%	246.02%

Notes to Schedule:

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

Benefit Changes:

There were no changes to benefits.

Change in Assumptions:

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

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years *

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2016	2015
Actuarially determined contribution	\$ 11,006,494	\$ 7,117,065
Contributions in relation to the actuarially determined contributions	(11,006,494)	(7,117,065)
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll	 \$ 40,031,404	 \$ 38,512,011
Contributions as a percentage of covered - employee payroll	27.49%	18.48%

Notes to Schedule:

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age normal cost **
Amortization method	Level percentage of payroll, closed **
Remaining amortization period	22 years as of the Valuation Date
Asset valuation method	Market Value ***
Inflation	2.75% **
Salary increases	3.30% to 14.20% depending on age, service, and type of employment **
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	50 years (2.5% @55 and 2.0% @60) and 52 years (2.0% @62) **
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

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

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

*** The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using market value.

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years *

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

Measurement Period	2016	2015
	June 30, 2015	June 30, 2014
Total Pension Liability		
Service cost	\$ 8,077,826	\$ 8,091,585
Interest on total pension liability	35,098,055	33,807,462
Differences between expected and actual experience	(316,827)	-
Changes in assumptions	(8,359,009)	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(25,838,982)	(24,529,802)
Net Change in total pension liability	8,661,063	17,369,245
Total Pension Liability - beginning	476,354,508	458,985,263
Total Pension Liability - ending (a)	\$ 485,015,571	\$ 476,354,508
Plan fiduciary net position		
Contributions - employer	\$ 21,529,513	\$ 12,089,637
Contributions - employee	2,969,503	3,122,237
Net investment income	7,049,577	47,151,493
Administrative expense	(357,866)	-
Benefit payments	(25,838,982)	(24,529,802)
Net change in plan fiduciary net position	5,351,745	37,833,565
Plan Fiduciary net position - beginning	312,608,474	274,774,909
Plan Fiduciary net position - ending (b)	\$ 317,960,219	\$ 312,608,474
Net pension liability - ending (a)-(b)	\$ 167,055,352	\$ 163,746,034
Plan fiduciary net position as a percentage of the total pension liability	65.56%	65.63%
Covered - employee payroll	\$ 30,189,633	\$ 29,944,665
Net pension liability as percentage of covered - employee payroll	553.35%	546.83%

Notes to Schedule:

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

Benefit Changes:

There were no changes to benefits.

Change in Assumptions:

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

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2016
Last 10 Years *

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2016	2015
Actuarially determined contribution	19,718,514	\$ 13,393,374
Contributions in relation to the actuarially determined contributions	(19,718,514)	(13,393,374)
Contribution deficiency (excess)	\$ -	\$ -
 Covered - employee payroll	\$ 30,816,246	\$ 30,189,633
 Contributions as a percentage of covered - employee payroll	63.99%	44.36%

Notes to Schedule:

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age normal cost **
Amortization method	Level percentage of payroll, closed **
Remaining amortization period	27 years as of the Valuation Date
Asset valuation method	Market Value ***
Inflation	2.75% **
Salary increases	3.30% to 14.20% depending on age, service, and type of employment **
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	50 years (3.0% @ 50, 2.0% @ 50, 2.7% @ 57) **
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

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

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

*** The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using market value.

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FINANCIAL SECTION

Supplementary Information Other Governmental Funds

FINANCIAL SECTION

OTHER GOVERNMENTAL FUNDS

Other Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Capital Projects Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Permanent Funds

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

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

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

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2016

	Special Revenue			
	State Gas Tax	Asset Forfeiture	OTS DUI Grant	Circulation and Transportation
Assets				
Cash and investments	\$ 4,737,043	\$ 776,912	\$ -	\$ 1,309,453
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	88,212	-
Due from other funds	-	-	-	-
	<u>\$ 4,737,043</u>	<u>\$ 776,912</u>	<u>88,212</u>	<u>\$ 1,309,453</u>
Total assets				
	<u>\$ 4,737,043</u>	<u>\$ 776,912</u>	<u>88,212</u>	<u>\$ 1,309,453</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 170,848	\$ 13,051	\$ -	\$ -
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	88,212	-
	<u>170,848</u>	<u>13,051</u>	<u>88,212</u>	<u>-</u>
Total liabilities				
	<u>170,848</u>	<u>13,051</u>	<u>88,212</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	88,212	-
	<u>-</u>	<u>-</u>	<u>88,212</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:				
Restricted:	4,566,195	763,861	-	1,309,453
Committed:				
Committed:	-	-	-	-
Assigned:				
Assigned:	-	-	-	-
Unassigned:				
Unassigned:	-	-	(88,212)	-
	<u>-</u>	<u>-</u>	<u>(88,212)</u>	<u>-</u>
Total fund balances (deficits)				
	<u>4,566,195</u>	<u>763,861</u>	<u>(88,212)</u>	<u>1,309,453</u>
Total liabilities, deferred inflows of and fund balances				
	<u>\$ 4,737,043</u>	<u>\$ 776,912</u>	<u>\$ 88,212</u>	<u>\$ 1,309,453</u>

Special Revenue

Building Excise Tax	Community Development Block Grant	Air Quality Management District	Environmental Liability	Supplemental Law Enforcement
\$ 810,411	\$ -	\$ 1,094,247	\$ 6,388,435	\$ -
-	-	-	-	-
-	28,509	-	12,370	-
-	-	-	-	-
<u>\$ 810,411</u>	<u>\$ 28,509</u>	<u>\$ 1,094,247</u>	<u>\$ 6,400,805</u>	<u>\$ -</u>
\$ -	\$ 13,352	\$ 57	\$ 11,917	\$ -
-	-	-	-	-
-	-	-	-	-
-	15,157	-	-	-
-	28,509	57	11,917	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
810,411	-	1,094,190	6,388,888	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>810,411</u>	<u>-</u>	<u>1,094,190</u>	<u>6,388,888</u>	<u>-</u>
<u>\$ 810,411</u>	<u>\$ 28,509</u>	<u>\$ 1,094,247</u>	<u>\$ 6,400,805</u>	<u>\$ -</u>

(continued)

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2016
(continued)

	<u>Special Revenue</u>			<u>Capital Projects</u>
	<u>Newport Coast Annexation</u>	<u>Contributions</u>	<u>FIIN</u>	<u>Assessment District</u>
Assets				
Cash and investments	\$ 1,200,000	\$ 2,147,561	\$ 1,427,855	\$ 75,138
Receivables:				
Accounts (net of allowance)	-	1,649,835	-	-
Intergovernmental receivables	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	<u>\$ 1,200,000</u>	<u>\$ 3,797,396</u>	<u>\$ 1,427,855</u>	<u>\$ 75,138</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 555,501	\$ -	\$ 2,157
Deposits payable	-	-	-	-
Unearned revenue	-	173,452	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>728,953</u>	<u>-</u>	<u>2,157</u>
Deferred inflows of resources:				
Unavailable revenue	-	1,594,852	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:	1,200,000	1,473,591	1,427,855	72,981
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	-	-
Total fund balances (deficits)	<u>1,200,000</u>	<u>1,473,591</u>	<u>1,427,855</u>	<u>72,981</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,200,000</u>	<u>\$ 3,797,396</u>	<u>\$ 1,427,855</u>	<u>\$ 75,138</u>

Capital Projects

CIOSA Construction	Fire Station	Facilities Maintenance	Misc SAH Projects	Civic Center and Park
\$ -	\$ 5,901,242	\$ 2,037,002	\$ 1,328,429	\$ 1,712,321
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,901,242</u>	<u>\$ 2,037,002</u>	<u>\$ 1,328,429</u>	<u>\$ 1,712,321</u>
\$ -	\$ 43,941	\$ 16,217	\$ -	\$ -
-	-	-	-	-
-	-	-	1,328,429	-
-	-	-	-	-
<u>-</u>	<u>43,941</u>	<u>16,217</u>	<u>1,328,429</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	5,857,301	2,020,785	-	1,712,321
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>5,857,301</u>	<u>2,020,785</u>	<u>-</u>	<u>1,712,321</u>
<u>\$ -</u>	<u>\$ 5,901,242</u>	<u>\$ 2,037,002</u>	<u>\$ 1,328,429</u>	<u>\$ 1,712,321</u>

(continued)

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2016
 (continued)

	Capital Projects			
	Sunset Ridge Park	Strategic Planning	Lifeguard Headquarters	Misc Facilities Financing
Assets				
Cash and investments	\$ 2,810,105	\$ 40,489	\$ 17,703	\$ 31,358
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Due from other funds	-	-	-	-
	<u>\$ 2,810,105</u>	<u>\$ 40,489</u>	<u>\$ 17,703</u>	<u>\$ 31,358</u>
Total Assets				
	<u>\$ 2,810,105</u>	<u>\$ 40,489</u>	<u>\$ 17,703</u>	<u>\$ 31,358</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 6,620	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u>6,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities				
	<u>6,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:				
Committed:	2,803,485	40,489	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	17,703	31,358
	<u>-</u>	<u>-</u>	<u>17,703</u>	<u>31,358</u>
Total fund balances (deficits)				
	<u>2,803,485</u>	<u>40,489</u>	<u>17,703</u>	<u>31,358</u>
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 2,810,105</u>	<u>\$ 40,489</u>	<u>\$ 17,703</u>	<u>\$ 31,358</u>

Capital Projects

Parks and Community Centers	West Newport Community Center	Corp Yard Consolidation	Public Art and Cultural Facilities	Facilities Financial Planning Reserve
\$ 932,876	\$ -	\$ -	\$ 481,130	\$ 12,033,910
-	-	-	-	16,995
-	-	-	-	-
-	-	-	-	5,675,311
<u>\$ 932,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,130</u>	<u>\$ 17,726,216</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	16,995
-	33,500	192,644	-	-
-	33,500	192,644	-	16,995
-	-	-	-	-
-	-	-	-	-
-	-	-	-	4,028,434
932,876	-	-	481,130	13,680,787
-	-	-	-	-
-	(33,500)	(192,644)	-	-
932,876	(33,500)	(192,644)	481,130	17,709,221
<u>\$ 932,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,130</u>	<u>\$ 17,726,216</u>

(continued)

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2016
(continued)

	Capital Projects			
	Newport Uptown Undergrounding	Balboa Village Parking Management District	Neighborhood Enhancement	Unrestricted Capital Improvements
Assets				
Cash and investments	\$ -	\$ 407,987	\$ 485,748	\$ 12,967,846
Receivables:				
Accounts (net of allowance)	-	4,677	-	-
Intergovernmental receivables	-	-	-	-
Due from other funds	-	-	-	-
	-	-	-	-
Total Assets	\$ -	\$ 412,664	\$ 485,748	\$ 12,967,846
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 2,500	\$ -	\$ 1,703,955
Deposits payable	119,000	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
	-	-	-	-
Total Liabilities	119,000	2,500	-	1,703,955
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:				
Committed:	-	410,164	485,748	11,263,891
Assigned:	-	-	-	-
Unassigned:	(119,000)	-	-	-
	(119,000)	-	-	-
Total fund balances (deficits)	(119,000)	410,164	485,748	11,263,891
Total liabilities, deferred inflows of and fund balances	\$ -	\$ 412,664	\$ 485,748	\$ 12,967,846

Permanent Fund		Total Other Governmental Funds
Bay Dredging	Ackerman Donation	
\$ 5,027,184	\$ 1,149,620	\$ 67,332,005
-	-	1,671,507
-	-	129,091
-	-	5,675,311
<u>\$ 5,027,184</u>	<u>\$ 1,149,620</u>	<u>\$ 74,807,914</u>
\$ -	\$ -	\$ 2,540,116
-	-	119,000
-	-	1,518,876
-	-	329,513
-	-	4,507,505
-	-	1,683,064
-	-	-
3,857,000	772,781	4,629,781
1,170,184	376,839	24,682,882
-	-	39,688,977
-	-	-
-	-	(384,295)
<u>5,027,184</u>	<u>1,149,620</u>	<u>68,617,345</u>
<u>\$ 5,027,184</u>	<u>\$ 1,149,620</u>	<u>\$ 74,807,914</u>

CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year ended June 30, 2016

	Special Revenue			
	State Gas Tax	Asset Forfeiture	OTS DUI Grant	Circulation and Transportation
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,904,786	196,093	304,601	-
Licenses, permits and fees	-	-	-	1,123,949
Fines and forfeitures	-	-	-	-
Investment income	40,656	5,114	-	7,353
Net increase in fair value of investments	27,881	3,506	-	5,043
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	1,973,323	204,713	304,601	1,136,345
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	116,132	302,296	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	3,041,805	-	-	417,531
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	3,041,805	116,132	302,296	417,531
Excess (deficiency) of revenues over expenditures	(1,068,482)	88,581	2,305	718,814
Other financing sources (uses):				
Transfers in	-	-	-	93,916
Transfers out	-	-	-	(191,398)
Total other financing sources (uses)	-	-	-	(97,482)
Net change in fund balances	(1,068,482)	88,581	2,305	621,332
Fund balances (deficits), beginning	5,634,677	675,280	(90,517)	688,121
Fund balances (deficits), ending	<u>\$ 4,566,195</u>	<u>\$ 763,861</u>	<u>\$ (88,212)</u>	<u>\$ 1,309,453</u>

Special Revenue

Building Excise Tax	Community Development Block Grant	Air Quality Management District	Environmental Liability	Supplemental Law Enforcement
\$ -	\$ -	\$ -	\$ 579,136	\$ -
-	344,722	107,596	-	165,843
184,420	-	-	-	-
-	-	-	-	-
6,223	-	7,702	45,464	-
4,268	-	5,282	31,179	-
-	-	-	-	-
-	-	-	39,903	-
<u>194,911</u>	<u>344,722</u>	<u>120,580</u>	<u>695,682</u>	<u>165,843</u>
-	-	-	-	-
-	-	-	-	165,843
-	-	6,576	72,503	-
-	111,975	-	-	-
-	-	-	-	-
150,850	-	-	-	-
-	132,000	-	-	-
-	53,856	-	-	-
<u>150,850</u>	<u>297,831</u>	<u>6,576</u>	<u>72,503</u>	<u>165,843</u>
<u>44,061</u>	<u>46,891</u>	<u>114,004</u>	<u>623,179</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>44,061</u>	<u>46,891</u>	<u>114,004</u>	<u>623,179</u>	<u>-</u>
<u>766,350</u>	<u>(46,891)</u>	<u>980,186</u>	<u>5,765,709</u>	<u>-</u>
<u>\$ 810,411</u>	<u>\$ -</u>	<u>\$ 1,094,190</u>	<u>\$ 6,388,888</u>	<u>\$ -</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year ended June 30, 2016
(continued)

	Special Revenue			Capital Projects
	Newport Coast Annexation	Contributions	FIIN	Assessment District
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,267,568	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	14,752	30,663	7,488	707
Net increase in fair value of investments	10,116	21,029	5,135	485
Donations	-	520	440,232	-
Other	-	-	-	975,228
Total revenues	24,868	2,319,780	452,855	976,420
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	1,312,992
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	4,643,590	-	-
Debt service:				
Principal	1,200,000	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,200,000	4,643,590	-	1,312,992
Excess (deficiency) of revenues over expenditures	(1,175,132)	(2,323,810)	452,855	(336,572)
Other financing sources (uses):				
Transfers in	-	1,065,579	975,000	-
Transfers out	(24,868)	(68,100)	-	-
Total other financing sources (uses)	(24,868)	997,479	975,000	-
Net change in fund balances	(1,200,000)	(1,326,331)	1,427,855	(336,572)
Fund balances (deficits), beginning	2,400,000	2,799,922	-	409,553
Fund balances (deficits), ending	<u>\$ 1,200,000</u>	<u>\$ 1,473,591</u>	<u>\$ 1,427,855</u>	<u>\$ 72,981</u>

Capital Projects

CIOSA Construction	Fire Station	Facilities Maintenance	Misc SAH Projects	Civic Center and Park
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	44,184	20,673	-	12,171
-	30,301	14,177	-	8,348
-	-	-	-	-
-	-	-	-	-
-	74,485	34,850	-	20,519
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
191,398	424,470	1,448,131	-	37,628
-	-	-	-	-
-	-	-	-	6,173
191,398	424,470	1,448,131	-	43,801
(191,398)	(349,985)	(1,413,281)	-	(23,282)
191,398	-	1,500,000	15,291	-
-	-	-	-	-
191,398	-	1,500,000	15,291	-
-	(349,985)	86,719	15,291	(23,282)
-	6,207,286	1,934,066	(15,291)	1,735,603
<u>\$ -</u>	<u>\$ 5,857,301</u>	<u>\$ 2,020,785</u>	<u>\$ -</u>	<u>\$ 1,712,321</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year ended June 30, 2016
(continued)

	Capital Projects			
	Sunset Ridge Park	Strategic Planning	Lifeguard Headquarters	Misc Facilities Financing
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	20,546	294	115	-
Net increase in fair value of investments	14,090	201	79	-
Donations	-	-	-	-
Other	1,736	-	-	-
Total revenues	<u>36,372</u>	<u>495</u>	<u>194</u>	<u>-</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	102,236	-	-	17,732
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>102,236</u>	<u>-</u>	<u>-</u>	<u>17,732</u>
Excess (deficiency) of revenues over expenditures	<u>(65,864)</u>	<u>495</u>	<u>194</u>	<u>(17,732)</u>
Other financing sources (uses):				
Transfers in	-	-	138,585	551,295
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>138,585</u>	<u>551,295</u>
Net change in fund balances	(65,864)	495	138,779	533,563
Fund balances (deficits), beginning	<u>2,869,349</u>	<u>39,994</u>	<u>(121,076)</u>	<u>(502,205)</u>
Fund balances (deficits), ending	<u>\$ 2,803,485</u>	<u>\$ 40,489</u>	<u>\$ 17,703</u>	<u>\$ 31,358</u>

Capital Projects

Parks and Community Centers	West Newport Community Center	Corp Yard Consolidation	Public Art and Cultural Facilities	Facilities Financial Planning Reserve
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	470,250
-	-	-	-	-
7,471	-	-	3,477	116,549
5,124	-	-	2,384	79,929
-	-	-	-	3,551,941
-	-	-	-	-
<u>12,595</u>	<u>-</u>	<u>-</u>	<u>5,861</u>	<u>4,218,669</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,031,464	-	27,250	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,031,464</u>	<u>-</u>	<u>27,250</u>	<u>-</u>	<u>-</u>
<u>(1,018,869)</u>	<u>-</u>	<u>(27,250)</u>	<u>5,861</u>	<u>4,218,669</u>
-	-	-	67,089	8,500,000
-	-	-	-	(8,937,968)
-	-	-	67,089	(437,968)
<u>(1,018,869)</u>	<u>-</u>	<u>(27,250)</u>	<u>72,950</u>	<u>3,780,701</u>
<u>1,951,745</u>	<u>(33,500)</u>	<u>(165,394)</u>	<u>408,180</u>	<u>13,928,520</u>
<u>\$ 932,876</u>	<u>\$ (33,500)</u>	<u>\$ (192,644)</u>	<u>\$ 481,130</u>	<u>\$ 17,709,221</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year ended June 30, 2016
(continued)

	Capital Projects			
	Newport Uptown Undergrounding	Balboa Village Parking Management District	Neighborhood Enhancement	Unrestricted Capital Improvements
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	367,621	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	1,739	4,603	-
Net increase in fair value of investments	-	1,192	3,156	-
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	-	370,552	7,759	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	66,208	422,011	8,765,257
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	66,208	422,011	8,765,257
Excess (deficiency) of revenues over expenditures	-	304,344	(414,252)	(8,765,257)
Other financing sources (uses):				
Transfers in	-	-	900,000	20,142,337
Transfers out	-	-	-	(113,189)
Total other financing sources (uses)	-	-	900,000	20,029,148
Net change in fund balances	-	304,344	485,748	11,263,891
Fund balances (deficits), beginning	(119,000)	105,820	-	-
Fund balances (deficits), ending	<u>\$ (119,000)</u>	<u>\$ 410,164</u>	<u>\$ 485,748</u>	<u>\$ 11,263,891</u>

<u>Permanent Funds</u>		
<u>Bay Dredging</u>	<u>Ackerman Donation</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ 579,136
-	-	5,291,209
-	-	2,146,240
-	-	-
36,451	8,392	442,787
24,998	5,755	303,658
-	-	3,992,693
-	-	1,016,867
<u>61,449</u>	<u>14,147</u>	<u>13,772,590</u>
-	-	-
-	-	584,271
-	-	1,392,071
-	4,200	116,175
-	-	-
-	-	20,787,561
-	-	1,332,000
-	-	60,029
<u>-</u>	<u>4,200</u>	<u>24,272,107</u>
<u>61,449</u>	<u>9,947</u>	<u>(10,499,517)</u>
-	-	34,140,490
-	(43,985)	(9,379,508)
-	(43,985)	24,760,982
61,449	(34,038)	14,261,465
<u>4,965,735</u>	<u>1,183,658</u>	<u>54,355,880</u>
<u>\$ 5,027,184</u>	<u>\$ 1,149,620</u>	<u>\$ 68,617,345</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 1,836,598	\$ 1,836,598	\$ 1,904,786	\$ 68,188
Investment income	18,248	18,248	40,656	22,408
Net increase in fair value of investments	-	-	27,881	27,881
	<u>1,854,846</u>	<u>1,854,846</u>	<u>1,973,323</u>	<u>118,477</u>
Expenditures:				
Capital outlay	<u>6,627,196</u>	<u>7,613,123</u>	<u>3,041,805</u>	<u>4,571,318</u>
Net change in fund balance	(4,772,350)	(5,758,277)	(1,068,482)	4,689,795
Fund balance, beginning	<u>5,634,677</u>	<u>5,634,677</u>	<u>5,634,677</u>	<u>-</u>
Fund balance, ending	<u>\$ 862,327</u>	<u>\$ (123,600)</u>	<u>\$ 4,566,195</u>	<u>\$ 4,689,795</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 196,093	\$ 196,093
Investment income	5,901	5,901	5,114	(787)
Net increase in fair value of investments	-	-	3,506	3,506
Total revenues	<u>5,901</u>	<u>5,901</u>	<u>204,713</u>	<u>198,812</u>
Expenditures:				
Public safety	<u>887,358</u>	<u>487,358</u>	<u>116,132</u>	<u>371,226</u>
Net change in fund balance	(881,457)	(481,457)	88,581	570,038
Fund balance, beginning	<u>675,280</u>	<u>675,280</u>	<u>675,280</u>	<u>-</u>
Fund balance, ending	<u>\$ (206,177)</u>	<u>\$ 193,823</u>	<u>\$ 763,861</u>	<u>\$ 570,038</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
OTS DUI Grant Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	<u>\$ 87,511</u>	<u>\$ 604,447</u>	<u>\$ 304,601</u>	<u>\$ (299,846)</u>
Expenditures:				
Public safety	<u>98,694</u>	<u>426,420</u>	<u>302,296</u>	<u>124,124</u>
Net change in fund balance	(11,183)	178,027	2,305	(175,722)
Fund balance (deficit), beginning	<u>(90,517)</u>	<u>(90,517)</u>	<u>(90,517)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (101,700)</u></u>	<u><u>\$ 87,510</u></u>	<u><u>\$ (88,212)</u></u>	<u><u>\$ (175,722)</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Circulation and Transportation Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 250,000	\$ 250,000	\$ 1,123,949	\$ 873,949
Investment income	5,008	5,008	7,353	2,345
Net increase in fair value of investments	-	-	5,043	5,043
Total revenues	<u>255,008</u>	<u>255,008</u>	<u>1,136,345</u>	<u>881,337</u>
Expenditures:				
Capital outlay	<u>219,570</u>	<u>853,145</u>	<u>417,531</u>	<u>435,614</u>
Excess (deficiency) of revenues over expenditures	35,438	(598,137)	718,814	1,316,951
Other financing uses:				
Transfers in	-	93,916	93,916	-
Transfers out	<u>(72,917)</u>	<u>(191,398)</u>	<u>(191,398)</u>	<u>-</u>
Net change in fund balance	(37,479)	(695,619)	621,332	1,316,951
Fund balance, beginning	<u>688,121</u>	<u>688,121</u>	<u>688,121</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 650,642</u></u>	<u><u>\$ (7,498)</u></u>	<u><u>\$ 1,309,453</u></u>	<u><u>\$ 1,316,951</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits and fees	\$ 624,000	\$ 624,000	\$ 184,420	\$ (439,580)
Investment income	6,616	6,616	6,223	(393)
Net increase in fair value of investments	-	-	4,268	4,268
Total revenues	<u>630,616</u>	<u>630,616</u>	<u>194,911</u>	<u>(435,705)</u>
Expenditures:				
Capital outlay	<u>710,000</u>	<u>787,945</u>	<u>150,850</u>	<u>637,095</u>
Net change in fund balance	(79,384)	(157,329)	44,061	201,390
Fund balance, beginning	<u>766,350</u>	<u>766,350</u>	<u>766,350</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 686,966</u></u>	<u><u>\$ 609,021</u></u>	<u><u>\$ 810,411</u></u>	<u><u>\$ 201,390</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 449,937	\$ 449,937	\$ 344,722	\$ (105,215)
Expenditures:				
Community development	117,311	117,311	111,975	5,336
Capital outlay	125,320	125,320	-	125,320
Debt service:				
Principal	132,000	132,000	132,000	-
Interest and fiscal charges	75,306	75,306	53,856	21,450
Total expenditures	<u>449,937</u>	<u>449,937</u>	<u>297,831</u>	<u>152,106</u>
Net change in fund balance	-	-	46,891	46,891
Fund balance (deficit), beginning	<u>(46,891)</u>	<u>(46,891)</u>	<u>(46,891)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (46,891)</u></u>	<u><u>\$ (46,891)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 46,891</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 107,596	\$ 7,596
Investment income	10,127	10,127	7,702	(2,425)
Net increase in fair value of investments	-	-	5,282	5,282
	<u>110,127</u>	<u>110,127</u>	<u>120,580</u>	<u>10,453</u>
Expenditures:				
Public works	<u>154,631</u>	<u>154,631</u>	<u>6,576</u>	<u>148,055</u>
Net change in fund balance	(44,504)	(44,504)	114,004	158,508
Fund balance, beginning	<u>980,186</u>	<u>980,186</u>	<u>980,186</u>	<u>-</u>
Fund balance, ending	<u>\$ 935,682</u>	<u>\$ 935,682</u>	<u>\$ 1,094,190</u>	<u>\$ 158,508</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 575,689	\$ 575,689	\$ 579,136	\$ 3,447
Investment income	57,924	57,924	45,464	(12,460)
Net increase in fair value of investments	-	-	31,179	31,179
Other revenue	-	-	39,903	39,903
Total revenues	<u>633,613</u>	<u>633,613</u>	<u>695,682</u>	<u>62,069</u>
Expenditures:				
Public works	<u>199,030</u>	<u>199,030</u>	<u>72,503</u>	<u>126,527</u>
Net change in fund balance	434,583	434,583	623,179	188,596
Fund balance, beginning	<u>5,765,709</u>	<u>5,765,709</u>	<u>5,765,709</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 6,200,292</u></u>	<u><u>\$ 6,200,292</u></u>	<u><u>\$ 6,388,888</u></u>	<u><u>\$ 188,596</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 138,000	\$ 138,000	\$ 165,843	\$ 27,843
Expenditures:				
Public safety	138,000	138,000	165,843	(27,843)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Newport Coast Annexation Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 24,000	\$ 24,000	\$ 14,752	\$ (9,248)
Net increase in fair value of investments	-	-	10,116	10,116
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>24,868</u>	<u>868</u>
Expenditures:				
Principal	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,176,000)</u>	<u>(1,176,000)</u>	<u>(1,175,132)</u>	<u>868</u>
Other financing uses:				
Transfers out	<u>(24,000)</u>	<u>(14,752)</u>	<u>(24,868)</u>	<u>(10,116)</u>
Net change in fund balance	(1,200,000)	(1,190,752)	(1,200,000)	(9,248)
Fund balance, beginning	<u>2,400,000</u>	<u>2,400,000</u>	<u>2,400,000</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,200,000</u></u>	<u><u>\$ 1,209,248</u></u>	<u><u>\$ 1,200,000</u></u>	<u><u>\$ (9,248)</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Contributions Fund Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,000,000	\$ 13,832,347	\$ 2,267,568	\$ (11,564,779)
Investment income	39,006	39,006	30,663	(8,343)
Net increase in fair value of investments	-	-	21,029	21,029
Donations	-	-	520	520
Total revenues	<u>1,039,006</u>	<u>13,871,353</u>	<u>2,319,780</u>	<u>(11,551,573)</u>
Expenditures:				
Capital outlay	<u>9,157,759</u>	<u>16,602,179</u>	<u>4,643,590</u>	<u>11,958,589</u>
Excess (deficiency) of revenues over expenditures	<u>(8,118,753)</u>	<u>(2,730,826)</u>	<u>(2,323,810)</u>	<u>407,016</u>
Other financing sources (uses):				
Transfers in	1,045,230	1,065,579	1,065,579	-
Transfers out	<u>-</u>	<u>(68,100)</u>	<u>(68,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,045,230</u>	<u>997,479</u>	<u>997,479</u>	<u>-</u>
Net change in fund balance	(7,073,523)	(1,733,347)	(1,326,331)	407,016
Fund balance, beginning	<u>2,799,922</u>	<u>2,799,922</u>	<u>2,799,922</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (4,273,601)</u></u>	<u><u>\$ 1,066,575</u></u>	<u><u>\$ 1,473,591</u></u>	<u><u>\$ 407,016</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
FIIN Special Revenue Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Investment income	\$ -	\$ -	\$ 7,488	\$ 7,488
Net increase in fair value of investments	-	-	5,135	5,135
Donations	-	440,232	440,232	-
Total revenues	-	440,232	452,855	12,623
Expenditures:				
Excess of revenues over expenditures	-	440,232	452,855	12,623
Other financing sources (uses):				
Transfers in	-	975,000	975,000	-
Total other financing sources (uses)	-	975,000	975,000	-
Net change in fund balance	-	1,415,232	1,427,855	12,623
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 1,415,232</u>	<u>\$ 1,427,855</u>	<u>\$ 12,623</u>

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FINANCIAL SECTION

Supplementary Information Internal Service Funds

FINANCIAL SECTION

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

CITY OF NEWPORT BEACH
All Internal Service Funds
Combining Statement of Net Position
June 30, 2016

Assets	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Current assets:						
Cash and investments	\$ 23,717,356	\$ 4,060,640	\$ -	\$ 15,187,097	\$ 5,783,054	\$ 48,748,147
Receivables:						
Accounts (net of allowance)	-	-	709,785	29,459	-	739,244
Inventories	-	-	-	356,101	-	356,101
Net other pension employment benefits	-	-	2,681,929	-	-	2,681,929
Prepaid items	22,088	-	386,829	-	249,222	658,139
Total current assets	<u>23,739,444</u>	<u>4,060,640</u>	<u>3,778,543</u>	<u>15,572,657</u>	<u>6,032,276</u>	<u>53,183,560</u>
Noncurrent assets:						
Capital assets:						
Equipment	-	-	-	31,521,827	3,154,972	34,676,799
Software	-	-	-	-	3,417,862	3,417,862
Work in progress	-	-	-	46,868	-	46,868
Less accumulated depreciation	-	-	-	(18,989,542)	(2,604,184)	(21,593,726)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,579,153</u>	<u>3,968,650</u>	<u>16,547,803</u>
Total assets	<u>23,739,444</u>	<u>4,060,640</u>	<u>3,778,543</u>	<u>28,151,810</u>	<u>10,000,926</u>	<u>69,731,363</u>
Deferred outflows of resources:						
Pensions	-	-	-	203,628	408,153	611,781
Liabilities						
Current liabilities:						
Accounts payable	10,072	66,261	21,871	502,824	374,839	975,867
Accrued payroll	-	-	-	16,677	38,684	55,361
Due to other funds	-	-	442,184	-	-	442,184
Workers' compensation - current	2,852,436	-	-	-	-	2,852,436
General liability - current	4,448,405	-	-	-	-	4,448,405
Compensated absences - current	-	2,030,924	-	-	-	2,030,924
Total current liabilities	<u>7,310,913</u>	<u>2,097,185</u>	<u>464,055</u>	<u>519,501</u>	<u>413,523</u>	<u>10,805,177</u>
Noncurrent liabilities:						
Workers' compensation	11,928,564	-	-	-	-	11,928,564
General liability	3,755,065	-	-	-	-	3,755,065
Compensated absences	-	9,045,949	-	-	-	9,045,949
Net pension liability	-	-	-	1,795,275	3,598,456	5,393,731
Total noncurrent liabilities	<u>15,683,629</u>	<u>9,045,949</u>	<u>-</u>	<u>1,795,275</u>	<u>3,598,456</u>	<u>30,123,309</u>
Total liabilities	<u>22,994,542</u>	<u>11,143,134</u>	<u>464,055</u>	<u>2,314,776</u>	<u>4,011,979</u>	<u>40,928,486</u>
Deferred inflows of resources:						
Pensions	-	-	-	180,970	362,738	543,708
Net Position						
Invested in capital assets	-	-	-	12,579,153	3,968,650	16,547,803
Unrestricted	744,902	(7,082,494)	3,314,488	13,280,539	2,065,712	12,323,147
Total net position	<u>\$ 744,902</u>	<u>\$ (7,082,494)</u>	<u>\$ 3,314,488</u>	<u>\$ 25,859,692</u>	<u>\$ 6,034,362</u>	<u>\$ 28,870,950</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2016

	<u>Insurance Reserve</u>	<u>Compensated Absences</u>	<u>Retiree Insurance</u>	<u>Equipment Maintenance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Operating revenues:						
Charges for services	\$ 6,822,160	\$ 2,335,235	\$ 2,845,895	\$ 5,801,742	\$ 4,806,621	\$ 22,611,653
Retiree reimbursements	-	-	274,199	-	-	274,199
Employee contributions	-	-	143,250	-	-	143,250
Other	241,970	-	1,026,550	54,777	24,925	1,348,222
	<u>7,064,130</u>	<u>2,335,235</u>	<u>4,289,894</u>	<u>5,856,519</u>	<u>4,831,546</u>	<u>24,377,324</u>
Total operating revenues						
Operating expenses:						
Salaries and wages	-	-	-	999,108	2,222,022	3,221,130
Depreciation	-	-	-	2,302,070	734,670	3,036,740
Professional services	-	-	-	177	170,366	170,543
Maintenance and supplies	-	-	-	1,172,982	947,547	2,120,529
Fleet parts and supplies	-	-	-	391,141	-	391,141
800 MHz	-	-	-	137,442	-	137,442
Telecommunication	-	-	-	47,201	226,781	273,982
Hardware	-	-	-	-	405,704	405,704
Software	-	-	-	-	664,342	664,342
Workers' compensation	3,772,650	-	-	-	-	3,772,650
Claims and judgments	5,062,544	-	-	-	-	5,062,544
Compensated absences	-	2,572,554	-	-	-	2,572,554
Change in OPEB asset	-	-	3,226,210	-	-	3,226,210
	<u>8,835,194</u>	<u>2,572,554</u>	<u>3,226,210</u>	<u>5,050,121</u>	<u>5,371,432</u>	<u>25,055,511</u>
Total operating expenses						
Operating income (loss)	(1,771,064)	(237,319)	1,063,684	806,398	(539,886)	(678,187)
Nonoperating revenues:						
Investment income	139,988	29,015	74	112,676	42,841	324,594
Net Increase in fair value of investments	96,003	19,898	51	77,273	29,380	222,605
Gain (loss) on sale of capital assets	-	-	-	89,350	(3,541)	85,809
	<u>235,991</u>	<u>48,913</u>	<u>125</u>	<u>279,299</u>	<u>68,680</u>	<u>633,008</u>
Total nonoperating revenues						
Income (loss) before transfers	(1,535,073)	(188,406)	1,063,809	1,085,697	(471,206)	(45,179)
Transfers in	3,366,108	-	-	1,788,178	485,258	5,639,544
Total transfers	<u>3,366,108</u>	<u>-</u>	<u>-</u>	<u>1,788,178</u>	<u>485,258</u>	<u>5,639,544</u>
Change in net position	1,831,035	(188,406)	1,063,809	2,873,875	14,052	5,594,365
Net position, beginning	(1,086,133)	(5,494,088)	2,250,679	22,985,817	6,020,310	24,676,585
Prior year restatement	-	(1,400,000)	-	-	-	(1,400,000)
Restated net position, beginning	<u>(1,086,133)</u>	<u>(6,894,088)</u>	<u>2,250,679</u>	<u>22,985,817</u>	<u>6,020,310</u>	<u>23,276,585</u>
Net position, ending	<u>\$ 744,902</u>	<u>\$ (7,082,494)</u>	<u>\$ 3,314,488</u>	<u>\$ 25,859,692</u>	<u>\$ 6,034,362</u>	<u>\$ 28,870,950</u>

CITY OF NEWPORT BEACH
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2016

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Cash flows from operating activities						
Receipts from user departments	\$ 6,822,160	\$ 2,335,235	\$ 3,120,094	\$ 5,835,378	\$ 4,806,621	\$ 22,919,488
Payments to employees	(3,336,650)	(2,247,517)	-	(1,178,004)	(2,578,331)	(9,340,502)
Payments to suppliers	(8,917,892)	-	(4,448,003)	(500,030)	(2,561,567)	(16,427,492)
Other operating cash receipts	241,970	-	1,169,800	54,777	24,925	1,491,472
Net cash provided (used) by operating activities	<u>(5,190,412)</u>	<u>87,718</u>	<u>(158,109)</u>	<u>4,212,121</u>	<u>(308,352)</u>	<u>(1,357,034)</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	3,366,108	-	442,184	1,788,178	485,258	6,081,728
Cash paid to other funds	-	-	(284,200)	-	-	(284,200)
Net cash provided by noncapital financing activities	<u>3,366,108</u>	<u>-</u>	<u>157,984</u>	<u>1,788,178</u>	<u>485,258</u>	<u>5,797,528</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(5,428,631)	(360,716)	(5,789,347)
Proceeds from sale of capital assets	-	-	-	89,350	-	89,350
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,339,281)</u>	<u>(360,716)</u>	<u>(5,699,997)</u>
Cash flows from investing activities:						
Interest on investments	235,991	48,913	125	189,949	72,221	547,199
Net cash provided by investing activities	<u>235,991</u>	<u>48,913</u>	<u>125</u>	<u>189,949</u>	<u>72,221</u>	<u>547,199</u>
Net increase (decrease) in cash and cash equivalents	(1,588,313)	136,631	-	850,967	(111,589)	(712,304)
Cash and cash equivalents, beginning	25,305,669	3,924,009	-	14,336,130	5,894,643	49,460,451
Cash and cash equivalents, ending	<u>\$ 23,717,356</u>	<u>\$ 4,060,640</u>	<u>\$ -</u>	<u>\$ 15,187,097</u>	<u>\$ 5,783,054</u>	<u>\$ 48,748,147</u>
Reconciliation of cash equivalents to the statement of net position:						
Cash and investments reported on statement of net position	23,717,356	4,060,640	-	15,187,097	5,783,054	48,748,147
Cash and cash equivalents	<u>\$ 23,717,356</u>	<u>\$ 4,060,640</u>	<u>\$ -</u>	<u>\$ 15,187,097</u>	<u>\$ 5,783,054</u>	<u>\$ 48,748,147</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Cash flows from operating activities						
Operating income (loss)	\$ (1,771,064)	\$ (237,319)	\$ 1,063,684	\$ 806,398	\$ (539,886)	\$ (678,187)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	-	-	-	2,302,070	734,670	3,036,740
Changes in operating assets and liabilities:						
Decrease in accounts receivable	-	-	39,460	33,636	-	73,096
Decrease in inventories	-	-	-	16,117	-	16,117
(Increase) in net other pension employment benefits	-	-	(1,077,915)	-	-	(1,077,915)
Increase (decrease) in prepaid items	(22,088)	-	(205,209)	1,154,174	(130,763)	796,114
Increase (decrease) in accounts payable and accrued payroll	(164,347)	48,435	21,871	38,389	(94,436)	(150,088)
Increase in workers' compensation	436,000	-	-	-	-	436,000
(Decrease) in general liability	(3,668,913)	-	-	-	-	(3,668,913)
Increase in compensated absences	-	276,602	-	-	-	276,602
(Decrease) in net of pension liability and deferred cash flows	-	-	-	(138,663)	(277,937)	(416,600)
Total adjustments	<u>(3,419,348)</u>	<u>325,037</u>	<u>(1,221,793)</u>	<u>3,405,723</u>	<u>231,534</u>	<u>(678,847)</u>
Net cash provided (used) by operating activities	<u>\$ (5,190,412)</u>	<u>\$ 87,718</u>	<u>\$ (158,109)</u>	<u>\$ 4,212,121</u>	<u>\$ (308,352)</u>	<u>\$ (1,357,034)</u>
Noncash investing, capital, and financing activities:						
Net increase in fair value of investments	\$ 96,003	\$ 19,898	\$ -	\$ 77,273	\$ 29,380	\$ 222,554
Gain (loss) on sale of capital assets	-	-	-	89,350	(3,541)	85,809
Total of noncash activities	<u>\$ 96,003</u>	<u>\$ 19,898</u>	<u>\$ -</u>	<u>\$ 166,623</u>	<u>\$ 25,839</u>	<u>\$ 308,363</u>

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FINANCIAL SECTION

Supplementary Information Fiduciary Funds

FINANCIAL SECTION

FIDUCIARY FUNDS

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

The City of Newport Beach Fiduciary Funds are listed below:

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

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

CITY OF NEWPORT BEACH
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2016

Assets	Special Assessment District	Business Improvement	Totals
	<u> </u>	<u> </u>	<u> </u>
Cash and investments	\$ 1,403,781	\$ 419,317	\$ 1,823,098
Cash with fiscal agent	4,314,572	-	4,314,572
Total assets	<u>\$ 5,718,353</u>	<u>\$ 419,317</u>	<u>\$ 6,137,670</u>
Liabilities			
Due to bondholders	\$ 5,718,353	\$ -	\$ 5,718,353
Due to others	-	419,317	419,317
Total liabilities	<u>\$ 5,718,353</u>	<u>\$ 419,317</u>	<u>\$ 6,137,670</u>

CITY OF NEWPORT BEACH
Statement of Changes in Fiduciary Net Position
All Agency Funds
For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Special Assessment District:				
Assets				
Cash and investments	\$ 193,972	\$ 3,174,317	\$ (1,964,508)	\$ 1,403,781
Cash with fiscal agent	<u>5,307,868</u>	<u>1,970,112</u>	<u>(2,963,408)</u>	<u>4,314,572</u>
Total Assets	<u>\$ 5,501,840</u>	<u>\$ 5,144,429</u>	<u>\$ (4,927,916)</u>	<u>\$ 5,718,353</u>
Liabilities				
Due to bondholders	<u>\$ 5,501,840</u>	<u>\$ 5,144,429</u>	<u>\$ (4,927,916)</u>	<u>\$ 5,718,353</u>
Business Improvement District:				
Assets				
Cash and investments	<u>\$ 462,552</u>	<u>\$ 6,520,398</u>	<u>\$ (6,563,633)</u>	<u>\$ 419,317</u>
Liabilities				
Due to others	<u>\$ 462,552</u>	<u>\$ 6,520,398</u>	<u>\$ (6,563,633)</u>	<u>\$ 419,317</u>
Totals - All Agency Funds:				
Assets				
Cash and investments	\$ 656,524	\$ 9,694,715	\$ (8,528,141)	\$ 1,823,098
Cash with fiscal agent	<u>5,307,868</u>	<u>1,970,112</u>	<u>(2,963,408)</u>	<u>4,314,572</u>
Total Assets	<u>\$ 5,964,392</u>	<u>\$ 11,664,827</u>	<u>\$ (11,491,549)</u>	<u>\$ 6,137,670</u>
Liabilities				
Due to bondholders	\$ 5,501,840	\$ 5,144,429	\$ (4,927,916)	\$ 5,718,353
Due to others	<u>462,552</u>	<u>6,520,398</u>	<u>(6,563,633)</u>	<u>419,317</u>
Total Liabilities	<u>\$ 5,964,392</u>	<u>\$ 11,664,827</u>	<u>\$ (11,491,549)</u>	<u>\$ 6,137,670</u>

STATISTICAL SECTION

STATISTICAL SECTION

FINANCIAL TRENDS

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

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

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

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

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

	Fiscal Year			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$ 2,027,026,053	\$ 2,050,925,370	\$ 2,061,635,642	\$ 2,084,912,221
Restricted	35,017,831	40,988,923	44,212,747	34,236,929
Unrestricted	75,989,169	87,802,996	96,276,381	86,049,492
Total governmental activities	<u>\$ 2,138,033,053</u>	<u>\$ 2,179,717,289</u>	<u>\$ 2,202,124,770</u>	<u>\$ 2,205,198,642</u>
Business-type activities:				
Net investment in capital assets	\$ 107,231,308	\$ 107,313,603	\$ 108,510,361	\$ 108,449,847
Restricted	-	-	-	-
Unrestricted	15,808,357	13,639,027	11,435,306	10,173,912
Total business-type activities	<u>\$ 123,039,665</u>	<u>\$ 120,952,630</u>	<u>\$ 119,945,667</u>	<u>\$ 118,623,759</u>
Primary government:				
Net investment in capital assets	\$ 2,134,257,361	\$ 2,158,238,973	\$ 2,170,146,003	\$ 2,193,362,068
Restricted	35,017,831	40,988,923	44,212,747	34,236,929
Unrestricted	91,797,526	101,442,023	107,711,687	96,223,404
Total primary government	<u>\$ 2,261,072,718</u>	<u>\$ 2,300,669,919</u>	<u>\$ 2,322,070,437</u>	<u>\$ 2,323,822,401</u>

¹ Reflects restatement of net position due to the implementation of GASB 65 in fiscal year ended June 30, 2013.

² Reflects restatement of net position due to the implementation of GASB 68 in fiscal year ended June 30, 2015 and an adjustment to record deferred amount from gain on refunding.

³ Reflects restatement of net position due to compensated absences and deferred outflow adjustments related to fiscal year ended June 30, 2016. Additional information can be found in the Notes to the Financial Statements for fiscal year ended June 30, 2016.

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

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

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

Fiscal Year					
2011	2012 ¹	2013	2014 ²	2015 ³	2016
\$ 2,087,403,003	\$ 2,098,349,998	\$ 2,124,797,794	\$ 2,148,942,928	\$ 2,176,644,408	\$ 2,193,773,102
63,940,282	61,923,719	72,119,674	59,998,344	45,689,702	44,033,677
67,500,916	82,515,232	77,966,414	(184,990,765)	(150,532,773)	(128,242,556)
<u>\$ 2,218,844,201</u>	<u>\$ 2,242,788,949</u>	<u>\$ 2,274,883,882</u>	<u>\$ 2,023,950,507</u>	<u>\$ 2,071,801,337</u>	<u>\$ 2,109,564,223</u>
\$ 108,976,459	\$ 108,981,237	\$ 111,177,135	\$ 115,948,522	\$ 113,914,514	\$ 117,055,576
-	-	-	-	-	-
9,442,988	15,089,798	19,172,398	21,978,261	21,756,124	23,520,033
<u>\$ 118,419,447</u>	<u>\$ 124,071,035</u>	<u>\$ 130,349,533</u>	<u>\$ 137,926,783</u>	<u>\$ 135,670,638</u>	<u>\$ 140,575,609</u>
\$ 2,196,379,462	\$ 2,207,331,235	\$ 2,235,974,929	\$ 2,264,891,450	\$ 2,290,558,922	\$ 2,310,828,678
63,940,282	61,923,719	72,119,674	59,998,344	45,689,702	44,033,677
76,943,904	97,605,030	97,138,812	(163,012,504)	(128,776,649)	(104,722,523)
<u>\$ 2,337,263,648</u>	<u>\$ 2,366,859,984</u>	<u>\$ 2,405,233,415</u>	<u>\$ 2,161,877,290</u>	<u>\$ 2,207,471,975</u>	<u>\$ 2,250,139,832</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government	\$ 14,166,168	\$ 15,556,657	\$ 16,430,529	\$ 17,082,705	\$ 15,857,397	\$ 14,325,966	\$ 15,830,575	\$ 18,834,165	\$ 24,558,041	\$ 19,335,275
Public safety	69,795,386	75,821,082	79,301,600	79,402,600	78,128,006	75,696,570	83,235,188	87,676,062	96,945,872	91,046,455
Public works	39,179,844	42,631,401	45,600,429	55,445,327	40,341,323	48,913,412	47,794,631	42,953,118	45,774,939	45,443,988
Community development	9,020,868	10,052,871	10,283,528	10,082,454	8,637,525	9,365,676	9,223,098	10,283,481	10,073,248	9,943,868
Community services	23,304,053	19,146,588	20,589,094	17,232,357	17,272,374	21,554,696	22,244,661	21,357,271	22,418,287	22,700,052
Interest on long-term debt	523,401	532,569	437,207	372,502	5,078,881	8,204,928	7,989,339	7,888,192	7,711,334	7,615,094
Total governmental activities expenses	155,989,720	163,741,168	172,642,387	179,617,945	165,315,506	178,061,248	186,317,492	188,992,289	207,481,721	196,084,732
Business-type activities:										
Water	17,399,900	20,148,517	18,210,789	18,732,351	19,824,996	18,358,646	20,208,300	22,037,284	21,175,954	21,605,197
Wastewater	3,259,837	3,423,592	3,753,042	3,599,034	3,936,949	3,360,418	3,462,165	3,368,656	3,452,398	3,818,165
Total business-type activities expenses	20,659,737	23,572,109	21,963,831	22,331,385	23,761,945	21,719,064	23,670,465	25,405,940	24,628,352	25,423,362
Total primary government expenses	176,649,457	187,313,277	194,606,218	201,949,330	189,077,451	199,780,312	209,987,957	214,398,229	232,110,073	221,508,094
Program revenues:										
Governmental activities:										
Charges for services:										
General government	2,944,100	3,055,982	2,543,880	2,909,603	2,722,527	2,593,741	2,759,306	3,046,232	3,647,210	3,722,557
Public safety	15,756,327	16,649,400	14,757,266	15,006,601	15,686,314	16,240,135	16,008,421	19,124,113	19,386,017	19,108,222
Public works	5,482,167	5,616,118	5,532,871	6,392,877	2,938,315	4,576,208	5,019,835	5,517,103	5,276,991	5,319,510
Community development	5,682,636	5,597,309	4,852,534	4,806,745	5,599,737	6,202,080	7,057,010	8,043,390	8,608,645	8,419,588
Operating Grants and Contributions:	9,054,504	9,203,513	9,052,330	8,673,465	8,962,818	14,119,869	13,176,050	13,270,316	13,667,775	13,964,018
Capital Grants and Contributions:	16,172,023	15,778,851	13,404,286	15,677,617	10,710,266	11,418,147	11,290,989	15,196,696	10,673,286	17,826,914
Contributions:	¹ 6,904,716	31,037,915	² 24,633,716	12,350,100	11,101,239	14,838,783	25,613,846	³ 563,786	38,157,665	⁴ 2,717,504
Total governmental activities program revenues	61,996,473	86,939,088	74,776,883	65,817,008	57,721,216	69,988,962	80,925,457	64,761,636	99,417,589	71,078,313
Business-type activities:										
Charges for services:										
Water	17,918,968	17,270,511	16,966,621	17,412,634	20,097,227	23,877,685	26,795,767	29,397,882	27,705,129	24,499,952
Wastewater	3,535,050	3,552,780	3,479,565	3,368,327	3,348,433	3,382,905	3,450,638	3,438,670	3,326,362	3,065,762
Total business-type activities program revenues	21,454,018	20,823,291	20,446,186	20,780,961	23,445,660	27,260,590	30,246,405	32,836,552	31,031,491	27,565,714
Total primary government program revenues	83,450,491	107,762,379	95,223,069	86,597,969	81,166,876	97,249,552	111,171,862	97,598,188	130,449,080	98,644,027
Net revenues (expenses):										
Governmental activities	(93,993,247)	(76,802,080)	(97,865,504)	(113,800,937)	(107,594,290)	(108,072,286)	(105,392,035)	(124,230,653)	(108,064,132)	(125,006,419)
Business-type activities	794,281	(2,748,818)	(1,517,645)	(1,550,424)	(316,285)	5,541,526	6,575,940	7,430,612	6,403,139	2,142,352
Total net revenues (expenses)	\$ (93,198,966)	\$ (79,550,898)	\$ (99,383,149)	\$ (115,351,361)	\$ (107,910,575)	\$ (102,530,760)	\$ (98,816,095)	\$ (116,800,041)	\$ (101,660,993)	\$ (122,864,067)

¹ 2006 data varies from trend because of increased capital assets related mostly to Bristol St. Relinquishment, Newport Coast Community Center, and Fire Station # 7.

² 2008 data varies from trend because of increased capital assets related to Santa Ana Heights Annexation.

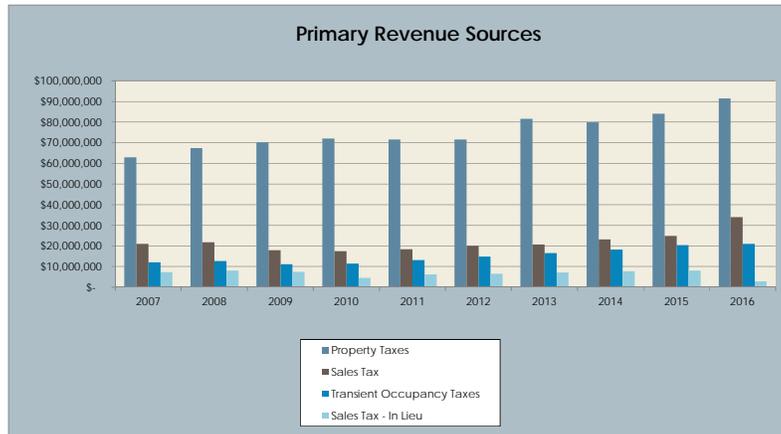
³ 2013 data varies from trend because of increased capital assets related to contribution from State of California.

⁴ 2015 data varies from trend because of one-time receipt of developer contributions.

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 63,003,057	\$ 67,388,838	\$ 70,126,680	\$ 71,999,680	\$ 71,630,345	\$ 71,546,249	\$ 81,603,194	\$ 79,889,346	\$ 84,121,461	\$ 91,516,611
Sales tax	21,088,118	21,855,242	17,925,956	17,440,736	18,455,181	20,107,597	20,764,204	23,142,065	24,832,412	33,937,986
Sales tax in-lieu	7,348,253	8,017,539	7,503,113	4,539,946	6,284,266	6,523,492	7,078,517	7,727,876	8,046,424	2,870,474
Transient occupancy taxes	12,059,008	12,751,518	11,170,956	11,400,710	13,082,451	14,798,191	16,500,285	18,176,369	20,369,158	21,083,199
Business license	3,770,172	4,119,108	4,273,642	4,026,614	4,090,634	4,073,725	4,145,666	4,156,130	4,141,282	4,024,386
Franchise taxes	4,613,932	3,853,119	3,961,634	3,715,946	3,730,819	3,845,901	3,820,723	3,998,943	4,189,130	4,047,584
Motor vehicle license fees	391,559	304,920	356,237	314,957	403,042	42,911	-	-	-	-
Other taxes	515,128	373,350	230,115	201,893	226,257	278,521	286,880	216,604	354,919	327,009
Investment income	3,175,582	3,655,314	1,764,827	706,855	366,081	405,674	219,091	542,915	437,272	584,259
Net increase in fair value of investments	(545,533)	508,485	1,096,848	707,200	369,235	246,119	-	53,783	61,337	376,311
Other	2,232,070	1,858,883	1,862,977	1,820,272	2,601,538	2,789,471	2,748,524	3,803,728	3,161,567	4,001,486
Share of joint venture net income	253,207	-	-	-	-	-	-	-	-	-
Change in accounting estimates	-	-	-	-	-	8,484,000	-	-	-	-
Capital contributions	-	-	-	-	-	7,352	319,884	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	117,904,553	124,686,316	120,272,985	116,874,809	121,239,849	133,149,203	137,486,968	141,707,759	149,714,962	162,769,305
Business-type activities:										
Investment income	792,936	588,870	374,893	128,399	52,996	49,718	22,442	128,439	123,445	216,576
Net increase in fair value of investments	(57,185)	72,913	135,789	100,117	58,977	67,696	-	18,199	34,921	148,527
Other	-	-	-	-	-	-	-	-	-	2,375,000
Capital contributions	-	-	-	-	-	(7,352)	(319,884)	-	-	22,516
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	735,751	661,783	510,682	228,516	111,973	110,062	(297,442)	146,638	158,366	2,762,619
Total primary government	118,640,304	125,348,099	120,783,667	117,103,325	121,351,822	133,259,265	137,189,526	141,854,397	149,873,328	165,531,924
Changes in net position										
Governmental activities	23,911,306	47,884,236	22,407,481	3,073,872	13,645,559	25,076,917	32,094,933	17,477,106	41,650,830	37,762,886
Business-type activities	1,530,032	(2,087,035)	(1,006,963)	(1,321,908)	(204,312)	5,651,588	6,278,498	7,577,250	6,561,505	4,904,971
Total primary government	\$ 25,441,338	\$ 45,797,201	\$ 21,400,518	\$ 1,751,964	\$ 13,441,247	\$ 30,728,505	\$ 38,373,431	\$ 25,054,356	\$ 48,212,335	\$ 42,667,857



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

	Fiscal Year ²			
	2007	2008	2009	2010
General fund:				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund				
All other governmental funds:				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds				
Total all governmental funds				

	Fiscal Year			
	2007	2008	2009	2010
General fund:				
Reserved	\$ 7,233,703	\$ 6,807,094	\$ 5,907,205	\$ 5,472,481
Unreserved	62,679,499	72,252,045	73,703,759	76,685,385
Total general fund	\$ 69,913,202	\$ 79,059,139	\$ 79,610,964	\$ 82,157,866
All other governmental funds:				
Reserved	\$ 11,168,955	\$ 12,060,365	\$ 8,831,229	\$ 9,363,673
Unreserved, reported in:				
Special revenue funds	18,917,308	21,670,956	23,849,191	27,973,528
Capital projects funds	(3,258,201)	3,271,954	7,671,450	(10,571,278)
Permanent funds	660,029	934,648	1,170,009	1,294,924
Total all other governmental funds	\$ 27,488,091	\$ 37,937,923	\$ 41,521,879	\$ 28,060,847
Total all governmental funds	\$ 97,401,293	\$ 116,997,062	\$ 121,132,843	\$ 110,218,713

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

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

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

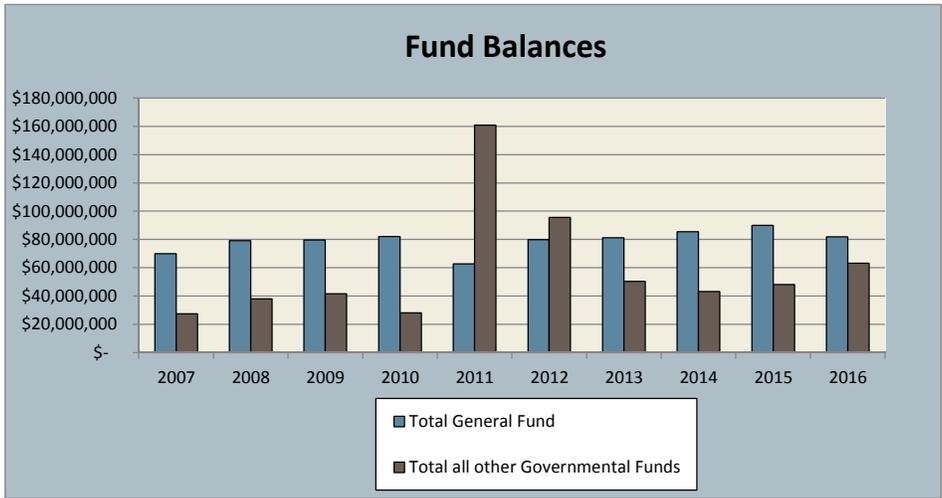
⁴ 2011 other governmental funds data varies from trend due to issuance of Civic Center COPs.

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

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

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

		Fiscal Year ²									
		2011	2012	2013	2014	2015	2016				
\$	1,031,742	\$	7,854,478	\$	9,919,486	\$	16,316,499	\$	15,784,396	\$	15,210,896
	1,681,333		2,263,049		2,410,373		3,939,751		5,389,810		3,083,133
	27,619,902		29,673,333		29,371,507		12,782,235 ⁵		11,847,852		2,726,020 ⁶
	11,865,835		19,431,475		6,843,417		1,326,170		1,421,225		4,201,311
	20,570,033		20,570,023		32,585,375		51,015,820 ⁵		55,509,258		56,618,041
\$	62,768,845 ³	\$	79,792,358	\$	81,130,158	\$	85,380,475	\$	89,952,541	\$	81,839,401 ⁶
\$	5,898,234	\$	5,396,436	\$	4,697,220	\$	4,629,781	\$	4,669,269	\$	4,629,781
	36,445,842		30,957,184		27,433,342		33,243,790		29,842,384		33,662,859
	115,923,344		70,500,156		33,961,163		19,513,389		26,159,261		40,248,977
	5,633,558		-		-		-		-		-
	(2,988,102)		(11,339,671)		(15,723,261)		(14,291,969)		(12,495,729)		(15,422,984)
\$	160,912,876 ⁴	\$	95,514,105	\$	50,368,464	\$	43,094,991	\$	48,175,185	\$	63,118,633
\$	223,681,721	\$	175,306,463	\$	131,498,622	\$	128,475,466	\$	138,127,726	\$	144,958,034



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

	Fiscal Year			
	2007	2008	2009	2010
Revenues:				
Taxes	\$ 112,230,054	\$ 118,758,201	\$ 115,711,574	\$ 113,809,443
Intergovernmental	18,866,929	21,005,429	11,434,885	15,379,698
Licenses and permits	4,574,659	6,474,789	5,883,515	3,950,967
Charges for services	14,452,723	15,073,178	14,498,120	15,293,362
Fines and forfeitures	4,126,351	4,662,442	4,572,611	4,105,632
Investment income	5,431,137	5,463,066	3,245,677	1,289,890
Net increase (decrease) in fair value of investments	(626,881)	720,488	1,472,335	1,155,363
Property income	13,965,815	15,217,803	14,032,342	14,624,923
Donations	1,379,461	2,159,637	6,760,140	5,497,640
Other	1,967,465	4,205,095	8,501,014	7,646,274
Total revenues	176,367,713	193,740,128	186,112,213	182,753,192
Expenditures				
Current:				
General government	13,706,061	14,508,103	15,567,654	15,169,546
Public safety	68,843,947	73,486,413	78,554,344	77,202,445
Public works	28,352,293	30,108,941	30,619,405	39,922,406
Community development	7,753,035	8,703,841	9,971,536	9,556,066
Community services	13,988,589	14,478,146	17,485,605	14,916,230
Capital outlay	45,615,169	20,524,638	26,002,338	36,796,653
Debt service:				
Principal retirement	3,736,587	3,263,948	3,292,641	1,820,679
Interest and fiscal charges	458,035	577,299	482,908	383,297
Issuance of debt costs	-	-	-	-
Total expenditures	182,453,716	165,651,329	181,976,431	195,767,322
Excess (deficiency) of revenues over (under) expenditures	(6,086,003)	28,088,799	4,135,782	(13,014,130)
Other financing sources (uses):				
Transfers in	20,271,396	27,583,922	23,354,366	22,380,521
Transfers out	(22,521,396)	(36,076,952)	(23,354,366)	(21,780,521)
Proceeds from issuance of debt	5,000,000	-	-	1,500,000
Issuance of debt premium	-	-	-	-
Proceeds from loan issuance	-	-	-	-
Payment to refunded loan escrow agent	-	-	-	-
Total other financing sources (uses)	2,750,000	(8,493,030)	-	2,100,000
Net change in fund balances	\$ (3,336,003)	\$ 19,595,769	\$ 4,135,782	\$ (10,914,130)
Debt service as a percentage of noncapital expenditures	2.8%	2.5%	2.3%	1.4%

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	2015	2016
\$ 117,983,765	\$ 121,710,955	\$ 134,733,550	\$ 137,910,879	\$ 146,664,903	\$ 158,386,385
11,467,471	12,122,963	11,393,589	16,825,839	11,813,208	17,262,147
5,198,986	6,691,125	7,682,555	6,659,203	14,676,754	6,571,123
15,285,813	16,020,825	16,254,399	16,864,092	16,914,210	18,827,991
3,545,229	3,795,787	3,649,532	3,272,951	3,732,405	3,684,602
1,045,592	1,142,935	372,514	1,136,062	928,729	1,157,539
882,317	704,656	-	124,439	177,485	769,460
15,538,387	17,458,143	19,847,371	22,214,256	21,406,667	22,259,425
1,790,073	13,977,850	587,445	1,170,171	22,249,427	4,190,822
5,091,527	691,125	3,543,894	1,400,048	6,984,418	2,982,924
<u>177,829,160</u>	<u>194,316,364</u>	<u>198,064,849</u>	<u>207,577,940</u>	<u>245,548,206</u>	<u>236,092,418</u>
15,424,734	12,896,492	13,671,480	14,471,167	14,060,512	14,629,672
74,947,173	75,377,871	80,546,969	82,642,988	94,568,122	96,225,784
31,442,076	32,399,178	32,451,624	32,414,457	33,694,578	36,000,905
8,430,813	8,939,825	8,994,710	9,768,928	9,876,706	10,913,205
15,662,011	19,296,505	18,872,022	19,047,813	20,235,546	21,784,680
37,645,882	80,617,948	72,133,582	33,572,193	47,169,671	31,934,463
6,230,080	4,529,854	3,998,000	4,091,000	4,183,000	4,272,000
1,179,612	8,320,500	8,152,488	8,052,927	7,957,811	7,839,341
1,219,071	-	-	-	-	-
<u>192,181,452</u>	<u>242,378,173</u>	<u>238,820,875</u>	<u>204,061,473</u>	<u>231,745,946</u>	<u>223,600,050</u>
(14,352,292)	(48,061,809)	(40,756,026)	3,516,467	13,802,260	12,492,368
58,763,620	24,640,318	47,875,107	41,223,727	53,281,956	48,523,132
(58,763,620)	(24,953,767)	(50,926,922)	(47,245,283)	(57,431,956)	(54,185,192)
126,660,000	-	-	-	-	-
1,155,300	-	-	-	-	-
-	-	-	-	1,339,000	-
-	-	-	-	(1,339,000)	-
<u>127,815,300</u>	<u>(313,449)</u>	<u>(3,051,815)</u>	<u>(6,021,556)</u>	<u>(4,150,000)</u>	<u>(5,662,060)</u>
<u>\$ 113,463,008</u>	<u>\$ (48,375,258)</u>	<u>\$ (43,807,841)</u>	<u>\$ (2,505,089)</u>	<u>\$ 9,652,260</u>	<u>\$ 6,830,308</u>
4.8%	8.3%	15.8%	6.9%	6.6%	7.2%

REVENUE CAPACITY

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

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

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

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

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

Fiscal Year Ended June 30	Secured			Unsecured	Total Taxable Assessed Value	Change	Total Direct Tax Rate
	Residential	Commercial	Other				
2007	25,027,222,681	3,667,678,011	2,739,493,151	1,552,698,132	32,987,091,975	9.78%	1.000%
2008	27,131,902,343	4,069,012,096	2,997,390,282	1,598,058,741	35,796,363,462	8.52%	1.000%
2009	28,733,809,754	4,477,310,761	3,224,940,905	1,482,083,490	37,918,144,910	5.93%	1.000%
2010	29,057,665,304	4,614,669,993	3,406,238,449	1,580,961,132	38,659,534,878	1.96%	1.000%
2011	30,853,053,683	4,711,084,222	1,516,055,361	1,671,177,215	38,751,370,481	0.24%	1.000%
2012	31,603,505,416	4,504,291,343	1,442,600,505	1,565,104,496	39,115,501,760	0.94%	1.000%
2013	32,522,843,119	4,627,463,458	1,435,546,888	1,597,277,039	40,183,130,504	2.73%	1.000%
2014	34,678,952,381	4,688,189,694	1,489,111,147	1,484,909,241	42,341,162,463	5.37%	1.000%
2015	36,814,891,583	5,007,508,388	1,348,136,131	1,581,520,801	44,752,056,903	5.69%	1.000%
2016	39,263,791,190	5,264,898,550	1,394,764,145	1,465,016,213	47,388,470,098	5.89%	1.000%

NOTE:

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

Source: HdL, Coren & Cone

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

	Fiscal Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
City Direct Rates:									
City basic rate	\$ 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
Overlapping Rates:									
Water Districts	0.058	0.071	0.071	0.082	0.081	0.081	0.081	0.081	0.047
School Districts	0.1103	0.1092	0.1009	0.1521	0.1548	0.1546	0.1646	0.1702	0.1819
Total Overlapping Rate	0.169	0.180	0.172	0.234	0.236	0.236	0.245	0.251	0.228
Total Direct & Overlapping Rate	<u>\$ 1.169</u>	<u>\$ 1.180</u>	<u>\$ 1.172</u>	<u>\$ 1.234</u>	<u>\$ 1.236</u>	<u>\$ 1.236</u>	<u>\$ 1.245</u>	<u>\$ 1.251</u>	<u>\$ 1.228</u>

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of other debt obligations.

Source: HdL, Coren & Cone

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

Taxpayer	2016			2007		
	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	\$ 1,652,910,320	1	4.11%	\$ 1,366,388,622	1	4.14%
Block 500 Newport Center Drive LLC	188,787,966	2	0.47%	n/a		0.00%
Newport Bluffs LLC	149,368,474	3	0.37%	n/a		0.00%
Balboa Bay Club Ventures	132,740,207	4	0.33%	124,988,500	6	0.38%
UDR Newport Beach North LP	127,976,292	5	0.32%	126,354,918	5	0.38%
Coronado South Apartments LP	123,228,435	6	0.31%	110,160,000	8	0.33%
Bay Island Club	98,384,212	7	0.24%	n/a		0.00%
100 Bayview LLC	95,582,468	8	0.24%	117,000,000	7	0.35%
Jazz Semiconductor Inc	93,430,635	9	0.23%	155,336,921	3	0.47%
Newport Healthcare Center LLC	91,851,936	10	0.23%	n/a		0.00%
	<u>\$ 2,754,260,945</u>		<u>6.85%</u>	<u>\$ 2,000,228,961</u>		<u>6.06%</u>

Source: HdL, Coren and Cone Co.

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years ²	Total Collections to Date	
		Amount ¹	Percent of Levy		Amount	Percent of Levy
2007	70,194,492	68,820,402	98.04%	1,307,043	70,127,445	99.90%
2008	69,315,116	66,675,541	96.19%	2,163,679	68,839,220	99.31%
2009	71,006,357	68,266,624	96.14%	2,123,097	70,389,721	99.13%
2010	68,412,731	66,282,513 ³	96.89%	1,507,391	67,789,904	99.09%
2011	70,476,893	68,577,472	97.30%	1,069,122	69,646,594	98.82%
2012	71,157,295	69,435,794	97.58%	985,344	70,421,138	98.97%
2013	74,165,333	72,532,734	97.80%	736,983	73,269,717	98.79%
2014	79,195,727	77,758,504	98.19%	650,273	78,408,777	99.01%
2015	83,843,488	82,191,604	98.03%	814,585	83,006,189	99.00%
2016	84,166,940	81,762,526	97.14%	- ⁴	81,762,526	97.14%

¹ Net collections reflect deductions for refunds and Impoundments.

² Exclusive of penalty charges

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

⁴ The total amount of Fiscal Year 2016 delinquent taxes collected in subsequent years was not available as of the date the information was collected for the City's Comprehensive Annual Financial Report.

Source: Orange County Auditor Controller's Office

DEBT CAPACITY

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

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

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

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

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

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation ¹	Note Payable	Pre-Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
2007	4,980,000	1,469,202	12,000,000	2,134,000	49,490	3,000,000
2008	4,665,000	1,298,254	10,800,000	2,056,000	-	1,500,000
2009	4,335,000	1,119,613	9,600,000	1,972,000	-	N/A
2010	3,990,000	932,934	8,400,000	1,883,000	-	1,500,000
2011	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	-	-

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
23,632,692	4,540,000	4,540,000	28,172,692	0.43%	335
20,319,254	3,095,000	3,095,000	23,414,254	0.33%	277
17,026,613	1,585,000	1,585,000	18,611,613	0.25%	216
16,705,934	-	-	16,705,934	0.25%	193
138,220,831	-	-	138,220,831	2.34%	1,619
133,570,424	-	-	133,570,424	2.30%	1,553
129,451,871	-	-	129,451,871	1.85%	1,498
125,240,318	-	-	125,240,318	1.81%	1,442
120,936,765	-	-	120,936,765	1.77%	1,386
116,544,212	-	-	116,544,212	1.77%	1,383

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

<u>Fiscal Year Ended June 30</u>	<u>Certificates of Participation¹</u>	<u>Amounts restricted for debt service</u>	<u>Total</u>	<u>Percent of Assessed Value²</u>	<u>General Bonded Debt Per Capita</u>
2007	4,980,000	(315,000)	4,665,000	0.01%	55
2008	4,665,000	(330,000)	4,335,000	0.01%	51
2009	4,335,000	(345,000)	3,990,000	0.01%	46
2010	3,990,000	(360,000)	3,630,000	0.01%	42
2011	127,744,977	(1,488,670)	126,256,307	0.33%	1,479
2012	125,884,424	(2,532,561)	123,351,863	0.32%	1,434
2013	123,073,871	(1,157,250)	121,916,621	0.30%	1,410
2014	120,178,318	(2,352,746)	117,825,572	0.28%	1,356
2015	117,197,765	(2,350,210)	114,847,555	0.26%	1,316
2016	114,137,212	(2,362,904)	111,774,308	0.24%	1,326

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, 2016

City Net Assessed Valuation: \$ 47,388,470,098

	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/16	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.933%	\$ 92,865,000	\$ 1,795,080
Coast Community College District	33.294%	498,864,504	166,091,948
Rancho Santiago Community College District	2.451%	268,052,899	6,569,977
Rancho Santiago Community College District School Facilities Improvement District No. 1	4.732%	64,240,000	3,039,837
Laguna Beach Unified School District	14.912%	26,090,000	3,890,541
Laguna Beach U.S.D. Community Facilities District No. 98-1	100.000%	8,765,000	8,765,000
Newport Mesa Unified School District	73.095%	224,859,150	164,360,796
Newport Mesa U.S.D. Community Facilities District No. 90-1	100.000%	6,815,000	6,815,000
Santa Ana Unified School District	5.817%	274,001,882	15,938,689
Irvine Ranch Water District Improvement Districts	3.492% - 100.000%	434,890,000	61,339,228
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	33,335,000	33,335,000
City of Newport Beach Special Improvement District No. 95-1	100.000%	1,225,000	1,225,000
City of Newport Beach 1915 Act Bonds	100.000%	8,819,270	8,819,270
Orange County Assessment District No. 88-1	100.000%	21,205,000	21,205,000
Orange County Reassessment District No. 99-1R	100.000%	5,395,000	5,395,000
Orange County Assessment District No. 01-1	100.000%	39,695,000	39,695,000
Orange County Reassessment District No. 01-1R	100.000%	2,135,000	2,135,000
Orange County General Fund Obligations	9.496%	124,614,000	11,833,345
Orange County Pension Obligations	9.496%	353,417,858	33,560,560
Orange County Board of Education Certificates of Participation	9.496%	14,840,000	1,409,206
Municipal Water District of O.C. Water Facilities Corporation	11.215%	2,770,000	310,656
Coast Community College District Certificates of Participation	33.294%	3,765,000	1,253,519
Santa Ana Unified School District Certificates of Participation	5.817%	70,982,229	4,129,036
Overlapping Tax Increment Debt (Successor Agency):	3.533% - 65.492%	28,405,000	11,406,465
TOTAL GROSS OVERLAPPING DEBT		\$ 2,610,046,792	\$ 614,318,153
Less: MWDOC Water Facilities Corporation (100% self-supporting)			(310,656)
TOTAL NET OVERLAPPING DEBT			\$ 614,007,498
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	114,137,212	\$ 114,137,212
Newport Coast Annexation	100.000%	1,200,000	1,200,000
Community Development Block Grant Loan	100.000%	1,207,000	1,207,000
TOTAL DIRECT DEBT		\$ 116,544,212	\$ 116,544,212
TOTAL NET DIRECT AND OVERLAPPING DEBT			\$ 730,551,710
GROSS COMBINED TOTAL DEBT ⁽²⁾			\$ 730,862,365

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

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

Ratios to 2015-16 Net Assessed Valuation:

Total Net Overlapping Debt	1.30%
Total Direct Debt (\$116,544,212)	0.25%
Gross Combined Total Debt	1.54%
Net Combined Total Debt	1.54%

Ratios to Redevelopment Incremental Valuation (\$914,443,368)

Total Overlapping Tax Increment Debt	1.25%
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Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2007	2008	2009	2010
Assessed valuation	\$ 32,987,091,975	\$ 35,796,363,462	\$ 37,918,144,910	\$ 38,659,534,878
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	8,246,772,994	8,949,090,866	9,479,536,228	9,664,883,720
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,237,015,949	1,342,363,630	1,421,930,434	1,449,732,558
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 1,237,015,949</u>	<u>\$ 1,342,363,630</u>	<u>\$ 1,421,930,434</u>	<u>\$ 1,449,732,558</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

NOTE:

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

Source: City Finance Department

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 38,751,370,481	\$ 39,115,501,760	\$ 40,183,130,504	\$ 42,341,162,463	\$ 44,752,056,903	\$ 47,388,470,098
25%	25%	25%	25%	25%	25%
9,687,842,620	9,778,875,440	10,045,782,626	10,585,290,616	11,188,014,226	11,847,117,525
15%	15%	15%	15%	15%	15%
1,453,176,393	1,466,831,316	1,506,867,394	1,587,793,592	1,678,202,134	1,777,067,629
-	-	-	-	-	-
<u>\$ 1,453,176,393</u>	<u>\$ 1,466,831,316</u>	<u>\$ 1,506,867,394</u>	<u>\$ 1,587,793,592</u>	<u>\$ 1,678,202,134</u>	<u>\$ 1,777,067,629</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

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

- Demographic and Economic Statistics
- Principal Employers

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

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

Fiscal Year	Population ¹	Personal Income (in thousands)	Per Capita Income ⁽²⁾	Unemployment Rate ⁽³⁾
2007	84,218	6,518,052	77,395	2.6%
2008	84,554	7,059,752	83,494	2.4%
2009	86,252	7,468,216	86,586	6.1%
2010	86,738	6,676,484	76,973	6.0%
2011	85,376	5,916,215	69,296	5.8%
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%

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 2001-2010; and, E-1 Population Estimates for Cities, Counties and State January 1, 2015 and 2016.

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

⁽³⁾ State of California, Employment Development Department

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

Employer	2016			2007		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	4,800	1	5.90%	4,390	1	5.35%
Pacific Life Insurance	1,274	2	1.57%	2,788	2	3.40%
PIMCO Advisors	1,072	3	1.32%	530	8	0.65%
Glidewell Dental	1,043	4	1.28%	N/A ²	-	N/A
Newport-Mesa Unified School District	988	5	1.21%	N/A ²	-	N/A
Jazz Semi-Conductor	822	6	1.01%	730	5	0.89%
Resort at Pelican Hill	756	7	0.93%	N/A ²	-	N/A
City of Newport Beach	730	8	0.90%	814	4	0.99%
Balboa Bay Club and Resort	650	9	0.80%	N/A ²	-	N/A
Fletcher Jones Motor Cars Inc.	490	10	0.60%	N/A ²	-	N/A
The Island Hotel	450	11	0.55%	550 ³	7	0.67%
Marriott-Newport Beach	290	12	0.36%	500	9	0.61%

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

² Company listed was unable to provide reliable employee data for 2007.

³ The Island Hotel was formerly the Four Seasons Hotel.

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

OPERATING INFORMATION

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

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

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

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

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

Function	Full-Time Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	93	93	99	92	94	95	94	79	78	77
Public safety	393	397	397	394	381	359	357	366	370	374
Community development	52	56	57	53	51	58	56	53	52	52
Public works	163	165	160	147	144	130	128	119	109	104
Community services	66	68	71	69	70	68	70	74	75	79
Water	34	35	35	36	37	38	32	32	31	32
Wastewater	13	13	13	14	15	15	15	13	13	12
Total	<u>814</u>	<u>827</u>	<u>832</u>	<u>805</u>	<u>792</u>	<u>763</u>	<u>752</u>	<u>736</u>	<u>728</u>	<u>730</u>

Source: City Finance Department

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

	Fiscal Year			
	2007	2008	2009	2010
Police:				
Adult Arrests	3,289	3,196	3,245	2,967
Parking Citations Issued	67,170	70,150	65,176	66,310
Fire:				
Fire Responses	175	393	371	172
Fire Inspections	7,136	7,250	6,912	7,000
General Services:				
Street Patching (tons of mix)	4,980	4,644	3,882	3,467
Sidewalk Repair (square feet)	59,459	58,000	49,644	49,540
Recreation & Senior Services:				
Co-Sponsored Youth Organization Attendance	201,258	318,779	318,000	350,000
Senior Transportation Services	14,728	15,279	16,035	15,458
Water:				
New connections	95	60	26	19
Average daily consumption (hundred cubic ft.)	17	17	17	17.25
Sewer:				
New connections	45	45	12	9
Miles of Pipe Cleaned	226	212	209	200
Library Services:				
Library Circulation of Materials	1,622,573	1,701,476	1,575,518	1,819,122

Source: City of Newport Beach

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
3,093	2,982	3,161	2,794	3,472	3,158
67,459	55,418	58,823	51,609	59,753	64,762
165	201	342	356	305	300
7,100	4,315	4,338	4,024	4,000	4,500
2,580	2,246	1,708	2,408	2,711	1,890
39,972	34,000	37,607	37,607	27,175	27,000
322,000	257,322	293,938	294,000	303,152	305,000
15,063	15,264	13,112	13,956	13,740	14,000
28	35	54	72	187	194
17.25	15.15	14.02	15.96	16.39	11.66
6	15	14	22	20	17
235	248	215	245	260	250
1,770,683	1,582,953	1,582,914	1,689,870	1,610,818	1,575,000

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	8	8	8	8	8
Lifeguard Headquarters	1	1	1	1	1
Public works:					
Streets (miles)	333	395	395	395	395
Streetlights	7,277	7,278	7,278	7,278	7,278
Traffic signals	147	147	148	148	148
Recreation & Senior Services:					
Parks	61	61	62	63	63
Community centers (includes leased property)	13	13	14	14	14
Aquatic Center	1	1	1	1	1
Water:					
Water mains (miles)	299.88	300.35	300.17	300.31	303.27
Maximum daily capacity (thousands of gallons)	19,369	20,392	20,365	19,707	19,341
Wastewater:					
Sanitary sewers (miles)	179.15	202.80	202.80	202.80	202.80
Storm sewers (miles)	57.60	95.50	95.50	95.50	95.50
Library Services:					
Libraries	4	4	4	4	4

Source: City of Newport Beach

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

Fiscal Year					
2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
395	395	395	395	395	399
7,278	7,277	7,277	7,277	7,277	7,278
148	153	153	153	153	153
63	63	64	64	64	64
14	14	14	14	14	15
1	1	1	1	1	1
303.25	303.25	303.25	298.37	299.58	299.77
28,540	27,508	26,916	27,704	27,800	27,800
202.40	202.40	202.40	202.62	202.64	202.75
95.40	95.40	95.40	70.62	94.14	92.08
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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Type of Customer:										
Residential	4,492,489	4,046,969	3,989,816	4,251,996	3,656,705	4,001,344	3,890,973	3,902,007	3,853,566	3,072,589
Commercial	1,302,578	1,184,904	1,188,553	1,165,128	1,145,843	2,369,492	2,389,822	2,525,169	2,560,620	1,847,372
Government	601,659	361,457	420,697	349,334	320,821	374,091	394,787	455,251	396,605	263,116
Total	6,396,726	5,593,330	5,599,066	5,766,458	5,123,369	6,744,927	6,675,582	6,882,427	6,810,791	5,183,077
Total direct rate per 100 cubic ft.	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.20	\$ 2.46	\$ 2.73	\$ 2.96	\$ 3.08	\$ 3.08	\$ 3.08

Source: City Utilities Department

CITY OF NEWPORT BEACH
Water Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30	Monthly Base Rate	Rate per 100 cubic ft
2007	9.00	2.43
2008	9.00	2.43
2009	9.00	2.43
2010	12.77	2.55
2011	17.59	2.81
2012	19.61	3.08
2013	21.13	3.31
2014	21.77	3.43
2015	21.77	3.43
2016	21.77	3.43

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

Source: City Revenue Division

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

Water Customer	2016			2007		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Big Canyon Country Club	\$ 151,835	1	0.56%	\$ 220,930	1	1.19%
Irvine Company Office	126,026	2	0.46%	140,335	5	0.76%
Newport Beach Country Club	122,875	3	0.45%	169,046	4	0.91%
Irvine Company Apartment	98,956	4	0.36%	176,354	3	0.95%
Hoag Memorial Hospital	83,400	5	0.31%	207,967	2	1.12%
UDR Newport Beach	78,981	6	0.29%	92,155	8	0.50%
Park Newport Ltd	74,902	7	0.28%	111,020	7	0.60%
Pacific View - Pierce Bros.	52,784	8	0.19%	68,636	11	0.37%
Newport-Mesa USD	52,437	9	0.19%	69,151	10	0.37%
Bluffs Homeowners Association	50,389	10	0.19%	127,196	6	0.69%
Irvine Company Retail	46,308	11	0.17%	81,153	9	0.44%
Hyatt Newporter	33,375	12	0.12%	30,000	24	0.16%
Balboa Bay Club	33,323	13	0.12%	36,670	22	0.20%
Irvine Company Resort	32,716	14	0.12%	43,673	18	0.24%
Jasmine Creek Community Association	29,141	15	0.11%	56,288	13	0.30%
	<u>\$ 1,067,448</u>		<u>3.92%</u>	<u>\$ 1,630,574</u>		<u>8.81%</u>

Source: City Revenue Division



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