

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019



CITY OF NEWPORT BEACH





*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019*

*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

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CITY OF NEWPORT BEACH
 Comprehensive Annual Financial Report
 Year Ended June 30, 2019

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INTRODUCTORY SECTION

(Unaudited)

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December 18, 2019

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

The City Charter and California state law require that the City of Newport Beach (“City”) issue a complete set of financial statements annually and that an independent firm of certified public accountants audit this report in conformance with generally accepted auditing standards (GAAS). The Comprehensive Annual Financial Report (CAFR) of the City of Newport Beach for the year ended June 30, 2019, 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, 2019 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, 2019 are fairly presented in

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

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

PROFILE OF THE CITY

Newport Beach is a community located in the coastal center of Orange County, in the heart of Southern California, with Los Angeles County to the north and San Diego County to the south. There are currently 34 cities within the county. In terms of population, Orange County is the third largest county in California trailing Los Angeles and San Diego. It is the sixth largest county in the nation.

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



Newport Beach surrounds Newport Bay, well known for its picturesque islands and one of the greatest recreational harbors in the world, accommodating about 4,300 recreational and sports charter boats docked within its 21-square-mile harbor. The bay and the ten miles of ocean beach offer outstanding fishing, swimming, surfing, and aquatic sports activities. The city has a permanent population of 87,180, which typically grows to well over 100,000 during the summer months, including 20,000 to 100,000 or more tourists daily. There are fine residential areas, modern shopping facilities, and a quality school system. The University of California, Irvine, is located immediately adjacent to the city, and several other colleges are within a 30-mile-radius.

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



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

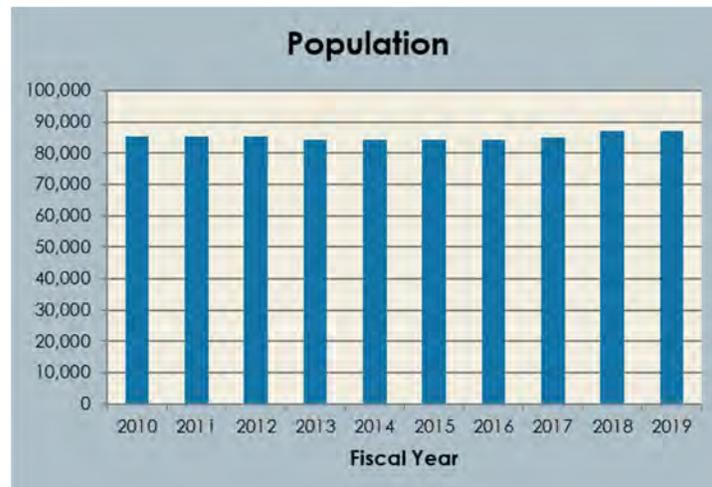
among other things, policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations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

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

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

DEMOGRAPHICS

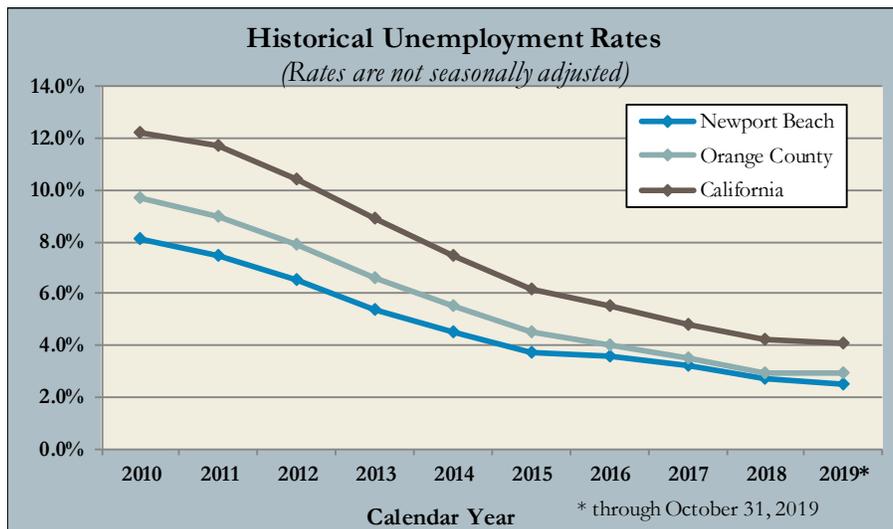
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 87,180, the population has been very stable as indicated by the following chart.



The effective buying income and median household income are generally higher in Newport Beach than in other areas of the State and the U.S. overall. As illustrated by the table below, Newport Beach median household income is nearly twice that of the U.S. median household income.

2018 Median Household Income	
City of Newport Beach	\$119,379
Orange County	89,759
California	75,277
USA	61,937

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

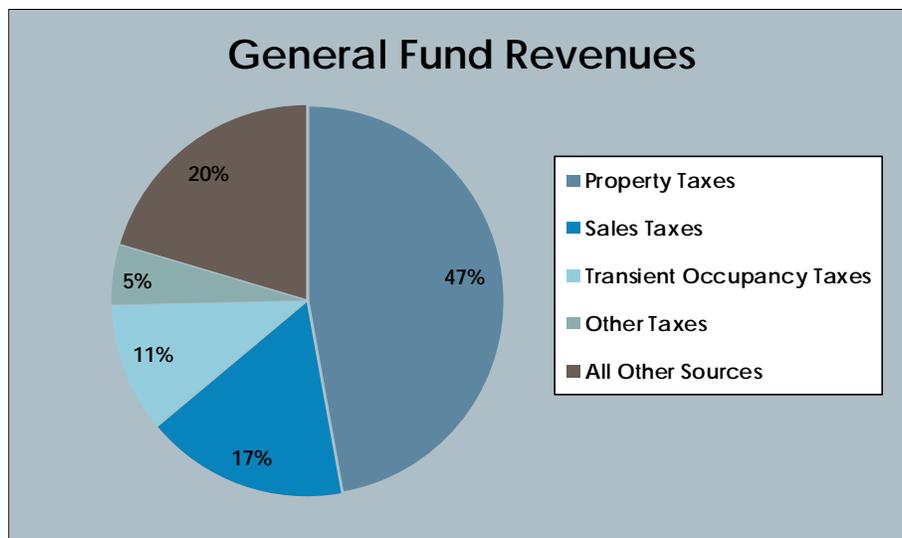
Although a recession in Orange County (and the state and nation) is not expected until 2021 or 2022, economic growth will slow down in the interim, says a recent Cal State Fullerton economic forecast. County domestic product (also known as “local” Growth Domestic Product—or GDP), which is the traditional measurement of economic growth, is expected to come in at 2.5 percent in 2019 and 2.1 percent in 2020. “The pause in interest rate hikes (by the Federal Reserve) ought to ease financial stress and temper concerns that an overzealous Fed will tip the economy into a recession,” the forecast report states.

Job creation in Orange County will diminish—although not completely disappear—in 2019 and 2020 as the broader economy stretches its growth phase longer than many experts originally anticipated. The professional business and technical/scientific service sectors will dominate local job creation, together with healthcare, restaurants, and hospitality in general, the forecast report states. “New development still remains quite active, and construction employment will peak this year or next.” More job opportunities (along with rising wages and salaries) means more disposable income to support increased spending levels on local goods and services. About 25,000 local jobs will be added to the local employment base in 2019; about 10,000 in 2020; and possibly 8,000 in 2021 (compared to an average annual 34,000 from 2011 – 2018), according to the report.

The unemployment rate in Orange County was 2.9 percent in October 2019. This compares with an unadjusted unemployment rate of 4.1 percent for California and also 3.6 percent for the nation during the same period.

TOP THREE REVENUE SOURCES

General Fund revenues were approximately \$230 million during FY 2018-19. 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 80 percent of all General Fund revenues while only 20 percent was generated by other revenue sources.



Property Taxes

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

Consistent and vigorous demand for coastal property has allowed the City to enjoy long-term growth trends with its number one revenue source. Value changes in Newport Beach show continued appreciation in property values in FY 2018-19 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 4.7 percent per annum and 6.8 percent over a twenty-year period. Newport Beach's assessed property values increased 7.3 percent and came in second in Orange County in total local assessed value at \$58 billion for FY 2018-19.

After Californians passed Proposition 13 in 1978, assessed property value is reassessed to market value only when the property changes ownership. Otherwise, the assessed value (AV) grows by no more than 2 percent per year. This practice creates a constant lag and buffer between assessed and market values, effectively insulating the tax base from more market volatility.

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



The City realized a notable increase in secured property tax, coming in at an increase of 7.5 percent. Residential uses increased 6.9 percent, or a total of \$3 billion, and represented 79 percent of the valuation growth experienced in the City. Property tax revenue increased \$6.8 million or 6.7 percent higher than the prior fiscal year.

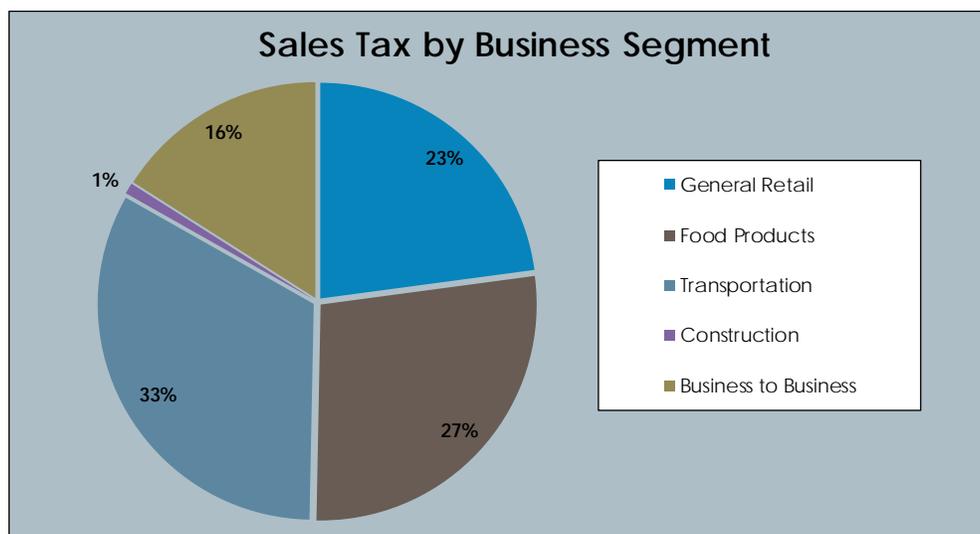
Median home sales prices of \$1,845,000 in the city far exceed the countywide median sales price of \$760,000.

CITY OF NEWPORT BEACH Median Home Sales*			
Year	Single Family Residence Sales	Median Sales Price	% Change
2010	1,152	\$ 1,253,000	13.91%
2011	1,190	\$ 1,189,000	-5.11%
2012	1,667	\$ 1,260,000	5.97%
2013	1,546	\$ 1,500,000	19.05%
2014	1,354	\$ 1,600,000	6.67%
2015	1,157	\$ 1,666,250	4.14%
2016	1,124	\$ 1,783,500	7.04%
2017	1,213	\$ 2,000,000	12.14%
2018	1,386	\$ 2,000,000	0.00%
2019	1,249	\$ 1,845,000	-7.75%

* Source: HdL Coren & Cone

Sales Taxes

The City’s sales tax base is generated from a relatively diverse business community and is not dependent on any one merchant or industry. The following chart demonstrates the diversity of the City sales tax revenue. The largest segment, “Transportation,” accounts for 33 percent of total sales taxes. The next largest segments, “Food Products” and “General Retail,” account for 27 and 23 percent of total sales taxes, respectively. The next largest sales tax segment, “Business to Business” accounts for 16 percent of total sales. Sales Taxes in total represent 16 percent of all General Fund revenues.



Sales Tax revenue increased \$3.5 million or 9.9 percent from the prior year. This increase is primarily due to a one-time adjustment from the California Department of Tax and Fee

Administration due to implementation issues with its new tax report software system. There were also increases in luxury auto sales, department store sales, and fine dining.

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 approximately 1,400 vacation rentals representing 10 percent of TOT revenue; together, they accounted for \$24.7 million in TOT revenue during FY 2018-19. TOT collections increased \$1.8 million or 8 percent over the prior year. This larger than normal year-over-year variance is attributable to three large hotels returning to normal occupancy following consecutive renovations that resulted in lower than normal revenue in FY 2017-18.

LONG TERM FINANCIAL PLANNING

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

Financial Policies

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

www.newportbeachca.gov/policies

Annual Budget

The annual budget serves as the foundation for the City of Newport Beach's financial planning and control and allows the City Council to prioritize City expenditures so that they are aligned with core community values. Per current policy, appropriations for operating expenditures are balanced in relation to current revenue sources and do not over-rely on one-time revenue sources or reserves. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, as circumstances warrant.

General Fund revenues ended the year higher than budgeted due to the continued strength of the economy resulting in higher property and transient occupancy taxes. The City has long taken a conservative approach to forecasting revenues, often assuming only modest growth. This fiscal conservatism has created a stable financial base. As a result, even in a downturn, the City of Newport Beach is able to maintain its services at a high level, while reducing expenses strategically 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 over the last ten years, the full-time work force has been reduced 8.2 percent since FY 2010-11 as depicted in the chart below:



The City Council may authorize the use of Contingency reserves during emergency situations as set forth by the Council Reserve Policy. Current policy requires that the Contingency Reserve equal 25 percent of the General Fund annual “Operating Budget.” Credit rating agencies consider a high level of available “fund balance” to be a credit strength. In 2018, Moody’s rating agency reaffirmed the City’s AAA credit rating noting the City’s extensive tax base, a very strong wealth and income profile, and a robust financial position. It also noted the City’s moderate debt burden and an elevated pension burden in its rationale.

Facilities Financial Plan (FFP) Commitment & Major Construction Initiatives

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

The City continued its financial commitment to the Facilities Financial Plan Reserve (FFPR) in FY 2018-19 by allocating resources to debt service, fire stations, parks and community centers, and other projects.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/18	\$ 29,494,420
Sources	
Licenses, Permits and Fees	287,375
Property Income	249,681
Transfer In from General Fund	8,500,000
Investment Income	263,736
Net increase in fair value of investments	226,201
Total Sources	9,526,993
Uses	
2010 Civic Center COPs Debt Service ¹	(8,122,169)
Fire Stations	(12,851,434)
Parks and Community Centers	(3,750,398)
Total Uses	(24,724,001)
Ending Balance 6/30/19	\$ 14,297,412

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

Overall, the FFPR balance is decreasing \$15.2 million from the prior fiscal year due to the construction of large projects as planned.

Pensions

As of the actuarial valuation date of June 30, 2018, the City had an Unfunded Accrued Liability (UAL) of \$333 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 58.7 percent of the Normal Cost of the plan, approaching \$10.6 million annually.
- Reduced the number of full-time staff by 106 Full Time Equivalent (FTE) positions between 2009 and today.
- Adopted a fixed and shorter amortization period of the unfunded liability.
- Making Additional Discretionary Payments (ADP)
- Contributing no less than Actuarial Determined Contribution (ADC) each & every year.
- Analyzed our schedule of amortization bases annually in an effort to avoid negative amortization.
- Amortized all gains/losses no longer than a 20-year closed period.
- Avoided asset smoothing or “rate phase-in” schedules if possible. Otherwise, the City’s goal is to not exceed 5 years for any one smoothing cycle.
- Established a General Fund Surplus Utilization Policy F-5 to set aside one-half of any annual budget surplus to fund debts such as the pension liability.
- Maintaining a contingency reserve to protect against economic recessions and to avoid negative impacts of asset smoothing and rate phased-in schedules.

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

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

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

TECHNOLOGICAL ENHANCEMENTS

The City completed the implementation of a new Enterprise Resource Planning (ERP) software solution in FY 2017-18. The City has realized improved integration between the financial system and other core functions, stronger decision support (better and prompt information), expanded use of web and mobile device applications to improve customer convenience, and numerous workflow process improvements that have streamlined and enhanced workplace efficiency. This improved integration has also greatly enhanced the reporting capability of the City, providing more accurate information and greater transparency.

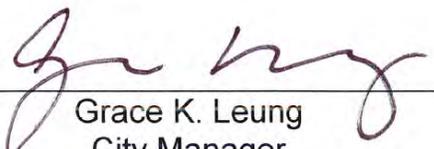
AWARDS AND ACKNOWLEDGMENTS

The City has prepared a comprehensive annual financial report for the past 26 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, 2018. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



Grace K. Leung
City Manager



Dan Matusiewicz
Finance Director

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Newport Beach
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

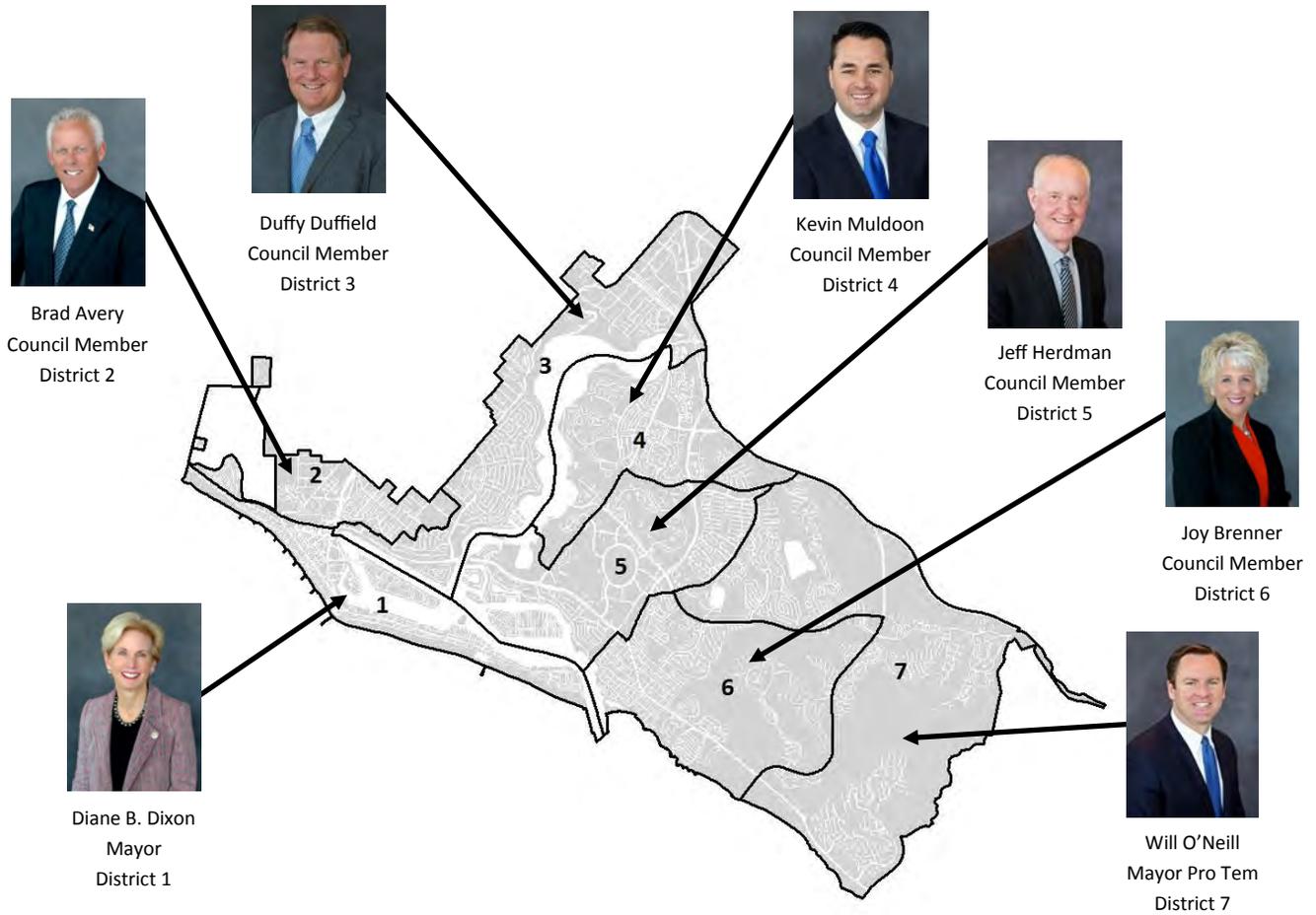
June 30, 2018

Christopher P. Morill

Executive Director/CEO

Newport Beach City Officials

City Council Members



City Executive Staff



Aaron Harp
City Attorney

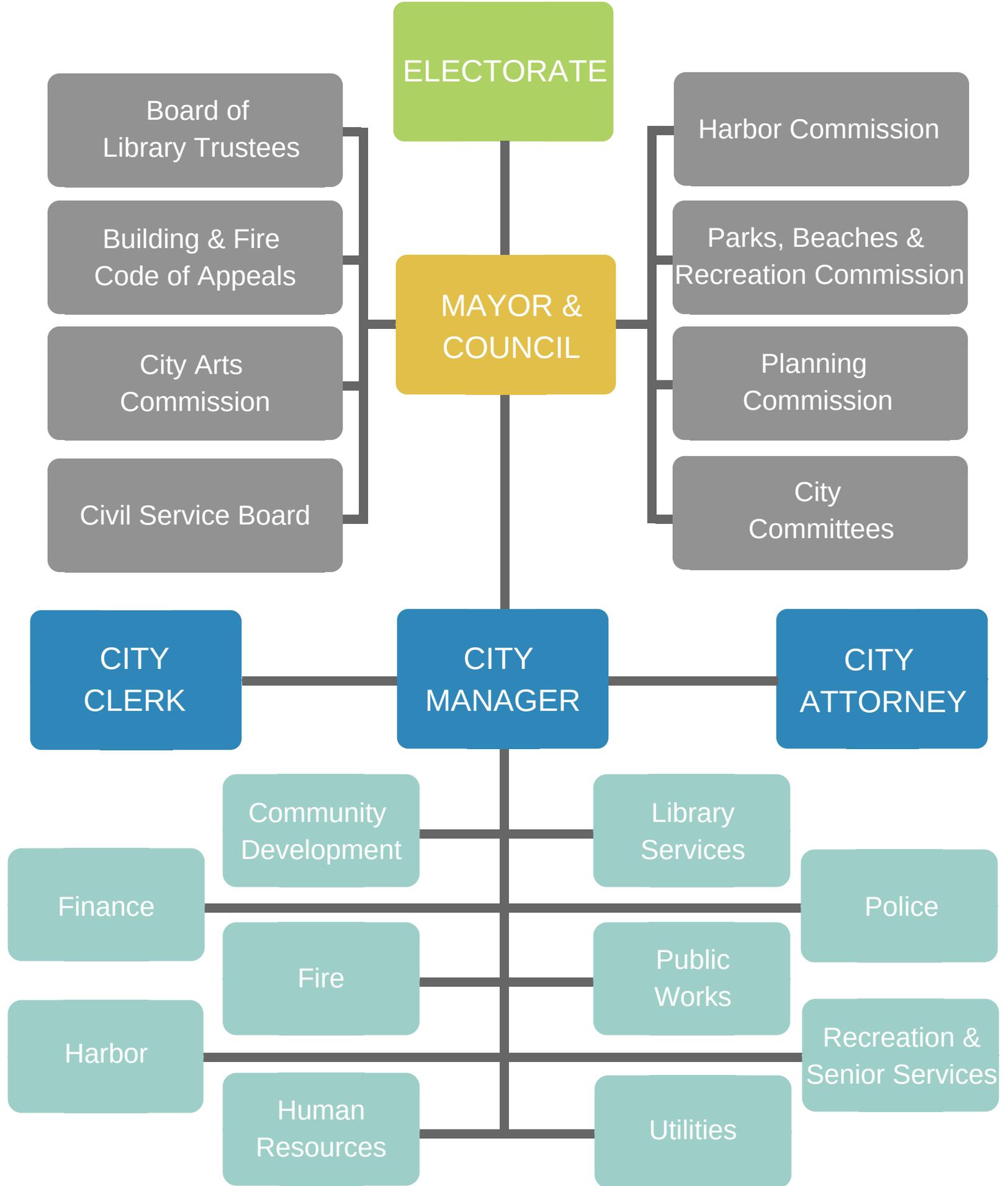


Grace K. Leung
City Manager



Leilani Brown
City Clerk

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



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FINANCIAL SECTION

Independent Auditors' Report

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach, California (the City), as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statement for the General Fund, Tide and Submerged Land-Operating Special Revenue Fund, Tide and Submerged Land-Harbor Capital Special Revenue Fund, and Measure M 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 has made restatements to beginning net position to adjust water infrastructure capital assets and internal service fund compensated absences liabilities. Our opinions are not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios and the schedules of contributions for the City's defined benefit pension plans, and the schedule of changes in net OPEB liability and related ratios and the schedule of contributions for the City's other post-employment health care benefits plan, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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 18, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 18, 2019

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FINANCIAL SECTION

Management's Discussion and Analysis

FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2019. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The City utilizes three broad categories of funds:

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

Proprietary Funds – Business-like services for which the City provides goods or services to the general public are generally reported in Proprietary Funds (Enterprise Funds and Internal Service Funds). Like the Government-wide Financial Statements, these funds provide both long and short-term financial information utilizing the economic resources measurement focus. The City's Enterprise Funds (Water and Wastewater Funds) are individual funds represented in the combined presentation of Business-type Activities in the Government-wide Financial Statements. The individual fund presentation provides more detailed information about each business segment, its operating statements, and statements of cash flow. The City also uses Internal Service Funds that are utilized to report and allocate the cost of certain centrally managed and operated activities (e.g. fleet maintenance and other equipment, risk management, retiree insurance, telecommunications systems, information technology services, etc.). Because the Internal Service Funds primarily serve the government, they are reported with Governmental Activities rather than the Business-type Activities in the Government-wide Financial Statements.

Fiduciary Funds – The City utilizes Fiduciary Funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All of the City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities, and a statement of changes in fiduciary assets and

liabilities. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

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

Required Supplementary Information – In addition to the Basic Financial Statements, we have included a Required Supplementary Information section, which includes the Schedule of Changes in Net Pension Liability, Post-employment Health Care Benefits (OPEB) Liability and Related Ratios, and the Schedule of Plan Contributions.

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

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Net Position Discussion

As shown in Figure 1, the City's combined net position for the year ended June 30, 2019 was \$2.3 billion, increasing \$37 million or 1.6% over the prior year. Net position can serve as an important indicator of whether the City's overall financial condition is improving or deteriorating over time.

Current and other assets increased \$19.2 million. This increase is primarily due to increases in cash and investments and accrued investment earnings, offset by decreases in accounts receivable (net of allowance) and intergovernmental receivables. Capital assets increased \$6.4 million, mostly due to the addition of infrastructure assets related to the road and water systems.

Current liabilities increased \$2.7 million primarily due to increases in accounts payable and accrued payroll, offset by decreases in deposits payable and unearned revenue.

Long-term liabilities decreased \$25.7 million. The decrease is primarily due to decreases in claims and judgements, net pension liability, and net post-employment health care benefits (OPEB) obligation. See Note (6), Note (10) and Note (11) of Notes to the Financial Statements for more information.

Figure 1
Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 252,447	\$ 270,408	\$ 41,402	\$ 42,642	\$ 293,849	\$ 313,050
Capital assets	2,316,550	2,322,225	118,625	119,346	2,435,175	2,441,571
Total assets	2,568,997	2,592,633	160,027	161,988	2,729,024	2,754,621
Deferred Outflows of Resources	90,905	75,975	3,183	2,406	94,088	78,381
Current liabilities	22,708	25,283	3,431	3,589	26,139	28,872
Long-term liabilities	488,000	463,044	11,556	10,806	499,556	473,850
Total liabilities	510,708	488,327	14,987	14,395	525,695	502,722
Deferred Inflows of Resources	10,388	7,849	415	321	10,803	8,170
Net Position						
Net investment in capital assets	2,208,832	2,218,040	118,625	119,346	2,327,457	2,337,386
Restricted	49,792	56,427	-	-	49,792	56,427
Unrestricted	(119,818)	(102,035)	29,183	30,332	(90,635)	(71,703)
Total net position, before restatement	2,138,806	2,172,432	147,808	149,678	2,286,614	2,322,110
Restatement	(2,207) ¹	-	751 ²	-	(1,456) ^{1, 2}	-
Total net position, after restatement	\$ 2,136,599	\$ 2,172,432	\$ 148,559	\$ 149,678	\$ 2,285,158	\$ 2,322,110

¹ Prior year net position is restated to adjust for compensated absences liability. See Note (17) of Notes to the Financial Statements for more information.

² Prior year net position is restated to adjust for capital assets. See note (17) of Notes to the Financial Statements for more information.

- The largest portion of the City's net position, at \$2.3 billion of net position, reflects the net investment in capital assets (e.g., land, right of way, street trees, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to residents. Therefore, they do not represent a financial resource to the City and consequently are not readily available for funding current obligations.
- Restricted net position totaled only \$56.4 million of net position. An increase of \$6.6 million from the prior year mostly due to the restriction of resources for harbor related capital projects.

As of June 30, 2019, unrestricted net position has a deficit of \$71.7 million. The deficit decreased \$18.9 million from the prior year due to a combination of an increase in revenues offset by a slightly lower increase in expenditures. The increase in revenues was mainly due to property tax, sales tax, transient occupancy tax, investment income which is comprised of both interest income and unrealized gains, capital and operating grants. These were offset by an increase in salaries, contract services and maintenance and repairs.

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	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 55,810	\$ 57,104	\$ 30,377	\$ 30,913	\$ 86,187	\$ 88,017
Operating grants and capital contributions	11,944	14,022	-	-	11,944	14,022
Capital grants and contributions	1,815	6,638	-	-	1,815	6,638
Total program revenues	69,569	77,764	30,377	30,913	99,946	108,677
General Revenues:						
Taxes:						
Property taxes	101,593	108,365	-	-	101,593	108,365
Sales tax	36,373	37,168	-	-	36,373	37,168
Transient occupancy taxes	22,858	24,697	-	-	22,858	24,697
Other taxes	11,858	11,349	-	-	11,858	11,349
Investment related income	633	4,879	185	1,326	818	6,205
Other	3,416	3,495	-	-	3,416	3,495
Total general revenues	176,731	189,953	185	1,326	176,916	191,279
Total revenues	246,300	267,717	30,562	32,239	276,862	299,956
Expenses:						
General government	19,011	20,549	-	-	19,011	20,549
Public safety	107,648	111,556	-	-	107,648	111,556
Public works	47,615	53,340	-	-	47,615	53,340
Community development	12,377	11,493	-	-	12,377	11,493
Community services	27,307	27,758	-	-	27,307	27,758
Interest	7,382	7,188	-	-	7,382	7,188
Water	-	-	23,725	26,898	23,725	26,898
Wastewater	-	-	4,158	4,222	4,158	4,222
Total expenses	221,340	231,884	27,883	31,120	249,223	263,004
Excess (deficiency) of revenues over expenses	24,960	35,833	2,679	1,119	27,639	36,952
Transfers	-	-	-	-	-	-
Increases in net position	24,960	35,833	2,679	1,119	27,639	36,952
Net position at beginning of year	2,139,532	2,138,806	146,373	147,808	2,285,905	2,286,614
Restatement	(25,686) ¹	(2,207) ²	(1,244) ¹	751 ³	(26,930) ¹	(1,456)
Net position at beginning of year, as restated	2,113,846	2,136,599	145,129	148,559	2,258,975	2,285,158
Net position at end of year	\$ 2,138,806	\$ 2,172,432	\$ 147,808	\$ 149,678	\$ 2,286,614	\$ 2,322,110

¹ Prior year net position was restated to adjust for deferred outflow of OPEB contribution in FY16-17.

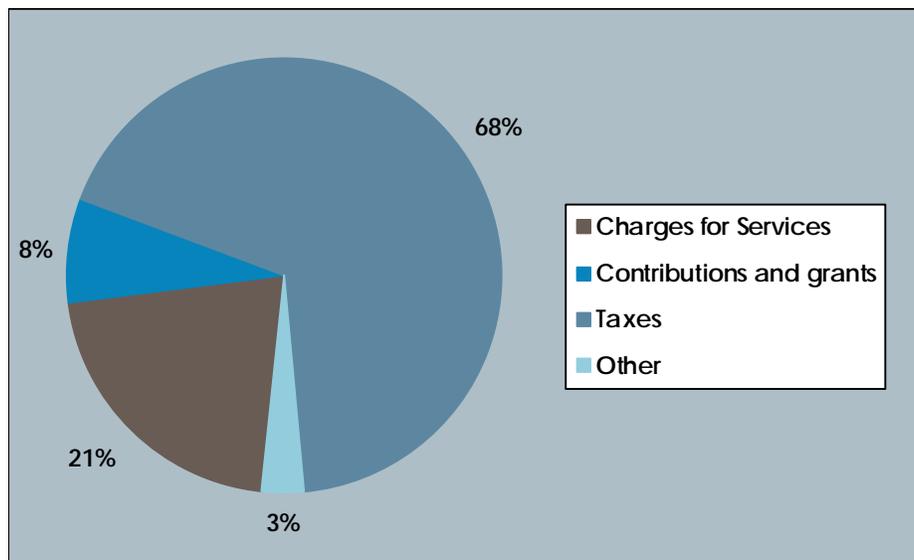
² Prior year net position is restated to adjust for compensated absences liability. See Note (17) of Notes to the Financial Statements for more information.

³ Prior year net position is restated to adjust for capital assets. See note (17) of Notes to the Financial Statements for more information.

Revenues Associated with Governmental Activities Discussion

Figure 2 illustrates in detail how the \$267.7 million in Governmental Activities revenue was derived. Figure 3 summarizes this revenue by major source. As shown on Figures 2 and 3, \$57.1 million, or 21.3%, of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another \$20.6 million, or 7.7%, 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 \$190 million, or 71.0%, represented general revenues of the City including taxes, intergovernmental revenues, and other miscellaneous revenues.

Figure 3
Governmental Activities Revenue Sources
Year Ended June 30, 2019



As illustrated in Figure 2, program revenues related to Governmental Activities increased \$8.2 million from the prior year. This increase was primarily attributable to the issuance of Assessment District 117 Limited Obligation Improvement Bonds, an increase in capital and operating grants coupled with a slight increase in charges for services.

The City's general revenues related to Governmental Activities increased \$13.2 million from the prior year primarily due to increases in property taxes, sales taxes, transient occupancy taxes, and investment income, which is comprised of interest income and unrealized gains.

Property tax is the largest individual revenue source for the City and collections finished the year \$6.8 million higher than the previous year. This increase was mostly due to an increase in secured taxes as a robust demand for coastal property continued driving property values higher.

At \$37.2 million, sales taxes represent the second largest individual revenue source for the City. Sales taxes increased \$794,810 from the previous year. This was due to the receipt of FY18 fourth quarter sales tax due to implementation issues with the California Department of Tax and Fee Administration's new tax reporting software system, as well as strong sales of luxury vehicles.

Transient occupancy taxes (TOT), the City's third largest revenue source, finished the year at \$24.7 million, which is an increase of \$1.8 million from the previous fiscal year. The increase stems from a net increase in residential and commercial TOT due to rising occupancy rates in vacation rentals.

Investment income comprised of both interest income and unrealized gains totaled \$4.9 million, an increase of \$4.2 million over prior year. The increase was due to interest rates increasing in the first half of the year and decreasing in the second half of the year.

Expenses Associated with Governmental Activities Discussion

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

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

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

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

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

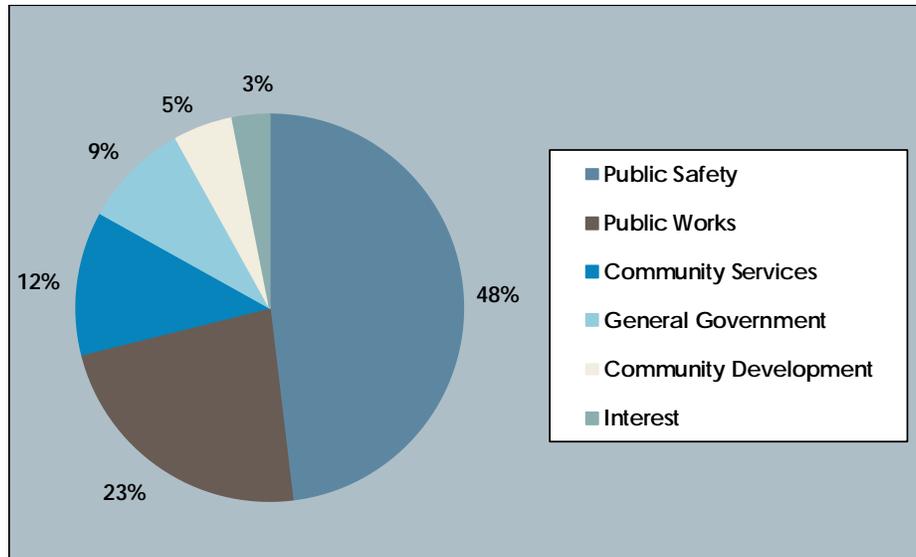
Community Services is comprised of two departments (Library Services and Recreation & Senior Services) providing library services, cultural and arts programs, recreation services, and senior social and transportation services.

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

Figure 2 illustrates in detail how the \$231.9 million of Governmental Activities expense was derived. The increase of \$10.5 million from the prior year is mostly due to an increase in salaries, contracts and maintenance and repairs.

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

**Figure 4
Governmental Activities Functional Expenses
Year Ended June 30, 2019**

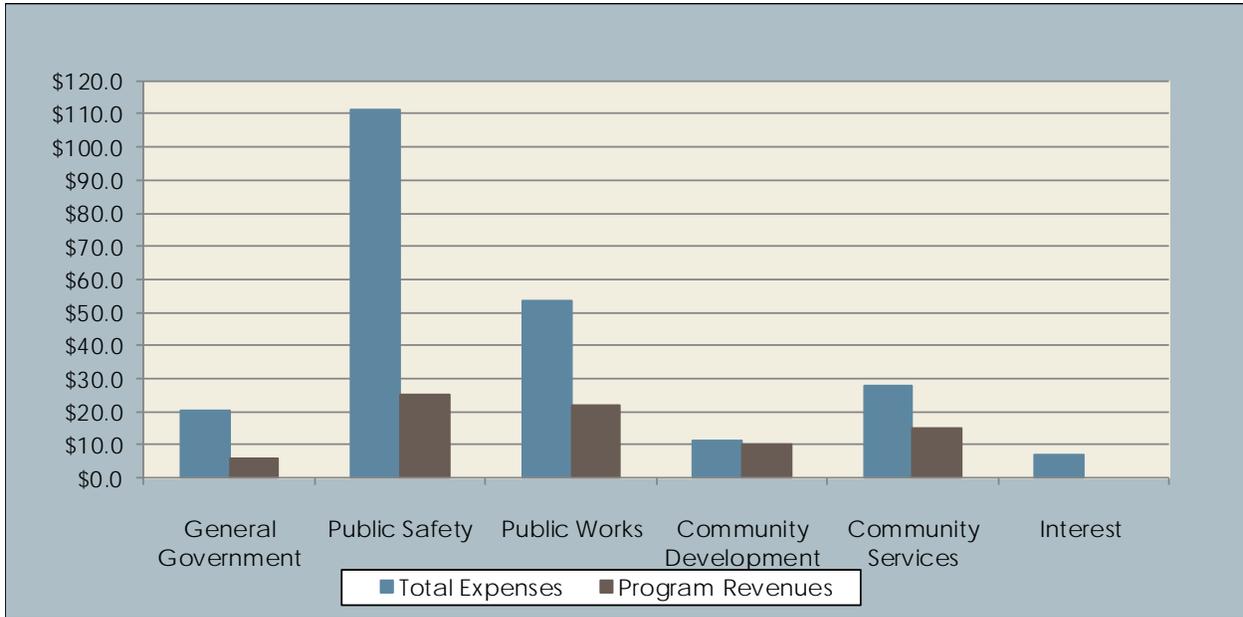


Figures 5 and 6 illustrate the net cost of each service. The net cost represents the extent to which governmental activities are subsidized by taxes and other general revenues of the City.

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

	2018		2019	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 19,011	\$ (13,654)	\$ 20,549	\$ (14,658)
Public safety	107,648	(83,891)	111,556	(86,574)
Public works	47,615	(32,870)	53,340	(31,822)
Community development	12,377	(1,888)	11,493	(1,142)
Community services	27,307	(12,086)	27,758	(12,737)
Interest	7,382	(7,382)	7,188	(7,188)
	<u>\$ 221,340</u>	<u>\$ (151,771)</u>	<u>\$ 231,884</u>	<u>\$ (154,121)</u>

Figure 6
Program Expenses and Revenue – Governmental Activities
Year Ended June 30, 2019
(in millions)



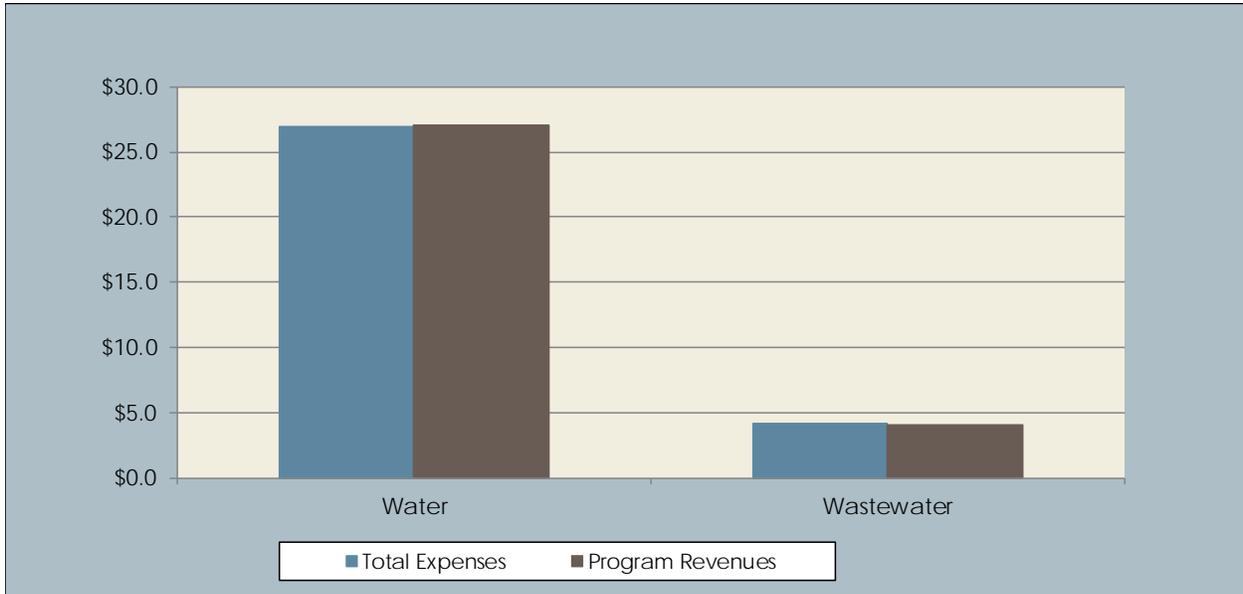
BUSINESS-TYPE ACTIVITIES

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

Revenues Associated with Business-Type Activities Discussion

As displayed in Figure 2, total revenues related to Business-type activities totaled \$32.2 million, of which, \$30.9 million is related to program revenues. As shown in Figure 7 on the following page, Water activities represents about \$27.0 million (87.1%) of program revenues, while Wastewater activities represents \$4 million (12.9%) of program revenues.

Figure 7
Program Expenses and Revenue – Business-type Activities
Year Ended June 30, 2019
(in millions)



Expenses Associated with Business-Type Activities Discussion

Current year expenses for Business-type activities totaled \$31.1 million, an increase of \$3.2 million over prior year as shown in Figure 2. This is attributable to an increase in employee related costs, utilities and general and system maintenance.

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

Water

Of the \$26.9 million in water related expenses, \$10.7 million (39.8%) is for the purchase of water, \$5.2 million (19.5%) covers employee related costs, \$5.8 million (21.7%) is for maintenance, supplies, and depreciation of the water system, \$2.0 million (7.5%) is for professional services, and the remaining \$3.2 million (11.5%) is collectively attributable to miscellaneous other expenses.

Wastewater

Of the \$4.2 million in wastewater related expenses, \$1.5 million (36.9%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.6 million (39.0%) is for employee related costs, and the remaining \$1.1 million (24.1%) is attributable to professional services and other miscellaneous expenses.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

Fund Balance – As shown in Figure 8, the City's Governmental Funds reported combined fund balances of \$188.0 million, an increase of \$9.3 million from the prior year. The increase is the net result of increases in fund balances in the General Fund, Tide and Submerged Land – Operating Fund, Tide and Submerged Land – Harbor Capital Fund, other special revenue funds, other capital funds and other permanent funds in aggregate; offset by decreases in the Facilities Financial Planning Reserve Fund, Measure M Fund and Civic Center COP Fund in aggregate. The General Fund represented \$96.6 million or 51.4% of the combined fund balances of the Governmental Funds.

Figure 8
Governmental Funds Fund Balance
(in thousands)

	2018	2019	Change
General Fund	\$ 93,913	\$ 96,586	\$ 2,673
Tide and Submerged Land - Operating	5,322	6,409	1,087
Tide and Submerged Land - Harbor Capital	251	7,133	6,882
Measure M	3,051	2,111	(940)
Facilities Financial Planning Reserve	29,494	14,297	(15,197)
Civic Center COP	2,384	2,362	(22)
Other special revenue	18,541	20,727	2,186
Other capital projects	19,514	31,927	12,413
Other permanent	6,215	6,438	223
	<u>\$ 178,685</u>	<u>\$ 187,990</u>	<u>\$ 9,305</u>

The following describes the classification of fund balance as of June 30, 2019. Additional information on the City's fund balance can be found in Note (16) of the Notes to the Financial Statements.

Nonspendable Fund Balance – The City has \$17.9 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$17.9 million nonspendable fund balance, \$1.1 million is for prepaid items, \$238,972 is for inventories, \$11.9 million is for long-term loan receivables, and \$4.6 million is for permanent endowments.

Restricted Fund Balance – The City has \$50.7 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 \$50.7 million restricted fund balance, \$ 4.8 million is restricted in the General Fund, of which \$1.5 million is for Affordable Housing, \$1.2 million is for Oceanfront Encroachment and \$2.0 million is

restricted for support of public access channel programming; \$5.7 million is restricted in the Tide and Submerged Land – Operating Fund, of which \$4.8 million is restricted for capital projects and maintenance and repairs, and \$944,964 is restricted for the Upper Newport Bay restoration; \$7.1 million is restricted in the Tidelands and Submerged Land – Harbor Capital Fund for capital projects; \$2.1 million is restricted in the Measure M Fund; \$2.4 million is restricted for Civic Center COP debt service; and \$4.2 million is restricted in the Facilities Financial Planning Reserve Fund for park improvements. Of the remaining \$24.4 million in restricted fund balance, \$20.7 million is restricted for various special revenue funds, \$1.9 million is restricted for the Assessment District Fund, and \$1.8 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has \$54.1 million in fund balance classified as committed to indicate that the City Council has committed how the money will be spent. Of the \$54.1 million committed fund balance, \$13.3 million is committed to the General Fund, of which \$2.0 million is for seawall construction/maintenance, \$5.0 million is for neighborhood projects, \$3.0 million is for workers' compensation and \$3.3 million is for encumbrances and miscellaneous projects; \$680,000 is committed to the Tide and Submerged Land – Operating; \$10.1 million is committed to the Facilities Financial Planning Reserve Fund; \$11.9 million is committed to the Fire Station Fund, \$7.8 million is committed in the Unrestricted Capital Improvements Fund; \$4.3 million is committed in the Parks and Community Center Fund, 1.7 million is committed to the Civic Center, \$1.5 million is committed to the Facilities Maintenance Fund; \$1.5 million is committed to the Neighborhood Enhancement Fund, \$759,715 is committed to Balboa Village Parking Management District and \$472,494 is committed to various capital projects.

Assigned Fund Balance – The City has \$1.2 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 \$64.1 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted, committed, or assigned.

Major Governmental Funds results for the year included the following:

- Overall General Fund revenues finished \$13.3 million or 6.1% higher than the prior year, while expenditures finished \$10.2 million or 5.6% higher than the prior year. The net result is that General Fund income before transfers and other financing sources and uses increased by \$3.1 million. Actual General Fund revenues were \$8.0 million over the estimated revenues primarily due to conservative property, sales and transient occupancy tax estimates, intergovernmental revenues, and a net increase in fair value of investments. Higher than expected revenues came in from other taxes, licenses, permits, and fees, investment income, property income, donations, and other revenues, offset by decrease in charges for services and fines and forfeitures. Expenditures came in at \$6.3 million under budget primarily due to lower labor costs, a reduction in professional and contract services, outside counsel, utilities, supplies and equipment, maintenance and special department expenses. In total, the General Fund increased \$2.7 million ending the year with \$96.6 million in fund balance.
- The Tide and Submerged Land - Operating Fund increased \$1.1 million and ended the current year with \$6.4 million in fund balance. The increase was due to the City subsidizing the operations of the Tide and Submerged Land - Operating Fund.

- The Tide and Submerged Land – Harbor Capital Fund increased \$6.9 million ending with \$7.1 million in fund balance. This was largely due to a transfer from the General Fund for harbor related capital improvements.
- The Measure M Fund decreased \$939,353 and ended the current year with \$2.1 million in fund balance due to an increase in capital outlay expenditures.
- The Facilities Financial Planning Reserve Fund decreased \$15.2 million to end the current year at \$14.3 million in fund balance. This was mainly due to transfers out to fund construction costs.

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 \$1.7 million mainly due to interest rates increasing in the first half of the fiscal year and then decreasing in the second half of the fiscal year. As a result, the City's fixed income portfolio had both increased interest income and unrealized gains compared to the prior fiscal year. Also contributing to the net position increase was the increase in water rates including a charge for future major water capital improvements according to the Water Master Plan.
- Net position in the Wastewater Fund increased \$178,048 mainly due to similar fixed income portfolio dynamics as the Water Fund, and due to continued implementation of a multi-year rate increase.

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

- Total net position in the Internal Service Funds increased \$14.0 million in the current year. This was mostly due to operating income of \$6.9 million, which was a result of a reduction in claims and judgments. The remaining \$7.1 million was due to non-operating revenues and net transfers.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$6.2 million from the original budget during the year ended June 30, 2019. Significant factors contributing to this fluctuation are highlighted as follows:

- Final budgeted property taxes were increased \$2.4 million based on a higher than expected collection trend primarily due to increased assessed value and construction activity.
- Final budgeted sales tax were increased \$2.3 million from the original budget due to the implementation issues with the California Department of Tax and Fee Administration's

new tax reporting software system which resulted in fourth quarter FY18 sales tax revenue collections in the first half of the year.

- Transient occupancy tax budgets were increased \$557,619 due to better than expected revenue trend in the first half of the year.
- Final budgeted intergovernmental revenue increased \$620,413 due to an anticipated increase in grants from other governmental agencies
- Other taxes were decreased \$544,236 due to lower than expected collection trend in property tax transfers.
- Final budgeted charges for services increased \$234,089 from the original budget mostly from miscellaneous charges.
- Other revenue increased by \$632,746 from the original budget primarily due to higher than expected private donations to the library.

Final budgeted expenditures for the General Fund decreased \$10.2 million from the original budget during the year ended June 30, 2019. The fluctuation is the result of the routine reclassification of General Fund expenditures as Tidelands expenditures. This reclassification occurs at year end once all such eligible expenditures can be properly attributed to Tidelands activity. These amounts were offset by anticipated increases in parking operations, grant expenditures offset by new grants, library services arising from higher than expected library donations, and maintenance and repairs due to unexpected weather.

Variance with Final Budget

Actual revenues came in at \$8.0 million above final budgeted revenues for the year ended June 30, 2019. Significant factors contributing to this favorable variance are summarized as follows:

- A favorable variance of \$1.6 million in property taxes was due to valuation changes caused by an increase in property renovations and the restoration of home values to their true valuations, and an increase in residual pass-through taxes arising from the dissolution of the Redevelopment Agencies.
- A favorable combined variance totaling \$2.8 million in transient occupancy tax and sales tax was due to the opening of the new Lido House luxury hotel in April 2018 and strong sales of luxury vehicle.
- Intergovernmental revenues came in \$1.5 million higher than budgeted due to unanticipated grants.
- A favorable variance of \$1.8 million in investment income and net increase in fair value of investments was due to a decreasing interest rate environment that lead to an increase in unrealized loss.
- Property income came in \$360,277 higher than expected due to an increase in facilities rentals.

Actual General Fund expenditures of \$192.3 million were significantly less than final budgetary estimates of \$198.6 million. Significant factors contributing to this \$6.3 million variance are summarized as follows:

- A \$1.3 million favorable variance in General Government was due to salary savings, reductions in professional services and outside legal counsel.
- A \$1.7 million favorable variance in Public Works was due to salary savings, contract services and professional services.
- A \$868,053 favorable variance in Community Development was due to salary savings and a reduction in professional and contract services.
- A \$2.8 million favorable variance in Community Services was generated due to salary savings, a reduction in professional services and contract services, contract recreation instructors, and materials and supplies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2019, 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 \$6.4 million over the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land	\$ 1,897,376	\$ 1,897,376	\$ 2,219	\$ 2,219	\$ 1,899,595	\$ 1,899,595
Structures	191,376	188,252	455	440	191,831	188,692
Equipment	19,738	19,365	138	151	19,876	19,516
Infrastructure	199,718	206,102	112,123	116,248	311,841	322,350
Work in progress	8,341	11,131	3,690	289	12,031	11,420
Totals	\$ 2,316,549	\$ 2,322,226	\$ 118,625	\$ 119,347	\$ 2,435,174	\$ 2,441,573

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

- Capital asset additions totaled \$37.1 million in both the Governmental and Business Type Activities in the current year. Of the \$37.1 million, \$21.2 million represents additions of infrastructure related assets mostly related to the road system and water system. The

remaining \$15.9 million is comprised of additions of work in progress of \$9.8 million, equipment of \$4.2 million, and structures of \$1.9 million.

- Of the \$30.5 million of additions in governmental assets in the current year, additions in infrastructure contributed \$14.9 million, which was mostly due to upgrades in the road system. The remaining \$15.6 million added in the current year as governmental assets, is comprised of \$9.6 million of work in progress, mostly related to the ongoing design and construction of two fire stations, \$4.2 million of equipment additions mostly related to vehicles and \$1.8 million of structure additions.
- The \$6.6 million of business-type asset additions in the current year is comprised of \$6.3 million in water system infrastructure additions and work in progress additions related to water system improvements and \$323,872 of sewer system 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

Figure 10
Outstanding Debt at Year End
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Certificates of participation	\$ 107,410	\$ 104,100	\$ -	\$ -	\$ 107,410	\$ 104,100
Bond premium	241	121	-	-	241	121
Pre-annexation agreement	-	-	-	-	-	-
CDBG Loan	916	756	-	-	916	756
Totals	<u>\$ 108,567</u>	<u>\$ 104,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,567</u>	<u>\$ 104,977</u>

The City’s total debt decreased \$3.6 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 nation’s gross domestic product, the metric used to measure periods of sustained economic growth, has been growing for the last 125 consecutive months. That surpasses the 120-month expansion from 1991 to 2001. Most experts agree that the fundamental economic indicators like unemployment and wage growth remain strong. However, economists predict that economic growth is on track to gradually slow down between now and 2020, hitting a “near recession” pace before perking back up in 2021 (possibly due to a short-term benchmark interest rate cut by the Federal Reserve to fight softening conditions). A recent economic forecast indicated that for a recession to occur, conditions that cause it have to be significant; they have to occur rapidly; and they have to be sustained. Currently, there are few conditions that might produce a recession, let

alone meet those criteria. Still, uncertainty over everything from political fighting in Washington to the trade war with China are undermining business and consumer confidence.

Local Revenue Trend

According to economists, employment growth in Orange County will continue slowing in 2020 (even as the economy continues moderately expanding). The county's annual company payroll job base will post 1.4 percent growth in 2020 (compared to a higher-than-anticipated 2 percent in 2018, or an average-annual 2.4 percent over the long term from 2011 - 2018). Economic uncertainty and high housing prices will put a damper on home sales next year, but low mortgage rates will offset that, pushing house prices to all-time highs in 2020, says a recent California Association of Realtors forecast. Property Tax, Sales Tax, and Transient Occupancy Tax, are often referred to within the City of Newport Beach as the "Top 3" revenue, making up approximately 74% of the total General Fund revenues. Each revenue source varies in its sensitivity to changes in the economy.

There is some lag between when property taxes are assessed and when they are due and thereby received by the City. Every January 1 the Orange County Assessor establishes a value for all property within Newport Beach. This occurs in one fiscal year; however, the secured property taxes are not due until December 10 and April 10 of the following fiscal year. This lag gives the City more time to address shortfalls in revenue. With the last recession, the year over year growth of the City's assessed valuation did slow, but it never went negative. This is contrary to what most other cities experienced.

Sales tax revenues have been growing at a much slower rate than in years prior. Demand for autos overall has slowed in recent years and there are less brick and mortar sales resulting in more revenue allocated to the countywide pool. Purchases made online have furthered this trend. When the economy is suffering, consumer spending slows. Changes in sales tax revenues tend to have an immediate fiscal impact. If sales are less than expected, the impact to revenues is within just a couple months, contrary to property tax where there is more time (months to a year) to make budgetary adjustments.

Similar to sales tax, transient occupancy tax (TOT) is impacted by the health of the economy. Visitors use their discretionary income towards travel, increasing TOT revenues. When they have less discretionary income, households look to cutting costs including travel, resulting in a decline in TOT revenues. Less tourists also results in less spending on the sales tax side through shopping and restaurants. The global economy is impactful to TOT revenues as many of the City's tourists visit from abroad.

Overall, economic activity is still heading in the right direction as businesses continue to hire, albeit at a slower pace than in previous years. It is important to note that the fundamentals in the local economy remain strong. Despite a modest slowdown expected in the coming years, management expects overall growth for the City's revenue streams to remain in positive territory.

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 2019-2020 budget that maintains a deliberate resource balance between these important municipal expenses:

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

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

Fiscal Year 2019-20 will mark another year of an accelerated plan to pay down the City's unfunded pension liability. Increasing the City's pension contribution now will result in a lower, level-dollar payment in the future, so the adopted budget also includes an additional \$8.5 million to discretionary payment towards the City's unfunded liability.

In relation to the other CalPERS agencies in Orange County:

- The City's 2018 Unfunded Actuarial Liability (UAL) of \$333 million grew by the lowest rate in the County (4%) as compared to the County average of 10%.
- The City is only one of two local agencies in the County where the funded status actually increased from 2017 to 2018. This means that the City's assets grew at a faster rate than the accrued pension liability.
- The City is only one of four cities in the County whose UAL is projected to decrease through 2020.
- The City developed the most efficient payment plan in the County. Where most agencies' interest payments represent 46% of total planned payments, the City's interest payments are down to 38% of total scheduled payments.

Overall, the City's total debt burden is low and remains affordable. The economy benefits from the City's mature, wealthy tax base and strong employment among a diversity of business sectors, as well as retail shopping and tourism activity. Residential and commercial property values are among the highest in the country. Our overall assessed valuation (AV) has been stable despite the economic downturn of between 2009 and 2012, with growth in the each of the last 24 years.

A strong financial profile is a particularly important factor considered by rating agencies in their evaluation of the creditworthiness of local government debt. The rating agencies Fitch, Moody's, and Standard & Poor's which have all assigned the City the highest quality credit rating of AAA. Moody's reaffirmed their AAA ratings in 2019. Expenditure controls within the past decade have included early retirement incentive plans, increased employee contributions to pension plans,

contracting services, and freezing vacant positions when necessary, usually during recessionary periods. Financial operations produced net surpluses (after transfers) in the last eight years due to conservative budgeting, successful negotiation of labor concessions, and a stable and growing tax revenue base. The City has used surpluses for important one-time things, like paying more towards retirement obligations or investing in IT and communications. Financial management policies are robust and have continued to improve in recent years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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FINANCIAL SECTION

Government-wide Financial Statements

FINANCIAL SECTION

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CITY OF NEWPORT BEACH
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 4)	\$ 239,527,051	\$ 37,331,789	\$ 276,858,840
Receivables:			
Accounts (net of allowance)	6,018,660	5,863,699	11,882,359
Interest	1,338,884	-	1,338,884
Intergovernmental receivables	13,371,728	139,694	13,511,422
Restricted cash and investments with fiscal agent (note 4)	7,008,766	-	7,008,766
Internal balances	693,765	(693,765)	-
Investment in joint ventures (note 14)	187,393	-	187,393
Inventory	678,012	-	678,012
Prepaid items	1,583,406	-	1,583,406
Capital assets (note 5):			
Non-depreciable	1,908,506,866	2,508,352	1,911,015,218
Depreciable	657,654,492	186,474,622	844,129,114
Accumulated depreciation	(243,936,013)	(69,636,624)	(313,572,637)
Total assets	<u>2,592,633,010</u>	<u>161,987,767</u>	<u>2,754,620,777</u>
Deferred Outflows of Resources:			
Deferred amount from pension plans (note 10)	71,107,273	2,140,912	73,248,185
Deferred amount from OPEB (note 11)	4,867,905	265,157	5,133,062
Total deferred outflows of resources	<u>75,975,178</u>	<u>2,406,069</u>	<u>78,381,247</u>
Liabilities:			
Accounts payable	11,192,932	3,428,113	14,621,045
Accrued payroll	4,205,928	138,078	4,344,006
Accrued interest payable	3,572,542	-	3,572,542
Deposits payable	2,749,465	22,489	2,771,954
Unearned revenue	3,562,120	-	3,562,120
Noncurrent liabilities (note 6):			
Due within one year	11,972,985	-	11,972,985
Due in more than one year:			
Net pension liability (note 10)	300,844,090	9,638,717	310,482,807
Net OPEB liability (note 11)	21,432,299	1,167,423	22,599,722
Other	128,794,452	-	128,794,452
Total liabilities	<u>488,326,813</u>	<u>14,394,820</u>	<u>502,721,633</u>
Deferred Inflows of Resources:			
Deferred amount from pension plans (note 10)	7,147,745	282,775	7,430,520
Deferred amount from OPEB (note 11)	701,696	38,222	739,918
Total deferred inflows of resources	<u>7,849,441</u>	<u>320,997</u>	<u>8,170,438</u>
Net Position:			
Net investment in capital assets	2,218,040,304	119,346,350	2,337,386,654
Restricted for:			
Public safety	984,067	-	984,067
Public works	28,222,397	-	28,222,397
Community services	16,875,580	-	16,875,580
Community development	1,544,827	-	1,544,827
Debt Service	2,362,228	-	2,362,228
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,807,931	-	1,807,931
Unrestricted	(102,035,181)	30,331,669	(71,703,512)
Total net position	<u>\$ 2,172,431,934</u>	<u>\$ 149,678,019</u>	<u>\$ 2,322,109,953</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 20,549,224	\$ 5,887,265	\$ 3,997	\$ -	\$ 5,891,262
Public safety	111,556,065	21,979,376	3,002,410	-	24,981,786
Public works	53,339,878	5,778,441	9,746,844	5,992,827	21,518,112
Community development	11,493,204	9,902,445	406,440	42,111	10,350,996
Community services	27,758,097	13,556,360	861,815	603,418	15,021,593
Interest on long-term debt	7,187,971	-	-	-	-
Total governmental activities	<u>231,884,439</u>	<u>57,103,887</u>	<u>14,021,506</u>	<u>6,638,356</u>	<u>77,763,749</u>
Business-type activities:					
Water	26,898,075	26,843,751	-	-	26,843,751
Wastewater	4,222,228	4,069,265	-	-	4,069,265
Total business-type activities	<u>31,120,303</u>	<u>30,913,016</u>	<u>-</u>	<u>-</u>	<u>30,913,016</u>
Total primary government	<u>\$ 263,004,742</u>	<u>\$ 88,016,903</u>	<u>\$ 14,021,506</u>	<u>\$ 6,638,356</u>	<u>\$ 108,676,765</u>

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

Change in net position

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

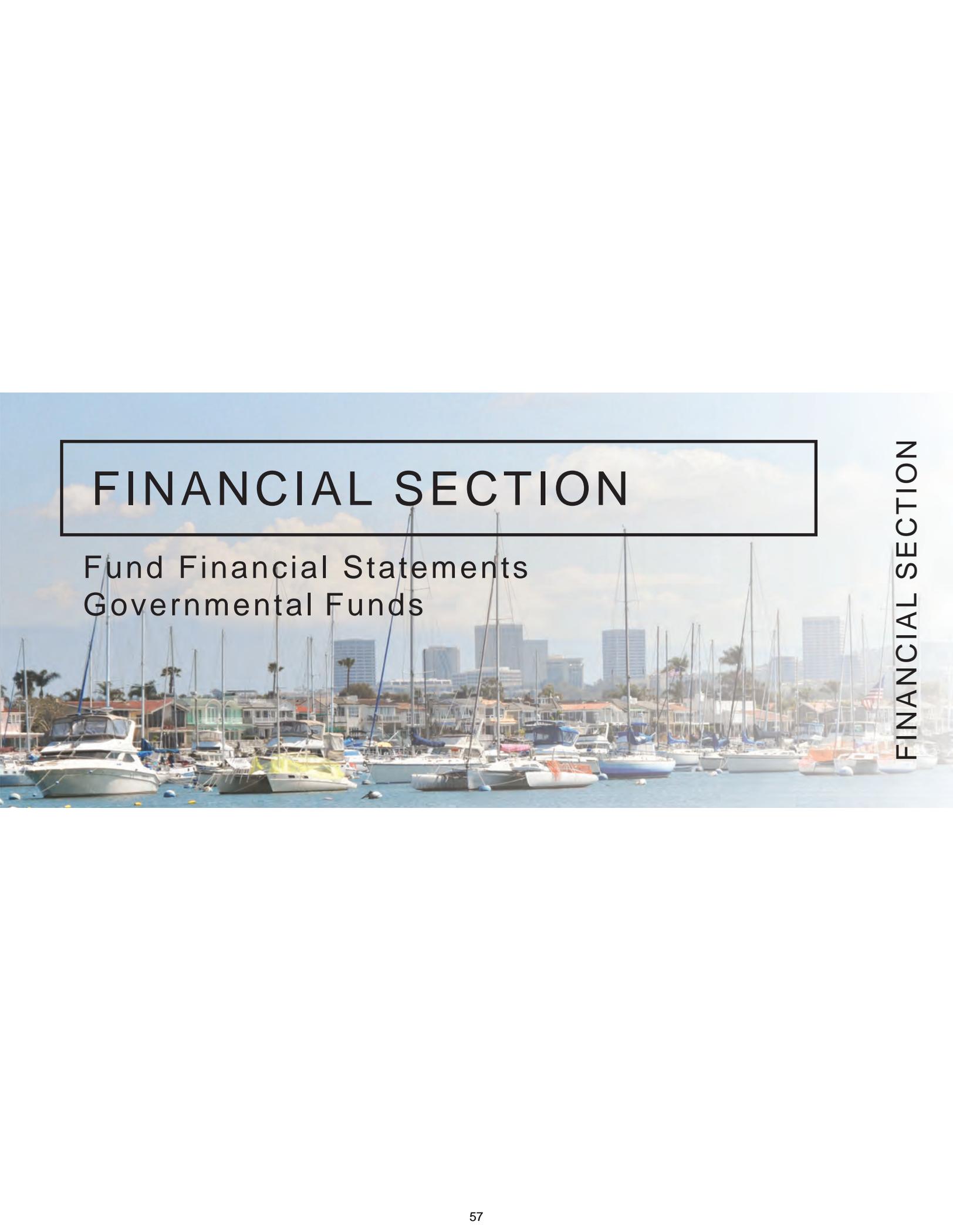
Net Position at end of year

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (14,657,962)	\$ -	\$ (14,657,962)
(86,574,279)	-	(86,574,279)
(31,821,766)	-	(31,821,766)
(1,142,208)	-	(1,142,208)
(12,736,504)	-	(12,736,504)
(7,187,971)	-	(7,187,971)
<u>(154,120,690)</u>	<u>-</u>	<u>(154,120,690)</u>
-	(54,324)	(54,324)
-	(152,963)	(152,963)
-	(207,287)	(207,287)
<u>(154,120,690)</u>	<u>(207,287)</u>	<u>(154,327,977)</u>
108,365,261	-	108,365,261
37,168,063	-	37,168,063
24,697,446	-	24,697,446
4,428,440	-	4,428,440
4,286,496	-	4,286,496
2,633,720	-	2,633,720
2,644,319	713,970	3,358,289
2,234,249	612,358	2,846,607
3,495,085	-	3,495,085
<u>189,953,079</u>	<u>1,326,328</u>	<u>191,279,407</u>
35,832,389	1,119,041	36,951,430
<u>2,136,599,545</u>	<u>148,558,978</u>	<u>2,285,158,523</u>
<u>\$ 2,172,431,934</u>	<u>\$ 149,678,019</u>	<u>\$ 2,322,109,953</u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

Fund Financial Statements
Governmental Funds

FINANCIAL SECTION

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GOVERNMENTAL FUNDS

Major Funds

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

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

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

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

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

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

Other Governmental Funds

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

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2019
Page 1 of 2

	Special Revenue Funds			
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Measure M
Assets				
Cash and investments (note 4)	\$ 82,021,959	\$ 6,762,851	\$ 19,309,314	\$ 2,014,411
Receivables:				
Accounts (net of allowance)	4,575,580	1,321,420	-	-
Interest	1,338,884	-	-	-
Intergovernmental receivables	8,493,678	-	-	839,497
Restricted cash and investments with fiscal agent (note 4)	-	-	-	-
Advance to other funds (note 12)	11,926,659	-	-	-
Due from other funds (note 12)	1,901,947	-	-	-
Prepaid items	981,590	-	-	-
Inventory	238,972	-	-	-
Total assets	\$ 111,479,269	\$ 8,084,271	\$ 19,309,314	\$ 2,853,908
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 6,290,765	\$ 1,026,900	\$ 249,857	\$ 193,123
Accrued payroll	3,965,364	15,967	-	-
Deposits payable	2,573,380	176,085	-	-
Unearned revenue	2,063,622	-	-	-
Advance from other funds (note 12)	-	-	11,926,659	-
Due to other funds (note 12)	-	-	-	-
Total liabilities	14,893,131	1,218,952	12,176,516	193,123
Deferred Inflows of Resources:				
Unavailable revenue	-	455,880	-	549,289
Total deferred inflows of resources	-	455,880	-	549,289
Fund balances (deficits):				
Nonspendable:				
Prepaid items	981,590	-	-	-
Inventories	238,972	-	-	-
Long-term loan receivable	11,926,659	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Affordable housing	1,541,646	-	-	-
Oceanfront encroachment	1,210,022	-	-	-
Upper Newport Bay restoration	-	944,964	-	-
Other	2,005,769	4,784,475	7,132,798	2,111,496
Committed:				
Seawalls	2,000,000	-	-	-
Neighborhood projects	5,071,115	-	-	-
Workers' compensation	3,000,000	-	-	-
Oil and gas	-	680,000	-	-
Other	3,264,560	-	-	-
Assigned	1,199,682	-	-	-
Unassigned	64,146,123	-	-	-
Total fund balances	96,586,138	6,409,439	7,132,798	2,111,496
Total liabilities, deferred inflows of resources and fund balances	\$ 111,479,269	\$ 8,084,271	\$ 19,309,314	\$ 2,853,908

(continued)

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2019
Page 2 of 2

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
	<u>Facilities Financial Planning Reserve</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Assets				
Cash and investments (note 4)	\$ 8,512,735	\$ -	\$ 62,578,897	\$ 181,200,167
Receivables:				
Accounts (net of allowance)	21,009	-	73,269	5,991,278
Interest	-	-	-	1,338,884
Intergovernmental receivables	-	1,171,872	625,131	11,130,178
Restricted cash and investments with fiscal agent (note 4)	-	6,977,065	31,701	7,008,766
Advance to other funds (note 12)	-	-	-	11,926,659
Due from other funds (note 12)	5,784,677	-	-	7,686,624
Prepaid items	-	-	85,764	1,067,354
Inventory	-	-	-	238,972
Total assets	<u>\$ 14,318,421</u>	<u>\$ 8,148,937</u>	<u>\$ 63,394,762</u>	<u>\$ 227,588,882</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 2,032	\$ 2,695,536	\$ 10,458,213
Accrued payroll	-	-	-	3,981,331
Deposits payable	-	-	-	2,749,465
Unearned revenue	21,009	-	1,477,489	3,562,120
Advance from other funds (note 12)	-	-	-	11,926,659
Due to other funds (note 12)	-	5,784,677	53,270	5,837,947
Total liabilities	<u>21,009</u>	<u>5,786,709</u>	<u>4,226,295</u>	<u>38,515,735</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	76,257	1,081,426
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>76,257</u>	<u>1,081,426</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	85,764	1,067,354
Inventories	-	-	-	238,972
Long-term loan receivable	-	-	-	11,926,659
Permanent endowment	-	-	4,629,781	4,629,781
Restricted:				
Affordable housing	-	-	-	1,541,646
Oceanfront encroachment	-	-	-	1,210,022
Upper Newport Bay restoration	-	-	-	944,964
Other	4,238,025	2,362,228	24,384,181	47,018,972
Committed:				
Seawalls	-	-	-	2,000,000
Neighborhood projects	-	-	-	5,071,115
Workers' compensation	-	-	-	3,000,000
Oil and gas	-	-	-	680,000
Other	10,059,387	-	29,992,737	43,316,684
Assigned	-	-	-	1,199,682
Unassigned	-	-	(253)	64,145,870
Total fund balances	<u>14,297,412</u>	<u>2,362,228</u>	<u>59,092,210</u>	<u>187,991,721</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,318,421</u>	<u>\$ 8,148,937</u>	<u>\$ 63,394,762</u>	<u>\$ 227,588,882</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, 2019

Fund balances of governmental funds	\$ 187,991,721
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.	2,306,368,630
Long-term debts have not been reported in the governmental fund activity. Amounts exclude long-term debt activity from internal service funds which have been added below:	
Certificates of participation payable	(104,100,000)
Premium on certificates	(120,553)
CDBG loan	(756,000)
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	69,699,125
Deferred inflows of resources	(6,961,754)
Pension liability	(294,504,397)
OPEB related debt applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the Statement of Net Position as the changes in these amounts affect only the government-wide statements for governmental activities. Amounts exclude internal service fund activity which has been added below:	
Deferred outflows of resources	4,693,503
Deferred inflows of resources	(676,557)
OPEB liability	(20,664,445)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.	(3,572,542)
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.	1,081,426
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.	33,072,619
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.	187,393
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.	<u>693,765</u>
Net position of governmental activities	<u>\$ 2,172,431,934</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019
Page 1 of 2

	Special Revenue Funds			
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Measure M
Revenues:				
Taxes and assessments:				
Property tax	\$ 108,365,261	\$ -	\$ -	\$ -
Sales tax	38,502,470	-	-	-
Transient occupancy tax	24,697,446	-	-	-
Other taxes	11,348,656	-	-	-
Intergovernmental	3,921,340	-	-	1,979,182
Licenses, permits and fees	5,013,406	69,939	-	-
Charges for services	19,456,669	16,197	-	-
Fines and forfeitures	3,304,334	43,380	-	-
Investment income	1,484,828	261,689	323,175	57,123
Net increase in fair value of investments	1,273,506	224,446	277,181	48,992
Property income	10,882,195	11,698,756	3,843,475	-
Donations	251,265	-	-	-
Other	1,311,218	-	-	-
Total revenues	229,812,594	12,314,407	4,443,831	2,085,297
Expenditures:				
Current:				
General government	15,678,952	1,090,968	-	-
Public safety	103,174,815	11,949,359	-	-
Public works	37,152,748	3,568,907	-	-
Community development	12,173,839	8,035	-	-
Community services	23,939,196	2,267,289	-	-
Capital outlay	-	578,818	1,562,295	3,024,650
Debt service (note 6):				
Principal	-	-	-	-
Interest and fiscal charges	195,511	-	-	-
Total expenditures	192,315,061	19,463,376	1,562,295	3,024,650
Excess (deficiency) of revenues over expenditures	37,497,533	(7,148,969)	2,881,536	(939,353)
Other financing sources (uses):				
Transfers in (note 13)	-	8,236,646	4,000,000	-
Transfers out (note 13)	(34,824,531)	-	-	-
Total other financing sources (uses)	(34,824,531)	8,236,646	4,000,000	-
Net change in fund balances	2,673,002	1,087,677	6,881,536	(939,353)
Fund balances, beginning	93,913,136	5,321,762	251,262	3,050,849
Fund balances, ending	\$ 96,586,138	\$ 6,409,439	\$ 7,132,798	\$ 2,111,496

(continued)

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019
Page 2 of 2

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
	<u>Facilities Financial Planning Reserve</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:				
Taxes and assessments:				
Property tax	\$ -	\$ -	\$ -	\$ 108,365,261
Sales tax	-	-	-	38,502,470
Transient occupancy tax	-	-	-	24,697,446
Other taxes	-	-	541,349	11,890,005
Intergovernmental	-	2,335,637	7,582,384	15,818,543
Licenses, permits and fees	287,375	-	931,883	6,302,603
Charges for services	-	-	-	19,472,866
Fines and forfeitures	-	-	-	3,347,714
Investment income	263,736	39,324	1,061,117	3,490,992
Net increase in fair value of investments	226,201	-	887,810	2,938,136
Property income	249,681	-	-	26,674,107
Donations	-	-	151,444	402,709
Other	-	-	3,862,498	5,173,716
	<u>1,026,993</u>	<u>2,374,961</u>	<u>15,018,485</u>	<u>267,076,568</u>
Total revenues				
Expenditures:				
Current:				
General government	-	-	-	16,769,920
Public safety	-	-	930,357	116,054,531
Public works	-	-	3,411,222	44,132,877
Community development	-	-	128,747	12,310,621
Community services	-	-	166,010	26,372,495
Capital outlay	-	-	21,181,549	26,347,312
Debt service (note 6):				
Principal	-	3,310,000	160,000	3,470,000
Interest and fiscal charges	-	7,209,240	23,718	7,428,469
	<u>-</u>	<u>10,519,240</u>	<u>26,001,603</u>	<u>252,886,225</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>1,026,993</u>	<u>(8,144,279)</u>	<u>(10,983,118)</u>	<u>14,190,343</u>
Other financing sources (uses):				
Transfers in (note 13)	8,500,000	8,122,169	25,805,717	54,664,532
Transfers out (note 13)	<u>(24,724,001)</u>	<u>-</u>	<u>-</u>	<u>(59,548,532)</u>
	<u>(16,224,001)</u>	<u>8,122,169</u>	<u>25,805,717</u>	<u>(4,884,000)</u>
Total other financing sources (uses)				
Net change in fund balances	(15,197,008)	(22,110)	14,822,599	9,306,343
Fund balances, beginning	<u>29,494,420</u>	<u>2,384,338</u>	<u>44,269,611</u>	<u>178,685,378</u>
Fund balances, ending	<u>\$ 14,297,412</u>	<u>\$ 2,362,228</u>	<u>\$ 59,092,210</u>	<u>\$ 187,991,721</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, 2019

Net change in fund balances - total governmental funds \$ 9,306,343

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. 5,522,570

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

Repayment of principal 3,470,000

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

Gain on refunding is amortized over the remaining life of the debt in the Statement of Activities 46,319

Accrued interest for debt service is the net change in accrued interest for the current period. 73,626

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. 2,438,110

OPEB expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources. 2,410,522

Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds. This is the net change in unavailable revenue for the current period. (2,373,387)

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. 14,036,237

Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities. 53,380

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. 728,116

Change in net position of governmental activities \$ 35,832,389

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments:				
Property	\$ 104,366,653	\$ 106,723,629	\$ 108,365,261	\$ 1,641,632
Sales	34,678,282	36,997,648	38,502,470	1,504,822
Transient occupancy	22,838,484	23,396,103	24,697,446	1,301,343
Other taxes	11,848,000	11,303,764	11,348,656	44,892
Intergovernmental	1,756,055	2,376,468	3,921,340	1,544,872
Licenses, permits and fees	4,955,651	4,955,651	5,013,406	57,755
Charges for services	19,346,828	19,580,917	19,456,669	(124,248)
Fines and forfeitures	3,771,407	3,832,117	3,304,334	(527,783)
Investment income	1,000,000	1,000,000	1,484,828	484,828
Net increase in fair value of investments	-	-	1,273,506	1,273,506
Property income	10,463,748	10,521,918	10,882,195	360,277
Donations	131,500	192,685	251,265	58,580
Other	442,436	895,117	1,311,218	416,101
	<u>215,599,044</u>	<u>221,776,017</u>	<u>229,812,594</u>	<u>8,036,577</u>
Total revenues				
Expenditures:				
General government:				
City council	834,796	970,358	1,101,666	(131,308)
City clerk	1,131,339	1,150,787	1,111,034	39,753
City attorney	2,593,143	2,624,857	2,420,344	204,513
City manager	3,022,380	2,699,865	2,337,972	361,893
Finance	6,981,937	6,358,896	5,826,200	532,696
Human resources	3,142,478	3,209,412	2,881,736	327,676
Total General government	<u>17,706,073</u>	<u>17,014,175</u>	<u>15,678,952</u>	<u>1,335,223</u>
Public safety:				
Police	62,627,537	59,870,251	59,715,265	154,986
Fire	50,514,086	43,029,940	43,459,550	(429,610)
Total Public safety	<u>113,141,623</u>	<u>102,900,191</u>	<u>103,174,815</u>	<u>(274,624)</u>
Public works:				
Public works - general services	26,258,482	24,231,747	23,287,781	943,966
Public works	9,515,658	9,712,573	9,025,041	687,532
Utilities	4,336,136	4,894,327	4,839,926	54,401
Total Public works	<u>40,110,276</u>	<u>38,838,647</u>	<u>37,152,748</u>	<u>1,685,899</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2019
(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	11,999,339	12,194,350	11,320,382	873,968
Code and water quality enforcement	834,985	847,542	853,457	(5,915)
Total Community development	<u>12,834,324</u>	<u>13,041,892</u>	<u>12,173,839</u>	<u>868,053</u>
Community services:				
Parking operations	2,260,623	3,033,196	1,826,882	1,206,314
Library services	9,021,784	9,928,777	9,323,812	604,965
Recreation and senior services	13,624,221	13,792,498	12,788,502	1,003,996
Total community services	<u>24,906,628</u>	<u>26,754,471</u>	<u>23,939,196</u>	<u>2,815,275</u>
Debt service:				
Interest and fiscal charges	46,896	46,896	195,511	(148,615)
Total expenditures	<u>208,745,820</u>	<u>198,596,272</u>	<u>192,315,061</u>	<u>6,281,211</u>
Excess (deficiency) of revenues over expenditures	<u>6,853,224</u>	<u>23,179,745</u>	<u>37,497,533</u>	<u>14,317,788</u>
Other financing sources (uses):				
Transfers out	-	(34,824,531)	(34,824,531)	-
Total other financing sources (uses)	<u>-</u>	<u>(34,824,531)</u>	<u>(34,824,531)</u>	<u>-</u>
Net change in fund balance	6,853,224	(11,644,786)	2,673,002	14,317,788
Fund balance, beginning	<u>93,913,136</u>	<u>93,913,136</u>	<u>93,913,136</u>	<u>-</u>
Fund balance, ending	<u>\$ 100,766,360</u>	<u>\$ 82,268,350</u>	<u>\$ 96,586,138</u>	<u>\$ 14,317,788</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
Tide and Submerged Land - Operating
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Licenses, permits and fees	\$ 59,500	\$ 66,500	\$ 69,939	\$ 3,439
Charges for services	8,000	1,000	16,197	15,197
Fines and forfeitures	10,500	10,500	43,380	32,880
Investment income	17,035	17,035	261,689	244,654
Net increase in fair value of investments	-	-	224,446	224,446
Property income	12,145,830	12,135,230	11,698,756	(436,474)
Total revenues	12,240,865	12,230,265	12,314,407	84,142
Expenditures:				
General government	-	1,090,968	1,090,968	-
Public safety	-	11,949,359	11,949,359	-
Public works	737,416	3,556,953	3,568,907	(11,954)
Community development	-	-	8,035	(8,035)
Community services	2,561,741	2,609,186	2,267,289	341,897
Capital outlay	-	4,968,159	578,818	4,389,341
Total expenditures	3,299,157	24,174,625	19,463,376	4,711,249
 Excess (deficiency) of revenues over expenditures	 8,941,708	 (11,944,360)	 (7,148,969)	 4,795,391
Other financing sources:				
Transfers in	-	8,236,646	8,236,646	-
Total other financing sources	-	8,236,646	8,236,646	-
 Net change in fund balance	 8,941,708	 (3,707,714)	 1,087,677	 4,795,391
Fund balance, beginning	5,321,762	5,321,762	5,321,762	-
Fund balance, ending	\$ 14,263,470	\$ 1,614,048	\$ 6,409,439	\$ 4,795,391

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
Tide and Submerged Land - Harbor Capital
For the Year Ended June 30, 2019

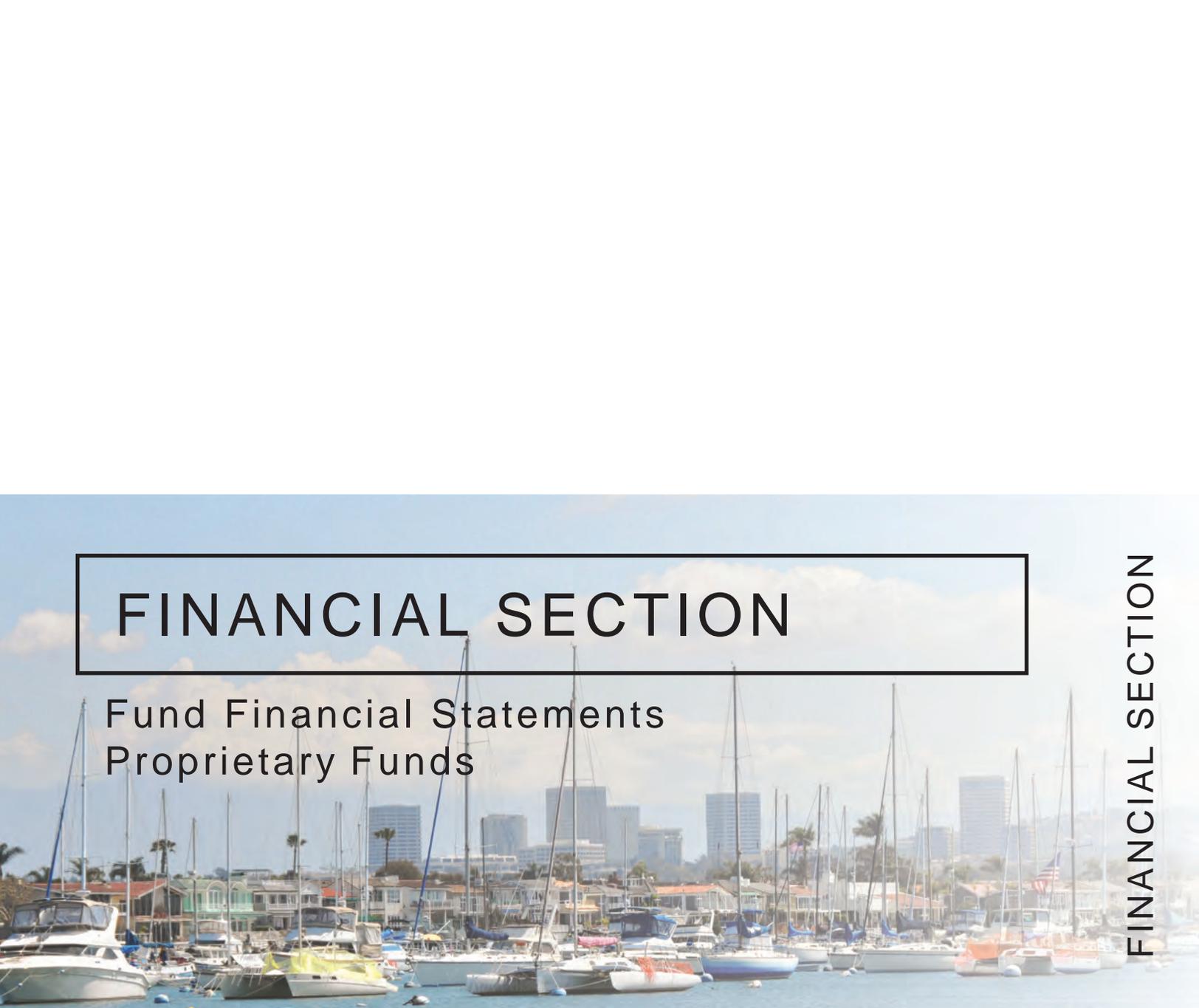
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 89,108	\$ 89,108	\$ 323,175	\$ 234,067
Net increase in fair value of investments	-	-	277,181	277,181
Property income	<u>2,288,419</u>	<u>2,288,419</u>	<u>3,843,475</u>	<u>1,555,056</u>
Total revenues	<u>2,377,527</u>	<u>2,377,527</u>	<u>4,443,831</u>	<u>2,066,304</u>
Expenditures:				
Capital outlay	<u>-</u>	<u>3,433,608</u>	<u>1,562,295</u>	<u>1,871,313</u>
Excess (deficiency) of revenues over expenditures	2,377,527	(1,056,081)	2,881,536	3,937,617
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>
Net change in fund balance	2,377,527	2,943,919	6,881,536	3,937,617
Fund balance (deficit), beginning	<u>251,262</u>	<u>251,262</u>	<u>251,262</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 2,628,789</u>	<u>\$ 3,195,181</u>	<u>\$ 7,132,798</u>	<u>\$ 3,937,617</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
Measure M
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 5,276,054	\$ 5,678,449	\$ 1,979,182	\$ (3,699,267)
Investment income	6,627	6,627	57,123	50,496
Net increase in fair value of investments	-	-	48,992	48,992
	<u>5,282,681</u>	<u>5,685,076</u>	<u>2,085,297</u>	<u>(3,599,779)</u>
Expenditures:				
Capital outlay	-	8,211,831	3,024,650	5,187,181
	<u>5,282,681</u>	<u>(2,526,755)</u>	<u>(939,353)</u>	<u>1,587,402</u>
Fund balance, beginning	<u>3,050,849</u>	<u>3,050,849</u>	<u>3,050,849</u>	<u>-</u>
Fund balance, ending	<u>\$ 8,333,530</u>	<u>\$ 524,094</u>	<u>\$ 2,111,496</u>	<u>\$ 1,587,402</u>

See accompanying notes to basic financial statements



FINANCIAL SECTION

Fund Financial Statements
Proprietary Funds

FINANCIAL SECTION

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PROPRIETARY FUNDS

Business-type Activities

The ***Water Fund*** is a Major Fund used to account for the operations of the City's water utility, a self-supporting activity which is entirely financed 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, 2019

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and investments	\$ 33,518,439	\$ 3,813,350	\$ 37,331,789	\$ 58,326,884
Receivables:				
Accounts (net of allowance)	5,091,928	771,771	5,863,699	27,382
Intergovernmental receivables	139,694	-	139,694	2,241,550
Inventories	-	-	-	439,040
Prepaid items	-	-	-	516,052
Total current assets	38,750,061	4,585,121	43,335,182	61,550,908
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	24,993
Equipment	252,388	35,988	288,376	39,523,632
Software	-	-	-	3,603,419
Infrastructure	138,010,359	47,487,491	185,497,850	-
Work in progress	288,902	-	288,902	76,094
Less accumulated depreciation	(50,798,065)	(18,838,559)	(69,636,624)	(27,371,423)
Total capital assets (net of accumulated depreciation)	90,661,430	28,684,920	119,346,350	15,856,715
Total assets	129,411,491	33,270,041	162,681,532	77,407,623
Deferred outflows of resources:				
Deferred amount from pension plans	1,546,865	594,047	2,140,912	1,408,148
Deferred amount from OPEB	191,583	73,574	265,157	174,402
Total deferred outflows of resources	1,738,448	667,621	2,406,069	1,582,550
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	3,380,517	47,596	3,428,113	734,719
Accrued payroll	104,456	33,622	138,078	224,597
Deposits payable	22,489	-	22,489	-
Due to other funds (note 12)	-	-	-	1,848,677
Workers' compensation - current	-	-	-	3,130,491
General liability - current	-	-	-	2,285,850
Compensated absences - current	-	-	-	2,980,644
Total current liabilities	3,507,462	81,218	3,588,680	11,204,978
Noncurrent liabilities:				
Workers' compensation (note 6)	-	-	-	13,139,509
General liability (note 6)	-	-	-	4,666,057
Compensated absences (note 6)	-	-	-	9,588,333
Net pension liability (note 10)	6,964,238	2,674,479	9,638,717	6,339,693
Net OPEB liability	843,495	323,928	1,167,423	767,854
Total noncurrent liabilities	7,807,733	2,998,407	10,806,140	34,501,446
Total liabilities	11,315,195	3,079,625	14,394,820	45,706,424
Deferred inflows of resources:				
Deferred amount from pension plans	204,313	78,462	282,775	185,991
Deferred amount from OPEB	27,616	10,606	38,222	25,139
Total deferred inflows of resources	231,929	89,068	320,997	211,130
Net Position				
Net investment in capital assets	90,661,430	28,684,920	119,346,350	15,856,715
Unrestricted	28,941,385	2,084,049	31,025,434	17,215,904
Total net position	\$ 119,602,815	\$ 30,768,969	150,371,784	\$ 33,072,619
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(693,765)	
Net position of business-type activities			\$ 149,678,019	

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, 2019

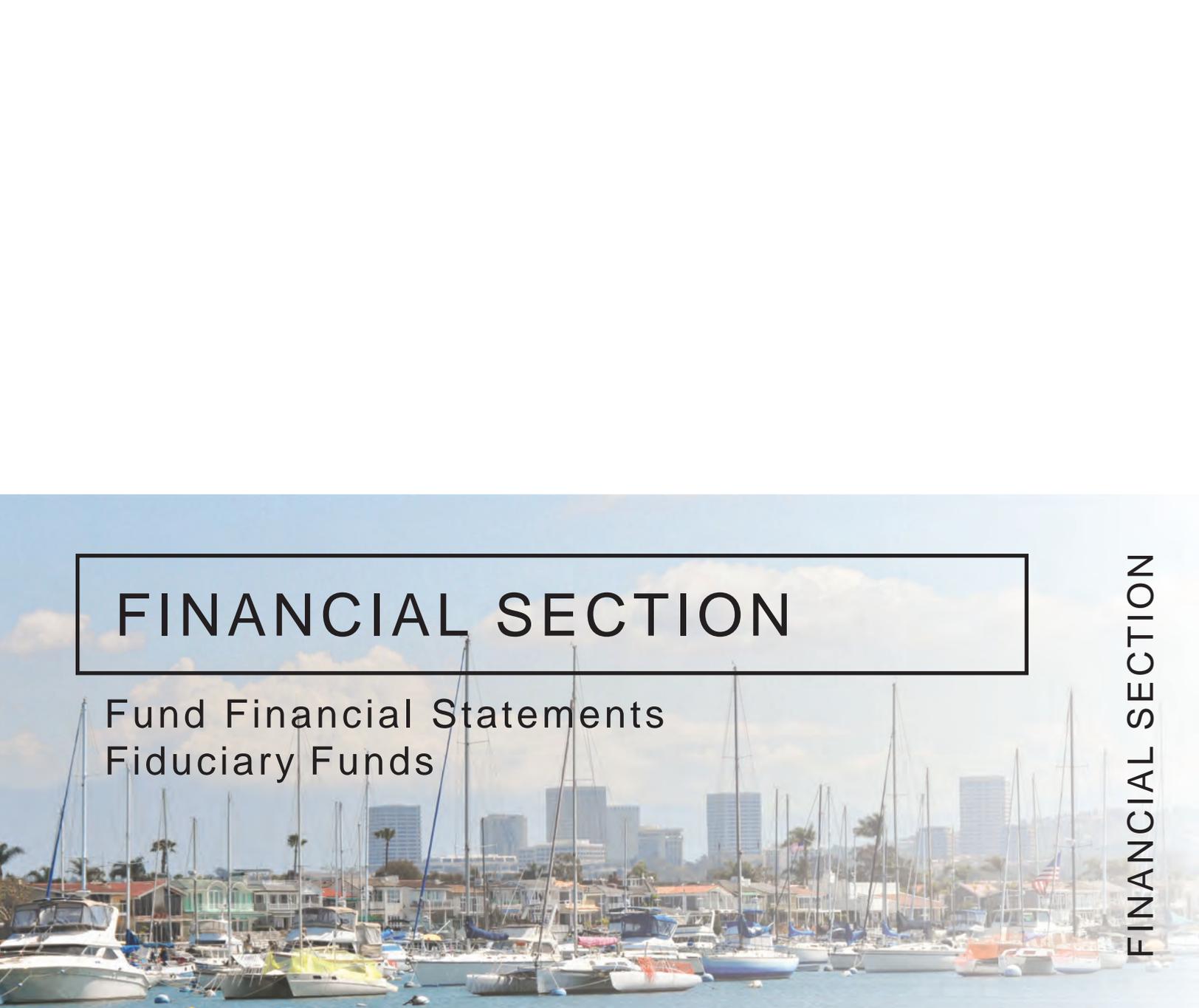
	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 26,547,736	\$ -	\$ 26,547,736	\$ -
Charges for services	-	-	-	28,101,575
Sewer service and connection fees	-	3,769,265	3,769,265	-
Intergovernmental	-	300,000	300,000	-
Retiree reimbursements	-	-	-	281,360
Employee contributions	-	-	-	85,427
Other	296,015	-	296,015	832,498
Total operating revenues	26,843,751	4,069,265	30,913,016	29,300,860
Operating expenses:				
Purchase of water	10,710,344	-	10,710,344	-
Salaries and benefits	5,232,217	1,647,249	6,879,466	3,880,821
Depreciation	1,559,304	631,559	2,190,863	3,694,538
Professional services	2,027,801	421,857	2,449,658	128,487
Maintenance and supplies	1,982,179	735,874	2,718,053	2,625,260
System maintenance	2,287,874	191,879	2,479,753	-
Fleet parts and supplies	-	-	-	485,464
Telecommunication	-	-	-	169,617
Hardware	-	-	-	374,078
Software	-	-	-	31,601
Workers' compensation	-	-	-	2,351,675
Claims and judgments	-	-	-	1,296,366
Compensated absences	-	-	-	2,498,135
OPEB ARC - Cash subsidy	-	-	-	4,844,732
Other	2,565,985	398,065	2,964,050	-
Total operating expenses	26,365,704	4,026,483	30,392,187	22,380,774
Operating income (loss)	478,047	42,782	520,829	6,920,086
Nonoperating revenues (expenses):				
Investment income	641,156	72,814	713,970	1,120,167
Net increase in fair value of investments	549,906	62,452	612,358	960,743
Gain on sale of capital assets	-	-	-	151,241
Total nonoperating revenues (expenses)	1,191,062	135,266	1,326,328	2,232,151
Income (loss) before transfers	1,669,109	178,048	1,847,157	9,152,237
Transfers in (note 13)	-	-	-	4,884,000
Total transfers in	-	-	-	4,884,000
Change in net position	1,669,109	178,048	1,847,157	14,036,237
Net position, beginning of year	117,182,781	30,590,921		21,243,282
Restatement (note 17)	750,925	-		(2,206,900)
Net position, beginning of year as restated	117,933,706	30,590,921		19,036,382
Net position, end of year	\$ 119,602,815	\$ 30,768,969		\$ 33,072,619
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(728,116)	
Change in net position of business-type activities			\$ 1,119,041	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2019

	<u>Enterprise Funds</u>			Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	Total Enterprise Funds	
Cash flows from operating activities:				
Cash received from customers or user departments	\$ 26,266,886	\$ 3,652,749	\$ 29,919,635	\$ 28,378,151
Cash payments to employees for services	(5,260,032)	(1,659,839)	(6,919,871)	(8,958,995)
Cash payments to suppliers for goods and services	(16,846,180)	(1,382,415)	(18,228,595)	(15,707,922)
Cash received (payments made) for other operating activities	(2,269,970)	(98,065)	(2,368,035)	924,375
Net cash provided by operating activities	<u>1,890,704</u>	<u>512,430</u>	<u>2,403,134</u>	<u>4,635,609</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	4,629,170
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,629,170</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(1,861,788)	(299,829)	(2,161,617)	(3,847,339)
Proceeds from sale of capital assets	-	-	-	151,241
Net cash (used) for capital and related financing activities	<u>(1,861,788)</u>	<u>(299,829)</u>	<u>(2,161,617)</u>	<u>(3,696,098)</u>
Cash flows from investing activities:				
Investment income	1,191,062	135,266	1,326,328	2,080,910
Net cash provided by investing activities	<u>1,191,062</u>	<u>135,266</u>	<u>1,326,328</u>	<u>2,080,910</u>
Net increase in cash and cash equivalents	1,219,978	347,867	1,567,845	7,649,591
Cash and cash equivalents, beginning	<u>32,298,461</u>	<u>3,465,483</u>	<u>35,763,944</u>	<u>50,677,293</u>
Cash and cash equivalents, ending	<u>\$ 33,518,439</u>	<u>\$ 3,813,350</u>	<u>\$ 37,331,789</u>	<u>\$ 58,326,884</u>
Reconciliation to the statement of net position:				
Cash and investments reported on statement of net position	<u>\$ 33,518,439</u>	<u>\$ 3,813,350</u>	<u>\$ 37,331,789</u>	<u>\$ 58,326,884</u>
Cash and cash equivalents	<u>\$ 33,518,439</u>	<u>\$ 3,813,350</u>	<u>\$ 37,331,789</u>	<u>\$ 58,326,884</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 478,047	\$ 42,782	\$ 520,829	\$ 6,920,086
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,559,304	631,559	2,190,863	3,694,538
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable	(235,689)	(116,516)	(352,205)	111,106
(Increase) in intergovernmental receivable	(46,906)	-	(46,906)	-
(Increase) in inventories	-	-	-	(32,239)
(Increase) in prepaid items	-	-	-	(66,118)
Increase (decrease) in accounts payable and accrued payroll	182,793	(26,734)	156,059	294,223
Increase in deposits payable	1,745	-	1,745	-
(Decrease) in workers' compensation	-	-	-	(219,000)
(Decrease) in general liability	-	-	-	(5,992,484)
(Decrease) in compensated absences	-	-	-	(30,270)
Increase in net of pension liability and deferred cash flows	49,805	19,126	68,931	45,338
(Decrease) in restated net OPEB liability and deferred cash flows	(98,395)	(37,787)	(136,182)	(89,571)
Total adjustments	<u>1,412,657</u>	<u>469,648</u>	<u>1,882,305</u>	<u>(2,284,477)</u>
Net cash provided by operating activities	<u>\$ 1,890,704</u>	<u>\$ 512,430</u>	<u>\$ 2,403,134</u>	<u>\$ 4,635,609</u>
Noncash investing, capital and financing activities:				
Net increase in fair value of investments	\$ 549,906	\$ 62,452	\$ 612,358	\$ 960,743
Total of noncash activities	<u>\$ 549,906</u>	<u>\$ 62,452</u>	<u>\$ 612,358</u>	<u>\$ 960,743</u>

See accompanying notes to basic financial statements



FINANCIAL SECTION

Fund Financial Statements
Fiduciary Funds

FINANCIAL SECTION

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FIDUCIARY FUNDS

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

CITY OF NEWPORT BEACH
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2019

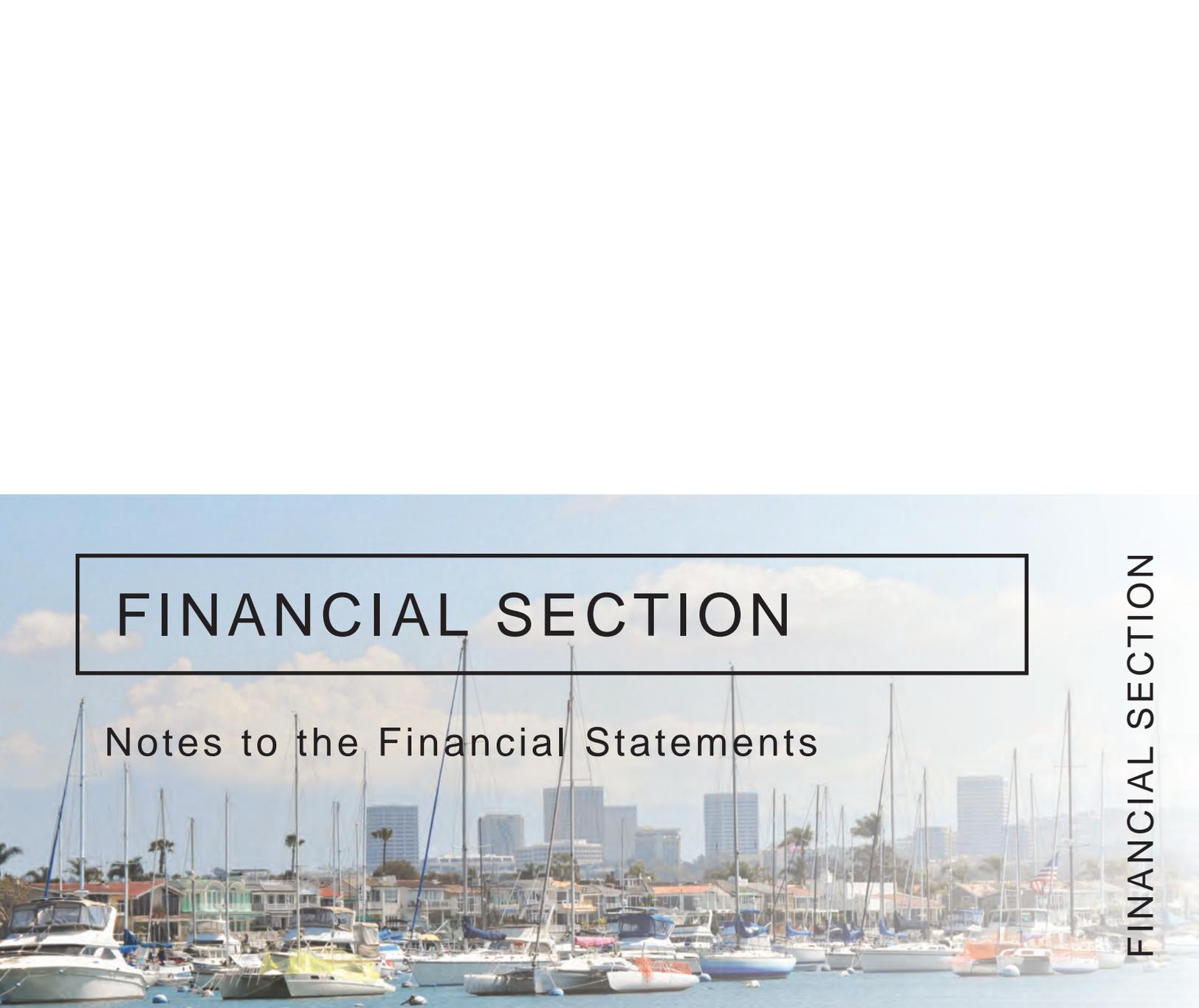
Assets

Cash and investments (note 4)	\$ 1,018,613
Restricted cash and investments with fiscal agent (note 4)	2,016,952
Receivable:	
Interest	463
Total assets	<u>\$ 3,036,028</u>

Liabilities

Due to bondholders	\$ 2,422,448
Due to others	613,580
Total liabilities	<u>\$ 3,036,028</u>

See accompanying notes to basic financial statements



FINANCIAL SECTION

Notes to the Financial Statements

FINANCIAL SECTION

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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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

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

a. Reporting Entity

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

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

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

Blended Component Unit

The financial statements of the City of Newport Beach include the financial activities of the Newport Beach Public Facilities Corporation (the "Corporation"). The Corporation was formed on March 9, 1992, for the purpose of assisting the City of Newport Beach in the financing of public improvements, including a public library and most recently the new civic center project. The Corporation is governed by a Board of Directors which is comprised of the seven City Council Members of the City of Newport Beach. The Corporation's financial data and transactions are

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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, 2019

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

Fund Financial Statements

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

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

Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days for all revenues.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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

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

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

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

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

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The amount of net appreciation on investments that is available to support City programs is \$1,807,931. 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 OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

City Manager and for periodic maintenance dredging in the Newport Bay resides with the City Council.

Proprietary & Fiduciary Funds

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

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

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

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

c. Fund Classifications

The City utilizes the following broad categories of funds:

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

General Fund

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

Special Revenue Funds

Tide and Submerged Land – Operating

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

Tide and Submerged Land – Harbor Capital

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

Measure M Fund

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

Capital Project Funds

Facilities Financial Planning Reserve Fund

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

Debt Service Fund

Civic Center COP

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

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

Water Fund

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Wastewater Fund

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

Other Governmental Funds – Other Governmental Funds are those funds which do not meet the criteria of a major fund. Other Governmental Funds used by the City fall into the following governmental fund types:

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

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

Permanent Funds – Permanent Funds are used to report resources that are legally restricted for the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Internal Service Funds – The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation, compensated absences, retiree insurance, the cost of maintaining and replacing the City's rolling stock fleet, parking equipment, coordinated communications systems equipment, certain fire equipment, recreation equipment, as well as the cost of maintaining and replacing the City's information technology systems. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

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

d. New Accounting Pronouncements

Current Year Standards

In fiscal year 2018-2019, the City implemented the following Government Accounting Standards Board (GASB) Statements:

- GASB Statement No. 83 – "*Certain Asset Retirement Obligations*", effective for periods beginning after June 15, 2018. This statement did not impact the City.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

- GASB Statement No. 88 – “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”, effective for periods beginning after June 15, 2018. This statement did not have a significant impact on the City.

Pending Accounting Standards

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

- GASB Statement No. 84 – “Fiduciary Activities”, effective for periods beginning after December 15, 2018.
- GASB Statement No. 87 – “Leases”, effective for periods beginning after December 15, 2019.
- GASB Statement No. 89 – “Accounting for Interest Cost Incurred before the End of a Construction Period”, effective for periods beginning after December 15, 2019.
- GASB Statement No. 90 – “Majority Equity Interests”, effective for periods beginning after December 15, 2018.
- GASB Statement No. 91 – “Conduit Debt Obligations”, effective for periods beginning after December 15, 2020.

e. Accounts Receivables (net of allowance)

Accounts receivables represent all service and capital project billings other than intergovernmental receivables stated below. The City set up an allowance for doubtful accounts to accurately reflect the estimated accounts receivable deemed to be uncollectible and ensure that the income statement and balance sheet are fairly stated at the amount expected to be collected in receivables. The estimated allowance is based upon historical data and bad debt experience. Invoices with an outstanding balance over 90 days past due are analyzed the following year to calculate the percent collected within one year. The percentage is then applied to current year past due invoices and a bad debt expense is charged to departments with outstanding balances. Receivables with governmental organizations are excluded from the allowance as they are more likely to be received due to the governments’ credit worthiness. As of June 30, 2019, the balance for Allowance for Doubtful Accounts by fund was as follows:

General Fund:	\$873,291
Tide and Submerged Land – Operating:	\$62,836
Environmental Liability:	\$1,769
Water Fund:	\$168,003

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Waste Water Fund:	\$49,968
Equipment Maintenance Internal Service Fund:	\$2,688

f. Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents are defined to be cash on hand, demand deposits and highly liquid investments with a maturity of three months or less from the date of purchase.

Investments

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

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

The City's investment in LAIF is \$16,378,058 at June 30, 2019. This investment value is based on information provided by the State Treasurer's Office. The carrying value of the City's position in the fund is materially consistent with the fair value of the fund shares. This pool is under the regulatory oversight of the State Treasurer's Office. The LAIF Board consists of five members as designated by Statute. The Chairman is the State Treasurer, or his designated representative. Two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers or business managers employed by any county, city or local district or municipal corporation of this state, are appointed by the State Treasurer. The term of each appointment is two years, or at the pleasure of the appointing authority.

g. Intergovernmental Receivables

Intergovernmental receivables represent grant reimbursement requests, capital project billings, and pending transfers of taxes and fees collected by other government agencies. As of June 30, 2019, the balance of these accounts totaled \$13,511,422.

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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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 acquisition value at the date of contribution.

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

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

j. Claims and Judgments

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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

i. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and limited amounts of earned but unused sick leave benefits, which will be paid to employees upon separation from City service. Beginning in fiscal year 1990, the City adopted a general leave plan to replace the traditional vacation and sick leave plan. The City uses a general leave plan which permits a maximum of three years' accrual for every employee, above which the excess is paid out as current compensation. All employees hired prior to January 1, 1990, were given the option of remaining in the traditional vacation and sick leave plan or enrolling in the general leave plan. All employees hired on or after January 1, 1990, are automatically enrolled in the general leave plan. Compensated absences are accrued in the Compensated Absence Internal Service Fund when employee services have been rendered and when it becomes probable that the City will compensate the employees for benefits through paid time off or cash payments at termination or retirement. Benefits that have been earned but are not yet available for use because employees have not met certain conditions are accrued to the extent it is probable that the employees will meet the conditions for compensation in the future.

m. Deposits Payable

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

n. **Unearned Revenue**

Unearned revenues are those where asset recognition has been met, but the revenue recognition criteria have not been met.

o. **Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has five items that qualify for reporting in this category, the first item is the deferred outflow related to pensions, which is the amount equal to employer contributions made after the measurement date of the net pension liability. The second item is a deferred outflow related to pensions resulting from the change in assumptions. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions through the plans. The third item is a deferred outflow related to pensions resulting from the difference between expected and actual experience. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions through the plans. The fourth item is the net difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The fifth item is deferred outflow related to post-employment health care benefits (OPEB) which is the amount equal to employer contributions made after the measurement date of the net OPEB 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 four items that qualify for reporting in this category. The first item is *unavailable revenues*, which is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: grants receivable and rent collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference between actual and expected experience. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the plans. The third item is a deferred inflow related to pensions resulting from the change in assumptions. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions through the plans. The fourth item is a deferred inflow related to net OPEB liability resulting

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

from the net difference in projected and actual earnings on investments of the OPEB plan fiduciary net position. This amount is amortized over five years.

p. Fund Balance Classifications

The governmental fund balance is made up of different classifications and the following provides explanations as to the nature and purpose of each classification:

Nonspendable fund balance

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

Restricted fund balance

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

Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

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

In the governmental fund statements, when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned)

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

fund balances are available, the City uses the most restrictive funds first. The City uses the appropriate funds in the following order: restricted, committed, assigned, and finally unassigned amounts.

q. Estimates

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

r. Pensions

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

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

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

s. Post-Employment Health Care Benefits (OPEB)

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

(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 \$187,991,721 differs from “net position” of governmental activities \$2,172,431,934 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	\$2,522,933,220
Accumulated depreciation	<u>(216,564,590)</u>
Total capital assets, net*	<u>\$2,306,368,630</u>

*Amount excludes net capital assets of \$15,856,715 from Internal Service funds

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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, 2019 were:

Certificates of participation	\$104,100,000
Premium on certificates	120,553
CDBG loan	<u>756,000</u>
Total	<u>\$104,976,553</u>

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>\$3,572,542</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>\$187,393</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>\$1,081,426</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>\$33,072,619</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability – GASB 68

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

Deferred Outflows of Resources	\$69,699,125
Deferred Inflows of Resources	(6,961,754)
Pension Liability	(294,504,397)

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

Post-employment health care benefits (OPEB) debt applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities. Internal service funds amounts are excluded.

Deferred Outflows of Resources	\$4,693,503
Deferred Inflows of Resources	(676,557)
OPEB Liability	(20,664,445)

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>\$693,765</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, 2019

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

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Accumulated Depreciation</u>	<u>Long-term Debt Transactions</u>
Assets and Deferred Outflows of Resources				
Cash and investments	\$ 181,200,167	\$ -	\$ -	\$ -
Receivables:				
Accounts (net of allowance)	5,991,278	-	-	-
Advances to other funds	11,926,659	-	-	-
Interest	1,338,884	-	-	-
Intergovernmental receivables	11,130,178	-	-	-
Restricted cash and investments with fiscal agent	7,008,766	-	-	-
Interfund balances	7,686,624	-	-	-
Investment in joint venture	-	-	-	-
Inventory	238,972	-	-	-
Prepaid items	1,067,354	-	-	-
Capital assets	-	2,522,933,220	-	-
Accumulated depreciation	-	-	(216,564,590)	-
	<u>\$ 227,588,882</u>	<u>\$ 2,522,933,220</u>	<u>\$ (216,564,590)</u>	<u>\$ -</u>
Deferred Outflows of Resources:				
Deferred amount from pension plans	-	-	-	69,699,125
Deferred amount from OPEB	-	-	-	4,693,503
	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,392,628</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,392,628</u>
	<u>\$ 227,588,882</u>	<u>\$ 2,522,933,220</u>	<u>\$ (216,564,590)</u>	<u>\$ 74,392,628</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position				
Liabilities:				
Accounts payable	\$ 10,458,213	\$ -	\$ -	\$ -
Accrued payroll	3,981,331	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,749,465	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Unearned revenue	3,562,120	-	-	-
Due to other funds	5,837,947	-	-	-
Advance from other funds	11,926,659	-	-	-
Long-term liabilities	-	-	-	420,145,395
	<u>38,515,735</u>	<u>-</u>	<u>-</u>	<u>420,145,395</u>
Deferred Inflows of Resources:				
Unavailable revenue	1,081,426	-	-	-
Deferred amount from pension plans	-	-	-	6,961,754
Deferred amount from OPEB	-	-	-	676,557
	<u>1,081,426</u>	<u>-</u>	<u>-</u>	<u>7,638,311</u>
Total deferred inflows of resources	<u>1,081,426</u>	<u>-</u>	<u>-</u>	<u>7,638,311</u>
Fund balances / net position	<u>187,991,721</u>	<u>2,522,933,220</u>	<u>(216,564,590)</u>	<u>(353,391,078)</u>
Total liabilities, deferred inflows of resources and fund balances / net position	<u>\$ 227,588,882</u>	<u>\$ 2,522,933,220</u>	<u>\$ (216,564,590)</u>	<u>\$ 74,392,628</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

<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>
\$ -	\$ -	\$ -	\$ 58,326,884	\$ -	\$ 239,527,051
-	-	-	27,382	-	6,018,660
-	-	-	-	(11,926,659)	-
-	-	-	-	-	1,338,884
-	-	-	2,241,550	-	13,371,728
-	-	-	-	-	7,008,766
-	-	-	-	(6,992,859)	693,765
-	187,393	-	-	-	187,393
-	-	-	439,040	-	678,012
-	-	-	516,052	-	1,583,406
-	-	-	43,228,138	-	2,566,161,358
-	-	-	(27,371,423)	-	(243,936,013)
<u>\$ -</u>	<u>\$ 187,393</u>	<u>\$ -</u>	<u>\$ 77,407,623</u>	<u>\$ (18,919,518)</u>	<u>\$ 2,592,633,010</u>
-	-	-	1,408,148	-	71,107,273
-	-	-	174,402	-	4,867,905
-	-	-	1,582,550	-	75,975,178
<u>\$ -</u>	<u>\$ 187,393</u>	<u>\$ -</u>	<u>\$ 78,990,173</u>	<u>\$ (18,919,518)</u>	<u>\$ 2,668,608,188</u>
\$ -	\$ -	\$ -	\$ 734,719	\$ -	\$ 11,192,932
-	-	-	224,597	-	4,205,928
3,572,542	-	-	-	-	3,572,542
-	-	-	-	-	2,749,465
-	-	-	2,285,850	-	2,285,850
-	-	-	3,130,491	-	3,130,491
-	-	-	2,980,644	-	2,980,644
-	-	-	-	-	3,562,120
-	-	-	1,848,677	(7,686,624)	-
-	-	-	-	(11,926,659)	-
-	-	-	34,501,446	-	454,646,841
<u>3,572,542</u>	<u>-</u>	<u>-</u>	<u>45,706,424</u>	<u>(19,613,283)</u>	<u>488,326,813</u>
-	-	(1,081,426)	-	-	-
-	-	-	185,991	-	7,147,745
-	-	-	25,139	-	701,696
-	-	(1,081,426)	211,130	-	7,849,441
<u>(3,572,542)</u>	<u>187,393</u>	<u>1,081,426</u>	<u>33,072,619</u>	<u>693,765</u>	<u>2,172,431,934</u>
<u>\$ -</u>	<u>\$ 187,393</u>	<u>\$ -</u>	<u>\$ 78,990,173</u>	<u>\$ (18,919,518)</u>	<u>\$ 2,668,608,188</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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

Net position of the City's Enterprise Funds of \$150,371,784 differs from net position of the business-type activities of \$149,678,019 reported in the government-wide statement of net position. The difference, \$693,765 results from the consolidation of internal service fund activities related to the enterprise funds.

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

	Total Enterprise Funds	Internal Service Funds	Government-wide Statement of Net Position
Assets and Deferred Outflows of Resources			
Cash and investments	\$ 37,331,789	\$ -	\$ 37,331,789
Receivables:			
Accounts (net of allowance)	5,863,699	-	5,863,699
Intergovernmental receivables	139,694		139,694
Interfund balances	-	(693,765)	(693,765)
Capital assets, net	<u>119,346,350</u>	-	<u>119,346,350</u>
Total assets	<u>162,681,532</u>	<u>(693,765)</u>	<u>161,987,767</u>
Deferred outflows of resources:			
Deferred amount from pension plans	2,140,912	-	2,140,912
Deferred amount from OPEB	<u>265,157</u>	-	<u>265,157</u>
Total deferred outflows of resources	<u>2,406,069</u>	<u>-</u>	<u>2,406,069</u>
Total assets and deferred outflows of resources	<u>\$ 165,087,601</u>	<u>\$ (693,765)</u>	<u>\$ 164,393,836</u>
Liabilities and Deferred Inflows of Resources			
Liabilities:			
Accounts payable	\$ 3,428,113	\$ -	\$ 3,428,113
Accrued payroll	138,078	-	138,078
Deposits payable	22,489	-	22,489
Net pension liability	9,638,717	-	9,638,717
Net OPEB liability	<u>1,167,423</u>	-	<u>1,167,423</u>
Total liabilities	<u>14,394,820</u>	<u>-</u>	<u>14,394,820</u>
Deferred inflows of resources:			
Deferred amount from pension plans	282,775	-	282,775
Deferred amount from OPEB	<u>38,222</u>	-	<u>38,222</u>
Total deferred inflows of resources	<u>320,997</u>	<u>-</u>	<u>320,997</u>
Total liabilities and deferred inflows of resources	<u>\$ 14,715,817</u>	<u>\$ -</u>	<u>\$ 14,715,817</u>
Net Position			
Net investment in capital assets	\$ 119,346,350	\$ -	\$ 119,346,350
Unrestricted	<u>31,025,434</u>	<u>(693,765)</u>	<u>30,331,669</u>
Total net position	<u>\$ 150,371,784</u>	<u>\$ (693,765)</u>	<u>\$ 149,678,019</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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

The “net change in fund balances” for governmental funds \$9,306,343 differs from the “change in net position” for governmental activities \$35,832,389 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the difference is illustrated below.

Capital Related Items

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

Capital outlays	\$ 26,607,967
Transfers out of WIP	<u>(6,763,267)</u>
Capital outlays, net	<u>19,844,700</u>
Governmental funds - asset deletions	<u>(3,227,254)</u>
Net change in capital related items	<u>16,617,446</u>
Depreciation expense	(13,213,028)
Deletions in governmental funds accumulated depreciation	<u>2,118,152</u>
Net change in accumulated depreciation	<u>(11,094,876)</u>
Total	<u><u>\$ 5,522,570</u></u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Long-Term Debt Transactions

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

Civic Center certificates of participation	\$3,310,000
CDBG loan	160,000
Amortization of gain on refunding	46,319
Amortization of debt premium	<u>120,553</u>
Total debt payments	<u>\$3,636,872</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>\$73,626</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>\$53,380</u>
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Unavailable Revenue

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

Net change in unavailable revenue	<u>(\$2,373,387)</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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>\$2,438,110</u>
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Post-Employment Health Care Benefits Expense

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

OPEB expense	<u>\$2,410,522</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>\$14,036,237</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>\$728,116</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

**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	\$ 183,455,182	\$ -	\$ -	\$ -
Intergovernmental	15,818,543	-	-	-
Licenses and permits	6,302,603	-	-	-
Charges for services	19,472,866	-	-	-
Fines and forfeitures	3,347,714	-	-	-
Investment income	3,490,992	-	-	-
Net increase in fair value of investments	2,938,136	-	-	-
Property income	26,674,107	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	402,709	-	-	-
Gain on sale of capital assets	-	-	-	-
Other	5,173,716	-	-	-
	<u>267,076,568</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues				
Expenditures:				
Current:				
General government	16,769,920	-	2,656,745	(591,095)
Public safety	116,054,531	56,430	679,136	(2,739,606)
Public works	44,132,877	3,119,024	5,415,887	(690,924)
Community development	12,310,621	-	5,082	(375,760)
Community services	26,372,495	51,800	2,338,026	(451,247)
Capital outlay	26,347,312	(19,844,700)	-	-
Debt service:				
Principal retirement	3,470,000	-	-	(3,470,000)
Interest and fiscal charges	7,428,469	-	-	-
Amortization of gain on refunding	-	-	-	(46,319)
Amortization of debt premium	-	-	-	(120,553)
	<u>252,886,225</u>	<u>(16,617,446)</u>	<u>11,094,876</u>	<u>(8,485,504)</u>
Total expenses				
Other financing sources (uses):				
Transfers in	54,664,532	-	-	-
Transfers out	(59,548,532)	-	-	-
Total other financing sources (uses)	(4,884,000)	-	-	-
Net change in fund balances / net position	9,306,343	16,617,446	(11,094,876)	8,485,504
Fund balances / net position, beginning of year as restated	<u>178,685,378</u>	<u>2,506,315,774</u>	<u>(205,469,714)</u>	<u>(361,876,582)</u>
Fund balances / net position, end of year	<u>\$ 187,991,721</u>	<u>\$ 2,522,933,220</u>	<u>\$ (216,564,590)</u>	<u>\$ (353,391,078)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,455,182
-	-	(2,373,387)	-	-	13,445,156
-	-	-	-	-	6,302,603
-	-	-	-	728,116	20,200,982
-	-	-	-	-	3,347,714
-	-	-	1,120,167	-	4,611,159
-	-	-	960,743	-	3,898,879
-	-	-	-	-	26,674,107
-	53,380	-	-	-	53,380
-	-	-	-	-	402,709
-	-	-	151,241	-	151,241
-	-	-	-	-	5,173,716
<u>-</u>	<u>53,380</u>	<u>(2,373,387)</u>	<u>2,232,151</u>	<u>728,116</u>	<u>267,716,828</u>
-	-	-	(1,329,984)	3,043,638	20,549,224
-	-	-	(3,143,259)	648,833	111,556,065
-	-	-	(1,368,352)	2,731,366	53,339,878
-	-	-	(446,739)	-	11,493,204
-	-	-	(631,752)	78,775	27,758,097
-	-	-	-	(6,502,612)	-
-	-	-	-	-	-
(73,626)	-	-	-	(166,872)	7,187,971
-	-	-	-	46,319	-
-	-	-	-	120,553	-
<u>(73,626)</u>	<u>-</u>	<u>-</u>	<u>(6,920,086)</u>	<u>-</u>	<u>231,884,439</u>
-	-	-	4,884,000	(59,548,532)	-
-	-	-	-	59,548,532	-
-	-	-	4,884,000	-	-
73,626	53,380	(2,373,387)	14,036,237	728,116	35,832,389
<u>(3,646,168)</u>	<u>134,013</u>	<u>3,454,813</u>	<u>19,036,382</u>	<u>(34,351)</u>	<u>2,136,599,545</u>
<u>\$ (3,572,542)</u>	<u>\$ 187,393</u>	<u>\$ 1,081,426</u>	<u>\$ 33,072,619</u>	<u>\$ 693,765</u>	<u>\$ 2,172,431,934</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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 \$1,847,157 differs from the change in net position of the business-type activities \$1,119,041 reported in the government-wide statement of activities. The difference, \$728,116, 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**

	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Business-type activities Statement of Activities</u>
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 26,547,736	\$ -	\$ 26,547,736
Sewer service and connection fees	3,769,265	-	3,769,265
Intergovernmental	300,000	-	300,000
Other	296,015	-	296,015
Total operating revenues	<u>30,913,016</u>	<u>-</u>	<u>30,913,016</u>
Operating expenses:			
Purchase of water	10,710,344	-	10,710,344
Salaries and wages	6,879,466	-	6,879,466
Depreciation	2,190,863	-	2,190,863
Professional services	2,449,658	-	2,449,658
Maintenance and supplies	2,718,053	728,116	3,446,169
System maintenance	2,479,753	-	2,479,753
Other	2,964,050	-	2,964,050
Total operating expenses	<u>30,392,187</u>	<u>728,116</u>	<u>31,120,303</u>
Operating income	520,829	(728,116)	(207,287)
Nonoperating revenues (expenses):			
Investment income	713,970	-	713,970
Net increase in fair valur of investments	612,358	-	612,358
Total nonoperating revenues (expenses)	<u>1,326,328</u>	<u>-</u>	<u>1,326,328</u>
Change in net position	1,847,157	(728,116)	1,119,041
Net position, beginning of year, as restated	<u>148,524,627</u>	<u>34,351</u>	<u>148,558,978</u>
Net position, end of year	<u>\$ 150,371,784</u>	<u>\$ (693,765)</u>	<u>\$ 149,678,019</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

(3) Budgetary Control and Compliance

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Expenditures exceeded appropriations in the following governmental funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Supplemental Law Enforcement	\$ 165,000	\$ 195,833	\$(30,833)

The following funds reported deficit fund balances:

<u>Other Governmental Funds</u>	
Misc Facilities Financing	\$ 253
<u>Internal Service Funds</u>	
Compensated Absences	\$ 7,905,504

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

(4) Cash and Investments

Cash and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 276,858,840
Restricted cash and investments with fiscal agent	7,008,766
Fiduciary funds:	
Cash and investments	1,018,613
Restricted cash and investments with fiscal agent	2,016,952
Total cash and investments	<u>\$ 286,903,171</u>

Cash and investments as of June 30, 2019, consist of the following:

Cash on hand	\$ 24,603
Deposits with financial institutions	9,354,445
Cash and receivables in investment accounts	68,665
Investments	277,455,458
Total cash and investments	<u>\$ 286,903,171</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
Local Agency Bonds	5 years	30%	5%
U.S. Treasury Obligations	5 years	No Limit	No Limit
U.S. Agency Securities	5 years	No Limit	No Limit
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	2 years	30%	5%
Repurchase Agreements	30 days	No Limit	5%
Reverse Repurchase Agreements	30 days	10%	5%
Medium-Term Notes	5 years	30%	5%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	20%
Mortgage Pass-Through Securities	5 years	20%	5%
LA County Pooled Investment Funds	N/A	5%	5%
Local Agency Investment Fund (LAIF)	N/A	\$65 million	\$65 million
Supranationals	5 years	20%	10%

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Investment Type	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 64,169	\$ 64,169	\$ -	\$ -	\$ -	\$ 64,169
U.S. Treasury Bills	4,995,150	4,995,150	-	-	-	4,995,150
U.S. Treasuries	42,146,571	9,628,743	27,314,712	5,203,116	-	42,146,571
U.S. Agency Bonds	98,749,586	43,341,183	24,114,988	31,293,416	-	98,749,586
Asset Backed Securities	11,770,661	4,259	11,088,024	678,378	-	11,770,661
Corporate Bonds	57,713,818	17,407,407	28,476,626	11,829,785	-	57,713,818
Certificates of Deposit	15,103,120	15,103,120	-	-	-	15,103,120
Commercial Papers	13,516,481	13,516,481	-	-	-	13,516,481
LAIF	16,378,058	16,378,058	-	-	-	16,378,058
Supranationals	8,001,215	2,313,799	5,687,417	-	-	8,001,215
Investments with Fiscal Agent:						
Money Market Funds	8,841,005	8,841,005	-	-	-	8,841,005
U.S. Treasury Bills	102,904	102,904	-	-	-	102,904
U.S. Treasuries	72,720	72,720	-	-	-	72,720
	<u>\$ 277,455,458</u>	<u>\$ 131,768,998</u>	<u>\$ 96,681,766</u>	<u>\$ 49,004,694</u>	<u>\$ -</u>	<u>\$ 277,455,458</u>

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

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

The City's asset backed securities pay monthly coupons, at which time principal may be paid down. As of June 30, 2019, the City held asset backed securities of \$11,770,661.

Investments with make whole call provisions generally may be called any time, but the terms of the call price generally mitigate the financial impact of a call. As of June 30, 2019, the City held corporate bonds with make whole call provisions as summarized below:

Maturity	Value
August 2019	\$ 2,212,376
September 2019	1,222,366
October 2019	494,586
December 2019	1,011,950
January 2020	1,631,730
February 2020	1,397,046
May 2020	124,530
June 2020	1,494,795
September 2020	642,730
February 2021	703,871
May 2021	3,072,290
July 2021	1,978,380
December 2021	512,890
January 2023	1,016,060
May 2023	1,009,900
January 2024	1,045,790
	<u>\$ 19,571,290</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Investments with call dates may be called anytime on or after the call date. As of June 30, 2019, the City held corporate bonds with call dates as summarized below:

Maturity	Value	Call Date
September 2019	\$ 1,300,039	August 2019
October 2019	249,858	September 2019
January 2020	2,249,303	December 2019
March 2020	494,480	February 2020
February 2021	449,208	January 2021
April 2021	1,508,250	March 2021
December 2021	1,008,310	November 2021
January 2022	1,010,690	December 2021
February 2022	1,749,852	January 2022
August 2023	994,790	June 2023
February 2024	2,092,760	January 2024
	\$ 13,107,539	

Investments may have both a make whole call provision and a regular call date. As of June 30, 2019, the City held corporate bonds with both a make whole call provision and a regular call date as summarized below:

Maturity	Value	Call Date
December 2020	\$ 1,001,570	November 2020
May 2021	3,632,386	April 2021
June 2021	1,504,050	May 2021
February 2022	2,016,520	November 2021
May 2022	2,021,420	March 2022
December 2022	1,023,960	October 2022
March 2023	1,016,160	January 2023
June 2023	2,102,060	May 2023
	\$ 14,318,126	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2019, the City did not have any investments (including investments held by fiscal agent) whose fair values were highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following schedule is the minimum rating (where applicable) required by the California Government Code, the City's investment policy, or debt agreements, and the actual rating by Standard & Poor's as of the June 30, 2019 for each investment type.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Investment Type	Fair Value	Minimum Legal											Not Rated			
		Rating	AAA	AAAm	AA+	AA	AA-	A-1+	A+	A	A-1	A-				
Money Market Funds	\$ 64,169	AAAm	\$ -	\$ 64,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Bills	4,995,150	N/A	-	-	-	-	-	4,995,150	-	-	-	-	-	-	-	-
U.S. Treasuries	42,146,571	N/A	-	-	42,146,571	-	-	-	-	-	-	-	-	-	-	-
U.S. Agency Bonds	98,749,586	N/A	-	-	98,749,586	-	-	-	-	-	-	-	-	-	-	-
Asset Backed Securities	11,770,661	AAA	7,447,084	-	-	-	-	-	-	-	-	-	-	-	-	4,323,576
Corporate Bonds	57,713,818	A	998,810	-	2,406,946	4,331,786	9,882,901	-	9,613,937	22,782,907	-	-	7,696,531	-	-	-
Certificates of Deposit	15,103,120	A-1	-	-	-	-	-	2,002,797	1,723,971	864,296	4,005,664	-	-	-	-	6,506,392
Commercial Papers	13,516,481	A-1	-	-	-	-	-	4,093,509	-	-	4,977,444	-	-	-	-	4,445,528
LAIF	16,378,058	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	16,378,058
Supranationals	8,001,215	AA	6,279,917	-	-	-	-	-	-	-	-	-	-	-	-	1,721,298
Investments with Fiscal Agent:																
Money Market Funds	8,841,005	AAm	-	8,841,005	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Treasury Bills	102,904	N/A	-	-	-	-	-	102,904	-	-	-	-	-	-	-	-
U.S. Treasuries	72,720	N/A	-	-	72,720	-	-	-	-	-	-	-	-	-	-	-
	\$ 277,455,458		\$ 14,725,811	\$ 8,905,174	\$ 143,375,824	\$ 4,331,786	\$ 9,882,901	\$ 11,194,360	\$ 11,337,908	\$ 23,647,203	\$ 8,983,109	\$ 7,696,531	\$ 33,374,851			

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FHLB	Federal agency securities	\$ 38,114,535
FHLMC	Federal agency securities	\$ 20,827,967
FNMA	Federal agency securities	\$ 20,109,314
FFCB	Federal agency securities	\$ 16,431,205

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2019, none of the City's deposits with financial institutions in excess of federal depository amounts were held in uncollateralized accounts.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

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

Investment in State Investment Pool

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

Limitations and restrictions apply to the City's investment in LAIF. Up to 15 transactions with LAIF are permitted each month. Balances in LAIF may not exceed \$65 million. LAIF requests one day prior notice for withdrawals of \$10 million or more.

Fair Value Measurements

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

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Following are the City's recurring fair value measurements as of June 30, 2019:

	Fair Value	Investments That Are Not Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 64,169	\$ 64,169	\$ -	\$ -	\$ -
U.S. Treasury Bills	4,995,150	-	-	4,995,150	-
U.S. Treasuries	42,146,571	-	-	42,146,571	-
U.S. Agency Bonds	98,749,586	-	-	98,749,586	-
Asset Backed Securities	11,770,661	-	-	11,770,661	-
Corporate Bonds	57,713,818	-	-	57,713,818	-
Certificates of Deposit	15,103,120	-	-	15,103,120	-
Commercial Papers	13,516,481	-	-	13,516,481	-
LAIF	16,378,058	16,378,058	-	-	-
Supranationals	8,001,215	-	-	8,001,215	-
Investments with Fiscal Agent:					
Money Market Funds	8,841,005	8,841,005	-	-	-
U.S. Treasury Bills	102,904	-	-	102,904	-
U.S. Treasuries	72,720	-	-	72,720	-
	<u>\$ 277,455,458</u>	<u>\$ 25,283,232</u>	<u>\$ -</u>	<u>\$ 252,172,226</u>	<u>\$ -</u>

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(5) Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2019
Non-depreciable:				
Land and rights of way	\$ 1,897,376,130	\$ -	\$ -	\$ 1,897,376,130
Work in progress	8,341,457	9,552,546	(6,763,267)	11,130,736
	<u>1,905,717,587</u>	<u>9,552,546</u>	<u>(6,763,267)</u>	<u>1,908,506,866</u>
Depreciable:				
Structures	231,031,935	1,864,520	(44,937)	232,851,518
Equipment	49,602,495	4,174,231	(1,495,822)	52,280,904
Infrastructure	360,777,085	14,864,009	(3,119,024)	372,522,070
	<u>641,411,515</u>	<u>20,902,760</u>	<u>(4,659,783)</u>	<u>657,654,492</u>
Less accumulated depreciation for:				
Structures	(39,655,445)	(4,980,437)	35,879	(44,600,003)
Equipment	(29,864,835)	(4,546,581)	1,495,479	(32,915,937)
Infrastructure	(161,058,848)	(7,380,549)	2,019,324	(166,420,073)
	<u>(230,579,128)</u>	<u>(16,907,567)</u>	<u>3,550,682</u>	<u>(243,936,013)</u>
Net Depreciable	<u>410,832,387</u>	<u>3,995,193</u>	<u>(1,109,101)</u>	<u>413,718,479</u>
Net Capital Assets	<u>\$ 2,316,549,974</u>	<u>\$ 13,547,739</u>	<u>\$ (7,872,368)</u>	<u>\$ 2,322,225,345</u>

Governmental Activities capital assets net of accumulated depreciation at June 30, 2019 are comprised of the following:

General Capital Assets, net	\$ 2,306,368,630
Internal Service Fund Capital Assets, net	<u>15,856,715</u>
	<u>\$ 2,322,225,345</u>

CITY OF NEWPORT BEACH
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Business-type Activities:

	Beginning Balance, As Restated	Additions	Deletions	Balance June 30, 2019
Non-depreciable:				
Land and rights of way	\$ 2,219,450	\$ -	\$ -	\$ 2,219,450
Work in progress	3,690,241	288,902	(3,690,241)	288,902
	<u>5,909,691</u>	<u>288,902</u>	<u>(3,690,241)</u>	<u>2,508,352</u>
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	260,162	28,214	-	288,376
Infrastructure*	180,894,367	6,368,414	(1,764,931)	185,497,850
	<u>181,842,925</u>	<u>6,396,628</u>	<u>(1,764,931)</u>	<u>186,474,622</u>
Less accumulated depreciation for:				
Structures	(233,427)	(15,357)	-	(248,784)
Equipment	(123,234)	(14,717)	-	(137,951)
Infrastructure*	(68,020,359)	(2,160,789)	931,259	(69,249,889)
	<u>(68,377,020)</u>	<u>(2,190,863)</u>	<u>931,259</u>	<u>(69,636,624)</u>
Net Depreciable	<u>113,465,905</u>	<u>4,205,765</u>	<u>(833,672)</u>	<u>116,837,998</u>
Net Capital Assets	<u>\$ 119,375,596</u>	<u>\$ 4,494,667</u>	<u>\$ (4,523,913)</u>	<u>\$ 119,346,350</u>

*Beginning balance amount for infrastructure asset class and associated accumulated depreciation includes prior restatement. The net affect on infrastructure was \$750,925. See note (17) for additional detail.

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

	Governmental Activities*	Business-type Activities
General government	\$ 4,912,023	\$ -
Public safety	1,773,119	-
Public works	7,550,942	-
Community development	5,082	-
Community service	2,666,401	-
Water	-	1,559,304
Wastewater	-	631,559
	<u>\$ 16,907,567</u>	<u>\$ 2,190,863</u>

*Internal Service Fund depreciation of \$3,694,538 is allocated to governmental functions above.

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(6) Long-Term Liabilities

Changes in Long-Term Liabilities

The long-term liabilities for the year ended June 30, 2019, are as follows:

	Beginning Balance, As Restated	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Other debt:					
Certificates of participation payable	\$ 107,410,000	\$ -	\$ (3,310,000)	\$ 104,100,000	\$ 3,405,000
Bond premium	241,106	-	(120,553)	120,553	-
Direct borrowing:					
CDBG loan	916,000	-	(160,000)	756,000	171,000
Other long-term liabilities:					
Workers' compensation payable	16,489,000	2,351,675	(2,570,675)	16,270,000	3,130,491
Claims and judgments payable	12,944,391	1,296,366	(7,288,850)	6,951,907	2,285,850
Compensated absences*	12,599,247	2,498,135	(2,528,405)	12,568,977	2,980,644
Total governmental activities	<u>\$ 150,599,744</u>	<u>\$ 6,146,176</u>	<u>\$ (15,978,483)</u>	<u>\$ 140,767,437</u>	<u>\$ 11,972,985</u>

* The beginning balance amount includes a \$2,206,900 prior period restatement. This restatement was to include the liability for the old Retiree Health Savings Plan ("RHS") which was closed in January 2006. See Notes (11) and (17) for additional detail.

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

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to finance the acquisition, improvement and equipping of the Civic Center Project. The Series 2010B Certificates were issued to provide additional financing for the Civic Center Project. The proceeds of the Certificates were applied to pay certain costs of issuance incurred in connection with the Certificates.

The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began January 1, 2011, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2010A Certificates 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, 2019 the City has received \$20,575,385 of BABs Subsidy from the United States Treasury and expects to receive subsidy equal to about 33% on future interest payable on the 2010B Certificates. Principal payments are payable annually on July 1 of each year. The remaining principal payment for the Series 2010A, which commenced July 1, 2011 and continue through July 1, 2019, is \$425,000. The future principal payments for the Series 2010B Certificates, which commence July 1, 2018 and are payable through July 1, 2040, range from \$2,980,000 to \$7,245,000, with the remaining principal totaling \$103,675,000. Therefore, the total outstanding balance at June 30, 2019 amounted to \$104,100,000. The following assets have been pledged as collateral for the outstanding balance: Central Library, Civic Center, Fire Station 3, Fire Station 4, Fire Station 7, Mariner's Library, Newport Coast Community Center, Oasis Senior Center and the Police Station.

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 3,405,000	\$ 7,052,048	\$ 10,457,048
2021	3,065,000	6,895,351	9,960,351
2022	3,165,000	6,733,265	9,898,265
2023	3,275,000	6,556,869	9,831,869
2024	3,390,000	6,365,978	9,755,978
2025-2029	19,270,000	28,054,662	47,324,662
2030-2034	24,115,000	20,386,711	44,501,711
2035-2039	30,250,000	10,695,373	40,945,373
2040-2041	14,165,000	1,026,996	15,191,996
	<u>\$ 104,100,000</u>	<u>\$ 93,767,253</u>	<u>\$ 197,867,253</u>

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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 \$171,000 to \$208,000 through June 30, 2023. The outstanding balance at June 30, 2019, amounts to \$756,000.

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 171,000	\$ 14,890	\$ 185,890
2021	182,000	11,480	193,480
2022	195,000	7,387	202,387
2023	208,000	2,548	210,548
	<u>\$ 756,000</u>	<u>\$ 36,305</u>	<u>\$ 792,305</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, 2019, 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, 2019, for general liability amounted to \$6,951,907 and for workers' compensation was \$16,270,000.

- 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, 2019, is \$12,568,977. Compensated absences are liquidated from the Compensated Absences internal service fund.

- Unused Credit

The City has an unused line of credit in the amount of \$1,000,000 and an unused letter of credit in the amount of \$470,000.

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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, 2019, 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, 2019</u>
Reassessment District 2012	\$13,583,436	\$4,501,380
Assessment District No. 117	\$ 2,955,000	\$2,935,000

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

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

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

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

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

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

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accounts for part-time or full-time employees. The total charge allocated to each of the funds is calculated using trends in actual experience after considering unexpected and unusual claims.

Fund liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The total liability claims payable includes \$23,222,907, which represents the discounted present value at June 30, 2019. The claims are discounted using an interest rate of 3.0 percent.

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Unpaid claims, beginning of fiscal year	\$ 12,082,306	\$ 12,944,391	\$ 17,417,000	\$ 16,489,000
Incurred claims (including IBNR)	4,856,434	1,349,670	1,932,818	2,351,675
Claim payments	<u>(3,994,349)</u>	<u>(7,341,154)</u>	<u>(2,860,818)</u>	<u>(2,570,675)</u>
Unpaid claims, end of fiscal year	<u>\$ 12,944,391</u>	<u>\$ 6,952,907</u>	<u>\$ 16,489,000</u>	<u>\$ 16,270,000</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 \$115,842,011 at June 30, 2019.

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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 to 62 with statutorily reduced benefits. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, the Optional Settlement 2W Death Benefit, or the 1957 Survivor Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

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The Plans' provisions and benefits in effect for the measurement period ended June 30, 2018 are summarized as follows:

	Miscellaneous		
	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5%@55	2.0%@60	2.0%@62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	12.35% - 13.0%	12.35% - 13.0%	12.35% - 13.0%
Required employer contribution rates	24.498% - 25.148%	24.498% - 25.148%	24.498% - 25.148%
	Safety		
	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
Hire date			
Benefit formula	3.0%@50	2.0%@50; 3.0%@55	2.7%@57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% - 2.7%; 2.4% - 3.0%	2.0% to 2.7%
Required employee contribution rates	12.0% - 14.6%	12.0% - 14.6%	12.0% - 14.6%
Required employer contribution rates	60.082% - 62.682%	60.082% - 62.682%	60.082% - 62.682%

Employees Covered – At the measurement date of June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	636	439
Inactive employees entitled to but not yet receiving benefits	559	88
Active employees	514	264
Total	<u>1,709</u>	<u>791</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. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an

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additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

b. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The General fund and Tidelands funds have typically been used in prior years to liquidate the net pension liability. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll growth	3.00%	3.00%
Projected salary increase	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	
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter	

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

⁽²⁾ The mortality table was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

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All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

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

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

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

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

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

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

⁽²⁾ An expected inflation of 2.0% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

Subsequent Events

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

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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)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at June 30, 2017	\$ 400,617,677	\$ 279,475,247	\$ 121,142,430
Changes in the year:			
Service cost	7,334,861	-	7,334,861
Interest on the total pension liability	28,226,598	-	28,226,598
Changes in benefit terms	-	-	-
Changes of assumptions	(2,522,093)	-	(2,522,093)
Differences between expected and actual experience	2,243,854	-	2,243,854
Net Plan to Plan Resource Movement	-	(700)	700
Contribution – employer	-	15,797,595	(15,797,595)
Contribution – employee	-	3,979,337	(3,979,337)
Net investment income	-	23,855,196	(23,855,196)
Benefit payments, including refunds of employee contributions	(18,458,539)	(18,458,539)	-
Administrative Expense	-	(435,499)	435,499
Other Miscellaneous Income/(Expense) ¹	-	(827,021)	827,021
Net changes	<u>16,824,681</u>	<u>23,910,369</u>	<u>(7,085,688)</u>
Balance at June 30, 2018	<u>\$ 417,442,358</u>	<u>\$ 303,385,616</u>	<u>\$ 114,056,742</u>

¹ During FY 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

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<u>Safety Plan:</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017	\$ 546,211,637	\$ 341,710,956	\$ 204,500,681
Changes in the year:			
Service cost	9,223,465	-	9,223,465
Interest on the total pension liability	38,458,387	-	38,458,387
Changes in benefit terms	-	-	-
Changes of assumptions	(1,630,045)	-	(1,630,045)
Differences between expected and actual experience	3,278,018	-	3,278,018
Net Plan to Plan Resource Movement	-	(855)	855
Contribution – employer	-	26,779,897	(26,779,897)
Contribution – employee	-	3,104,318	(3,104,318)
Net investment income	-	29,064,749	(29,064,749)
Benefit payments, including refunds of employee contributions	(29,183,598)	(29,183,598)	-
Administrative Expense	-	(532,480)	532,480
Other Miscellaneous Income/(Expense) ¹	-	(1,011,188)	1,011,188
Net changes	20,146,227	28,220,843	(8,074,616)
Balance at June 30, 2018	\$ 566,357,864	\$ 369,931,799	\$ 196,426,065

¹ During FY 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

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

	Miscellaneous	Safety
1% Decrease	6.15%	6.15%
Net Pension Liability	\$170,176,089	\$270,694,502
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$114,056,742	\$196,426,065
1% Increase	8.15%	8.15%
Net Pension Liability	\$67,681,816	\$135,060,013

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, 2019, the City recognized pension expense of \$41,950,334 (\$16,584,589 Miscellaneous Plan and \$25,365,745 Safety Plan). At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,713,898	\$ -
Differences between expected and actual experience	1,520,030	(1,637,617)
Changes in assumptions	7,538,808	(1,708,515)
Net differences between projected and actual earnings on plan investments	561,069	-
Total Miscellaneous Plan	<u>\$ 25,333,805</u>	<u>\$ (3,346,132)</u>
	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 28,346,069	\$ -
Differences between expected and actual experience	2,497,538	(1,752,144)
Changes in assumptions	16,105,554	(2,332,244)
Net differences between projected and actual earnings on plan investments	965,219	-
Total Safety Plan	<u>\$ 47,914,380</u>	<u>\$ (4,084,388)</u>
Grand Total	<u>\$ 73,248,185</u>	<u>\$ (7,430,520)</u>

\$44,059,967 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, 2020. Other amounts reported as deferred outflows of

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resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Misc.	Safety	Total Amount
2020	\$ 9,271,608	\$ 9,758,825	\$ 19,030,433
2021	665,436	7,722,008	8,387,444
2022	(2,873,693)	(1,136,381)	(4,010,074)
2023	(789,576)	(860,529)	(1,650,105)
Thereafter	-	-	-

e. Payable to the Pension Plan

At June 30, 2019, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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, 2019, the City's covered payroll for employees participating in the plan was \$3,788,052. Employees made contributions of \$142,053 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,467,826 at June 30, 2019.

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

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

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Plan Description

Effective January 2006, the City and employee associations agreed to major changes in the Post-Employment Health Care Plan. All employees and eligible retirees will participate in a Retiree Health Savings (“RHS”) sponsored by the City, the single employer of the plan and held in trust and managed by the International City Management Association Retirement Corporation (“ICMA-RC”) (Trustee), under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

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

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

For fully converted employees, the City will make a one-time contribution into their individual RHS account of \$100 per month for every month the employee contributed to the previous defined benefit plan, for a maximum of 15 years. For employees who elected to retain a hybrid plan, the City will make a one-time contribution into their individual RHS account of \$75 per month for every month the employee contributed to the previous defined plan for a maximum of 15 years. In order to receive this, the employee must retire from the City. At June 30, 2019, the liability for the conversion part of the RHS Plan was \$2,009,225. It is not included in the Net OPEB Liability, but is included in the compensated absences liability. See Notes (6) and (17).

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

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Employees Covered

As of the measurement date June 30, 2018, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees, spouses, or beneficiaries currently receiving benefits	692
Inactive employees or beneficiaries entitled to but not yet receiving benefits	-
Active employees	782
Total	<u>1,474</u>

Contributions

Contribution requirements are established by City policy and may be amended by the City council. The annual contribution is based on the actuarially determined contribution. As of measurement period June 30, 2018, the City's cash contributions were \$4,507,041 to the trust in premium payments, the estimated implicit subsidy was \$626,021, resulting in total payment of \$5,133,062.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017, rolled forward to June 30, 2018 using standard update procedures. The General fund and Tidelands funds have typically been used in prior years to liquidate the net OPEB liability. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Projected Salary Increase	3% per annum, in aggregate
Expected long term investment rate of return	6.50%
Healthcare Cost Trend Rates	6.00% HMO/6.50% PPO
Post Retirement Turnover	Derived from CalPERS pension plan
Mortality	Derived from CALPERS pension plan updated to reflect most recent experience study

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The actuarial assumptions used in the June 30, 2017 valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<i>CERBT</i>		
Global Equity	57.00%	5.50%
Global Debt Securities	27.00%	2.35%
Inflation Assets	5.00%	1.50%
Commodities	3.00%	1.75%
REITs	8.00%	3.65%
Total	100.00%	

Discount Rate

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

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Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	\$ 44,614,266	\$ 19,094,690	\$ 25,519,576
Changes in the year:			
Service cost	509,434	-	509,434
Interest on the total OPEB liability	2,814,685	-	2,814,685
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	4,675,193	(4,675,193)
Contributions - employees	-	-	-
Net investment income	-	1,605,114	(1,605,114)
Benefit payments, including refunds of employee contributions	(3,641,715)	(3,641,715)	-
Administrative expenses	-	(11,076)	11,076
Other expense	-	(25,258)	25,258
Net changes	<u>(317,596)</u>	<u>2,602,258</u>	<u>(2,919,854)</u>
Balance at June 30, 2018	<u>\$ 44,296,670</u>	<u>\$ 21,696,948</u>	<u>\$ 22,599,722</u>

Change of Assumptions

There was no change of assumptions.

Change of Benefit Terms

There was no change of benefit terms.

Subsequent Events

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

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Notes to Basic Financial Statements
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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	\$ 27,140,008	\$ 22,599,722	\$ 18,755,934

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (5.00% HMO/5.50% PPO) or 1-percentage point higher (7.00% HMO/7.50% PPO) than current healthcare cost trend rates:

	1% Decrease (5.0%HMO/5.5%PPO decreasing to 4.0%HMO/4.0%PPO)	Current Healthcare Cost Trend Rates (6.0%HMO/6.5%PPO decreasing to 5.0%HMO/5.0%PPO)	1% Increase (7.0%HMO/7.5%PPO decreasing to 6.0%HMO/6.0%PPO)
Net OPEB Liability	\$ 21,013,995	\$ 22,599,722	\$ 24,885,025

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$1,862,355. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 5,133,062	\$ -
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(739,918)
Total	\$ 5,133,062	\$ (739,918)

The net difference between projected and actual earnings on plan investment is amortized over a five year period.

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An amount of \$5,133,062, which is reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

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

Year Ending June 30	Amount
2020	(224,536)
2021	(224,536)
2022	(224,534)
2023	(66,312)

Payable to the OPEB Plan

At June 30, 2019, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

(12) Interfund Receivables and Payables

At June 30, 2019, interfund advances receivable and payable were as follows:

	Advance from	Advance to
General Fund	\$ 11,926,659	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	11,926,659
Total	\$ 11,926,659	\$ 11,926,659

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

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

Harbor Capital Fund Advance - Repayment Terms (Zero Interest Advance)			
Fiscal Year	Advance #1 Dredging Projects Repayment	Advance #2 Marina Park Project Repayment	Total Repayment
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	\$ 6,426,659	\$ 5,500,000	\$ 11,926,659

At June 30, 2019, interfund receivables and payable were as follows:

	Due from	Due to
General Fund	\$ 1,901,947	\$ -
Facilities Financial Planning Reserve Fund	5,784,677	-
Civic Center COP	-	5,784,677
Internal Service Funds	-	1,848,677
Other Governmental Funds	-	53,270
Total	\$ 7,686,624	\$ 7,686,624

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

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(13) Interfund Transfers

Interfund transfers at June 30, 2019, consisted of the following:

		Transfers In						
		Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Facilities Financial Planning Reserve	Civic Center COP	Internal Service Funds	Other Governmental Funds	Total
Transfers Out	General Fund	\$ 8,236,646	\$ 4,000,000	\$ 8,500,000	\$ -	\$ 4,884,000	\$ 9,203,885	\$34,824,531
	Facilities Financial Planning Reserve	-	-	-	8,122,169	-	16,601,832	24,724,001
	Total	<u>\$ 8,236,646</u>	<u>\$ 4,000,000</u>	<u>\$ 8,500,000</u>	<u>\$ 8,122,169</u>	<u>\$ 4,884,000</u>	<u>\$ 25,805,717</u>	<u>\$59,548,532</u>

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred \$8,236,646 to subsidize the maintenance and operation of the Tide and Submerged Land – Operating Fund; \$4,000,000 to the Tide and Submerged Land – Harbor Capital Fund to cash fund Harbor Capital projects; \$8,500,000 to the Facilities Financial Planning Reserve Fund to cash fund construction projects for General Fund supported facilities; \$4,200,000 to the General Liability internal service fund; \$684,000 to the Equipment Maintenance internal service fund which includes \$534,000 for 800 MHZ radios and \$150,000 for equipment replacement; \$9,203,885 to Other Governmental Funds which includes \$2,428,885 to the Neighborhood Enhancement Fund to fund construction projects and acquire Rule 20A credits, \$1,000,000 to the Facilities Maintenance Fund, and \$5,775,000 to the Unrestricted Capital Improvements Fund for General Fund capital improvements.

The Facilities Financial Planning Reserve Fund transferred \$8,122,169 to the Civic Center COP Fund for the debt service payments related to the Civic Center Certificates of Participation; \$16,601,832 to Other Governmental Funds to cash fund construction projects which includes \$12,851,434 to the Fire Stations Fund; \$3,300,400 to the Parks and Community Centers Fund, and \$449,998 to the West Newport Community Center Fund.

(14) Joint Venture Agreements

Bonita Canyon Public Facilities Financing Authority

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint venture formed by the City of Newport Beach, Irvine Unified School District, and Newport-Mesa Unified School District. The Authority’s Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities

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District 98-1 to finance public facilities that will benefit the properties within their boundaries. In 1998, the Authority issued \$45,000,000 of special tax bonds to be repaid by special assessments. The Authority paid the City \$30,577,712 (81.7%) to pay for the costs of acquiring and constructing public facilities including parks and road improvements. In Fiscal Year 2011-12, the Authority issued \$38,330,000 of special tax bonds to refinance the 1998 Series. In Fiscal Year 2017-18, the Authority issued \$28,245,000 of special tax bonds to refinance the 2012 series; the City is not obligated in any manner to repay the bonds. At June 30, 2019, the contributions from property owners have been fully spent and no funds are held in trust as cash with fiscal agent. The City does not make any annual contributions to this joint venture. The City does not include the Authority as a component unit, as the City is not financially accountable for the Authority's activities and the Authority is not fiscally dependent on the City. The City's equity interest in this joint venture is not readily determinable. Complete separate financial statements can be obtained at the Newport Mesa Unified School District, 2985 Bear Street, Suite 8M, Costa Mesa, California.

Metro Cities Fire Authority

The City of Newport Beach is a member of a joint venture agreement with the cities of Anaheim, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, and Orange for the operation of a communication network to provide fire suppression, emergency medical assistance, and rescue services. The oversight board consists of one voting member and one alternate appointed by the governing body of each member agency. The City of Newport Beach's costs are based each fiscal year upon the number of recorded incidents 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 \$642,191. The City's 9.79% interest in the net equity of this joint venture at June 30, 2019, amounts to \$187,393. Complete separate financial statements can be obtained at the Metro Cities Fire Authority offices at 201 S. Anaheim Boulevard, Suite 302, Anaheim, California.

Integrated Law and Justice Agency of Orange County

The City is a participant in a joint venture agreement with several other public agencies in Orange County for the operation of the Integrated Law and Justice Agency of Orange County (ILJAOC). The ILJAOC went into effect in fiscal year 2007, and consists of 25 member agencies, with an oversight board consisting of 16 members from the participating agencies and 1 alternate. Annually, each member agency pays a percentage of the operating and replacement costs for the ILJAOC. The City's annual contribution and interest in the net equity of this joint venture was immaterial as of June 30, 2019. 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

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all operating activities of the ILJAOC. Complete separate financial statements can be obtained from the City of Brea, 1 Civic Center Circle, Brea, California 92821.

(15) Commitments and Contingencies

Claims and Judgments

Numerous claims and suits have been filed against the City in the normal course of business. The estimated liability under such claims, based upon information received from the City Attorney, contracted attorneys and the Risk Manager, has been estimated and recorded as accrued claims and judgments payable. (See Notes 6 and 8.)

Operating Agreements

The City of Newport Beach first entered into an agreement with Visit Newport Beach Inc. (VNB), a legally separate non-profit marketing organization, in 1987. The primary responsibility of the VNB is to attract additional visitor business by promoting the City as the premier tourist and business destination in Orange County. The VNB is governed by an Executive Committee comprised of seven individuals not appointed by the City Council of the City of Newport Beach. The current agreement was entered into on September 27, 2011 and subsequently amended on January 28, 2014 extending the agreement through December 31, 2024. The City pays VNB 18% of the Total Transient Occupancy Tax collected during the fiscal year. For the Fiscal Year ending June 30, 2019, the City paid VNB \$5,419,846.

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
UUD 22 Balboa Blvd	\$ 2,372,732	\$ -	\$ 2,051,709
MacArthur Blvd University Dr Pavement Rehab	2,660,302	408,324	2,021,037
CDM Fire Station 5 / Library	7,093,328	5,652,695	1,070,311
Slurry Seal Program	1,028,600	37,579	922,629
Grand Canal Dredging	1,459,213	599,437	833,594
Traffic Signal Rehabilitation Program	750,000	48,942	606,979

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

	Major Governmental Funds				Other Governmental Funds			Total
	General	Tide and Submerged Land Operating	Tide and Submerged Land Harbor Capital	Measure M	Special Revenue Funds	Capital Project Funds	Permanent Funds	
Drainage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 295,159	\$ -	\$ 295,159
Streets	-	1,298	-	1,014,797	3,486,887	2,424,890	-	6,927,872
Facilities	-	-	-	-	-	1,546,302	-	1,546,302
Miscellaneous and studies	-	-	-	-	-	405,827	-	405,827
Parks	-	-	-	-	-	322,675	-	322,675
Contract services	1,082,123	-	-	-	-	37,185	-	1,119,308
Supplies and materials	273,871	-	-	-	-	-	-	273,871
Maintenance and repairs	364,248	-	-	-	-	384,084	-	748,332
General	23,985	-	-	-	-	-	-	23,985
Beaches	-	4,901	-	-	-	-	-	4,901
Marinas	-	492,884	30,247	-	-	-	-	523,131
Dredging	-	15,897	1,254,576	-	-	-	-	1,270,473
Equipment	-	-	-	-	-	-	10,905	10,905
Total encumbrances	\$ 1,744,227	\$ 514,980	\$ 1,284,823	\$ 1,014,797	\$ 3,486,887	\$ 5,416,122	\$ 10,905	\$ 13,472,741

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(16) Fund Balance

Governmental Fund Balance at June 30, 2019, is classified as follows:

							Other Governmental Funds			Totals
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Measure M	Facilities Financial Planning Reserve	Civic Center COP	Special Revenue Funds	Capital Project Funds	Permanent Funds	
Nonspendable:										
Prepaid items (legally restricted)	\$ 981,590	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,764	\$ -	\$ -	\$ 1,067,354
Inventories (legally restricted)	238,972	-	-	-	-	-	-	-	-	238,972
Long-term loan receivable (form restricted)	11,926,659	-	-	-	-	-	-	-	-	11,926,659
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:										
Affordable housing	1,541,646	-	-	-	-	-	-	-	-	1,541,646
Oceanfront encroachment	1,210,022	-	-	-	-	-	-	-	-	1,210,022
Upper Newport bay restoration	-	944,964	-	-	-	-	-	-	-	944,964
Cable franchise reserve	1,831,649	-	-	-	-	-	-	-	-	1,831,649
Community development	174,120	-	-	-	-	-	-	-	-	174,120
Streets and highways	-	-	-	-	-	-	285,886	-	-	285,886
Public safety	-	-	-	-	-	-	751,697	-	-	751,697
Parks	-	-	-	-	-	4,238,025	208,445	-	-	4,446,470
Facilities	-	-	-	-	-	-	208,445	-	-	208,445
Transportation	-	-	-	-	-	-	2,044,796	-	-	2,044,796
Air quality improvement	-	-	-	-	-	-	1,075,913	-	-	1,075,913
Environmental liability mitigation	-	-	-	-	-	-	7,257,574	-	-	7,257,574
Dredging	-	-	5,433,700	-	-	-	-	-	1,394,832	6,828,532
Libraries	-	-	-	-	-	-	-	-	183,254	183,254
Scholarships	-	-	-	-	-	-	-	-	218,940	218,940
Fin	-	-	-	-	-	-	1,319,324	-	-	1,319,324
Debt service	-	-	-	-	-	-	2,362,228	-	-	2,362,228
Capital re-appropriations	-	4,269,495	414,275	1,096,699	-	-	4,002,431	1,934,853	-	11,717,753
Encumbrance reserve:										
Beaches	-	4,901	-	-	-	-	-	-	-	4,901
Marinas	-	492,884	30,247	-	-	-	-	-	-	523,131
Dredging	-	15,897	1,254,576	-	-	-	-	-	-	1,270,473
Streets	-	1,298	-	1,014,797	-	-	3,486,887	-	-	4,502,982
Equipment	-	-	-	-	-	-	-	-	10,905	10,905
Committed:										
Seawalls	2,000,000	-	-	-	-	-	-	-	-	2,000,000
Neighborhood projects	5,071,115	-	-	-	-	-	-	-	-	5,071,115
Workers' compensation	3,000,000	-	-	-	-	-	-	-	-	3,000,000
Facilities replacement	1,520,333	-	-	-	10,059,387	-	-	-	-	11,579,720
Facilities maintenance	-	-	-	-	-	-	-	703,399	-	703,399
Civic center and park	-	-	-	-	-	-	-	1,663,407	-	1,663,407
Fire station	-	-	-	-	-	-	-	952,193	-	952,193
Oil and gas liabilities	-	680,000	-	-	-	-	-	-	-	680,000
Parks and community centers	-	-	-	-	-	-	-	1,185,358	-	1,185,358
Parking management	-	-	-	-	-	-	-	7,405	-	7,405
Neighborhood enhancement	-	-	-	-	-	-	-	83,627	-	83,627
Capital re-appropriations	-	-	-	-	-	-	-	19,981,226	-	19,981,226
Encumbrance reserve:										
Drainage	-	-	-	-	-	-	-	295,159	-	295,159
Streets	-	-	-	-	-	-	-	2,424,890	-	2,424,890
Facilities	-	-	-	-	-	-	-	1,546,302	-	1,546,302
Miscellaneous and studies	-	-	-	-	-	-	-	405,827	-	405,827
Parks	-	-	-	-	-	-	-	322,675	-	322,675
Contract services	1,082,123	-	-	-	-	-	-	37,185	-	1,119,308
Supplies and materials	273,871	-	-	-	-	-	-	-	-	273,871
Maintenance and repairs	364,248	-	-	-	-	-	-	384,084	-	748,332
General	23,985	-	-	-	-	-	-	-	-	23,985
Assigned:										
Recreation and senior services	599,269	-	-	-	-	-	-	-	-	599,269
Fair value adjustment reserve	600,413	-	-	-	-	-	-	-	-	600,413
Unassigned:	64,146,123	-	-	-	-	-	-	(253)	-	64,145,870
Total fund balances	\$96,586,138	\$ 6,409,439	\$ 7,132,798	\$ 2,111,496	\$ 14,297,412	\$ 2,362,228	\$ 20,727,161	\$31,927,337	\$ 6,437,712	\$187,991,721

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

(17) Net Position/Fund Balance Restatement

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

<u>Government-wide:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at June 30, 2018, as previously reported	\$ 2,138,806,445	\$ 147,808,053
Adjustment to capital assets	-	750,925
Adjustment for compensated absences liability	(2,206,900)	-
Net position at July 1, 2018, as restated	<u>\$ 2,136,599,545</u>	<u>\$ 148,558,978</u>
<u>Proprietary Funds:</u>	<u>Water</u>	<u>Service Funds</u>
Net position at June 30, 2018, as previously reported	\$ 117,182,781	\$ 21,243,282
Adjustment to capital assets	750,925	-
Adjustment for compensated absences liability	-	(2,206,900)
Net position at July 1, 2018, as restated	<u>\$ 117,933,706</u>	<u>\$ 19,036,382</u>

The prior period adjustment for capital assets is due to the correction of a misclassification of an asset type within the water infrastructure system. See Note (5) for more details.

The prior period adjustment for compensated absences liability is to include a liability for the old Retiree Health Saving Plan (“RHS”), which was closed and converted to a new RHS Plan in January 2006. See Notes (6) and (11) for more details.

(18) Subsequent Events

Limited Obligation Bond Issue for Assessment District No. 116

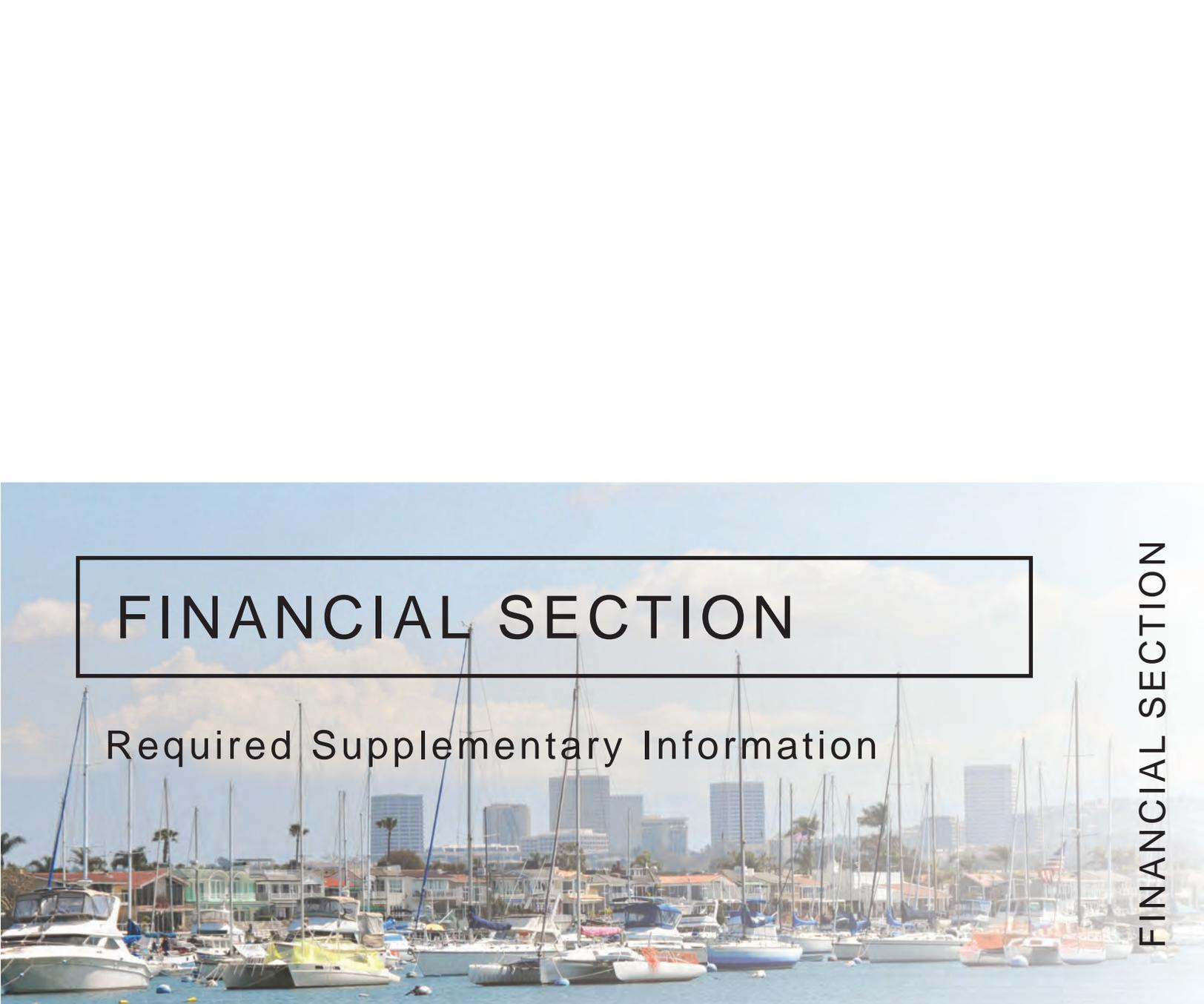
On July 23, 2019 the City issued \$1,575,000 of Assessment District No. 116 Limited Obligation Improvement Bonds pursuant to the provisions of the Improvement Bond Act of 1915. The bonds are issued in serial maturities over twenty years ranging from 2.0% to 3.0%. The bond proceeds will primarily be used to provide financing to underground power, telephone and cable facilities in the Improvement Area. Bond proceeds will also be used to establish a debt service reserve fund and pay costs of issuance and capitalized interest on the bonds. Although the City will be collecting and disbursing funds for this district, 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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2019

Limited Obligation Bond Issue for Assessment District No. 116B

On July 23, 2019 the City issued \$665,000 of Assessment District No. 116B Limited Obligation Improvement Bonds pursuant to the provisions of the Improvement Bond Act of 1915. The bonds are issued in serial maturities over twenty years ranging from 2.0% to 3.0%. The bond proceeds will primarily be used to provide financing to underground power, telephone and cable facilities in the Improvement Area. Bond proceeds will also be used to establish a debt service reserve fund and pay costs of issuance and capitalized interest on the bonds. Although the City will be collecting and disbursing funds for this district, 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.

The City has evaluated other events and transactions for potential recognition disclosure through December 18, 2019, the date the financial statements were available to be issued.



FINANCIAL SECTION

Required Supplementary Information

FINANCIAL SECTION

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2019
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees

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

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

Notes to Schedule:

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

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes)

Change in Assumptions:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense. In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2019
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 12,374,026	\$ 11,924,053	\$ 10,412,963	\$ 9,943,342	\$ 7,117,065
Contributions in relation to the actuarially determined contributions	(15,713,898)	(15,742,587)	(10,412,963)	(9,943,342)	(7,117,065)
Contribution deficiency (excess)	\$ (3,339,872)	\$ (3,818,534)	\$ -	\$ -	\$ -
Covered payroll	\$ 42,153,383	\$ 41,468,634	\$ 41,727,563	\$ 40,031,404	\$ 38,512,011
Contributions as a percentage of covered payroll	37.28%	37.96%	24.95%	24.84%	18.48%

Notes to Schedule:

Valuation date:	6/30/2017	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age				
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value				
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.5% (3)	7.5% (3)	7.5% (3)	7.5% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 years (2.5%@55 and 2.0%@60) and 52 years (2.0%@62) **

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board

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

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2019
Last 10 Years *

Defined Benefit Plan for Safety Employees

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

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

Notes to Schedule:

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

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes)

Change in Assumptions:

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense. In 2014, amounts reported were based on the 7.5 percent discount rate.

City of Newport Beach
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2019
Last 10 Years *

Defined Benefit Plan for Safety Employees

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 22,227,698	\$ 21,524,636	\$ 19,338,360	\$ 18,466,207	\$ 13,393,374
Contributions in relation to the actuarially determined contributions	<u>(28,346,069)</u>	<u>(26,620,697)</u>	<u>(19,338,360)</u>	<u>(18,466,207)</u>	<u>(20,993,374)</u>
Contribution deficiency (excess)	<u>\$ (6,118,371)</u>	<u>\$ (5,096,061)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,600,000)</u>
Covered payroll	\$ 33,935,043	\$ 32,866,620	\$ 32,450,020	\$ 30,816,246	\$ 30,189,633
Contributions as a percentage of covered payroll	83.53%	81.00%	59.59%	59.92%	69.54%

Notes to Schedule:

Valuation date:	6/30/2017	6/30/2015	6/30/2014	6/30/2013	6/30/2012
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age				
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value				
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.5% (3)	7.5% (3)	7.5% (3)	7.5% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 years (2.5% @55 and 2.0% @60) and 52 years (2.0% @62) **

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board

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

City of Newport Beach
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2019
Last 10 Years *

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

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

Notes to Schedule:

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

City of Newport Beach
 Post-Employment Health Care Benefits (OPEB) Retirement Plan
 As of June 30, 2019
 Last 10 Years *

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

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

Notes to Schedule:

Valuation date:	June 30, 2017	June 30, 2017
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* Fiscal year 2018 was the first year of implementation, therefore only two years are shown.

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FINANCIAL SECTION

Supplementary Information
Other Governmental Funds

FINANCIAL SECTION

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OTHER GOVERNMENTAL FUNDS

Other Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Capital Projects Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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Special Revenue

	<u>State Gas Tax</u>	<u>SB1 Gas Tax RMRA</u>	<u>Asset Forfeiture</u>	<u>OTS DUI Grant</u>
Assets				
Cash and investments	\$ 3,125,874	\$ 1,860,014	\$ 752,101	\$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	285,332	-	53,270
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
	<u>3,125,874</u>	<u>2,145,346</u>	<u>752,101</u>	<u>53,270</u>
Total assets	<u>\$ 3,125,874</u>	<u>\$ 2,145,346</u>	<u>\$ 752,101</u>	<u>\$ 53,270</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 173,812	\$ 260,925	\$ 404	\$ -
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	53,270
	<u>173,812</u>	<u>260,925</u>	<u>404</u>	<u>53,270</u>
Total liabilities	<u>173,812</u>	<u>260,925</u>	<u>404</u>	<u>53,270</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	2,952,062	1,884,421	751,697	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>2,952,062</u>	<u>1,884,421</u>	<u>751,697</u>	<u>-</u>
Total fund balances (deficits)	<u>2,952,062</u>	<u>1,884,421</u>	<u>751,697</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,125,874</u>	<u>\$ 2,145,346</u>	<u>\$ 752,101</u>	<u>\$ 53,270</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2019
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Special Revenue

	Circulation and Transportation	Building Excise Tax	Community Development Block Grant	Air Quality Management District
Assets				
Cash and investments	\$ 2,270,313	\$ 464,740	\$ -	\$ 1,075,914
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	34,048	29,315
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 2,270,313	\$ 464,740	\$ 34,048	\$ 1,105,229
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 25,517	\$ -	\$ 34,048	\$ -
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	25,517	-	34,048	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	29,316
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	2,244,796	464,740	-	1,075,913
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	2,244,796	464,740	-	1,075,913
Total liabilities, deferred inflows of resources and fund balances	\$ 2,270,313	\$ 464,740	\$ 34,048	\$ 1,105,229

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Special Revenue

	<u>Environmental Liability</u>	<u>Supplemental Law Enforcement</u>	<u>Contributions</u>	<u>FIIN</u>
Assets				
Cash and investments	\$ 7,873,553	\$ -	\$ 2,013,954	\$ 1,333,371
Receivables:				
Accounts (net of allowance)	6,311	-	59,350	-
Intergovernmental receivables	-	-	223,166	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	85,764	-	-	-
	<u>85,764</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,965,628</u>	<u>\$ -</u>	<u>\$ 2,296,470</u>	<u>\$ 1,333,371</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 26,420	\$ -	\$ 64,832	\$ 14,047
Unearned revenue	-	-	89,697	-
Due to other funds	-	-	-	-
	<u>26,420</u>	<u>-</u>	<u>154,529</u>	<u>14,047</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	46,941	-
	<u>-</u>	<u>-</u>	<u>46,941</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	85,764	-	-	-
Permanent endowment	-	-	-	-
Restricted	7,853,444	-	2,095,000	1,319,324
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>7,939,208</u>	<u>-</u>	<u>2,095,000</u>	<u>1,319,324</u>
Total fund balances (deficits)	<u>7,939,208</u>	<u>-</u>	<u>2,095,000</u>	<u>1,319,324</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,965,628</u>	<u>\$ -</u>	<u>\$ 2,296,470</u>	<u>\$ 1,333,371</u>

(continued)

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Other Governmental Funds
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Capital Projects

	<u>Assessment District</u>	<u>Fire Station</u>	<u>Facilities Maintenance</u>	<u>Misc SAH Projects</u>
Assets				
Cash and investments	\$ 2,030,530	\$ 12,736,896	\$ 1,744,874	\$ 1,387,792
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	31,701	-	-	-
Prepaid items	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,062,231</u>	<u>\$ 12,736,896</u>	<u>\$ 1,744,874</u>	<u>\$ 1,387,792</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 130,559	\$ 817,391	\$ 248,893	\$ -
Unearned revenue	-	-	-	1,387,792
Due to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>130,559</u>	<u>817,391</u>	<u>248,893</u>	<u>1,387,792</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	1,931,672	-	-	-
Committed	-	11,919,505	1,495,981	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>1,931,672</u>	<u>11,919,505</u>	<u>1,495,981</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,062,231</u>	<u>\$ 12,736,896</u>	<u>\$ 1,744,874</u>	<u>\$ 1,387,792</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
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June 30, 2019
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Capital Projects

	<u>Civic Center and Park</u>	<u>Sunset Ridge Park</u>	<u>Strategic Planning</u>	<u>Newport Uptown Undergrounding</u>
Assets				
Cash and investments	\$ 1,720,114	\$ 98,899	\$ 42,298	\$ 3,181
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
	<u>1,720,114</u>	<u>98,899</u>	<u>42,298</u>	<u>3,181</u>
Total assets	<u>\$ 1,720,114</u>	<u>\$ 98,899</u>	<u>\$ 42,298</u>	<u>\$ 3,181</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 412	\$ -	\$ -
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>412</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>412</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	-	-	-	3,181
Committed	1,720,114	98,487	42,298	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>1,720,114</u>	<u>98,487</u>	<u>42,298</u>	<u>3,181</u>
Total fund balances (deficits)	<u>1,720,114</u>	<u>98,487</u>	<u>42,298</u>	<u>3,181</u>
	<u>\$ 1,720,114</u>	<u>\$ 98,899</u>	<u>\$ 42,298</u>	<u>\$ 3,181</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,720,114</u>	<u>\$ 98,899</u>	<u>\$ 42,298</u>	<u>\$ 3,181</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
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Capital Projects

	Misc Facilities Financing	Parks and Community Centers	West Newport Community Center	Balboa Village Parking Management District
Assets				
Cash and investments	\$ 17,082	\$ 4,310,617	\$ 331,709	\$ 787,594
Receivables:				
Accounts (net of allowance)	-	-	-	7,608
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 17,082</u>	<u>\$ 4,310,617</u>	<u>\$ 331,709</u>	<u>\$ 795,202</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 17,335	\$ 43,135	\$ -	\$ 35,487
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>17,335</u>	<u>43,135</u>	<u>-</u>	<u>35,487</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	-	4,267,482	331,709	759,715
Assigned	-	-	-	-
Unassigned	(253)	-	-	-
Total fund balances (deficits)	<u>(253)</u>	<u>4,267,482</u>	<u>331,709</u>	<u>759,715</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,082</u>	<u>\$ 4,310,617</u>	<u>\$ 331,709</u>	<u>\$ 795,202</u> (continued)

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Other Governmental Funds
Combining Balance Sheet
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	Capital Projects		
	Neighborhood Enhancement	Marina Park	Unrestricted Capital Improvements
Assets			
Cash and investments	\$ 1,556,228	\$ 285	\$ 8,602,552
Receivables:			
Accounts (net of allowance)	-	-	-
Intergovernmental receivables	-	-	-
Restricted cash and investments with fiscal agent	-	-	-
Prepaid items	-	-	-
Total assets	<u>\$ 1,556,228</u>	<u>\$ 285</u>	<u>\$ 8,602,552</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 13,422	\$ 285	\$ 787,912
Unearned revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>13,422</u>	<u>285</u>	<u>787,912</u>
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Fund balances (deficits):			
Nonspendable:			
Prepaid items	-	-	-
Permanent endowment	-	-	-
Restricted	-	-	-
Committed	1,542,806	-	7,814,640
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficits)	<u>1,542,806</u>	<u>-</u>	<u>7,814,640</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,556,228</u>	<u>\$ 285</u>	<u>\$ 8,602,552</u>

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2019
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	<u>Permanent Fund</u>		Total Other Governmental Funds
	<u>Bay Dredging</u>	<u>Ackerman Donation</u>	
Assets			
Cash and investments	\$ 5,251,832	\$ 1,186,580	\$ 62,578,897
Receivables:			
Accounts (net of allowance)	-	-	73,269
Intergovernmental receivables	-	-	625,131
Restricted cash and investments with fiscal agent	-	-	31,701
Prepaid items	-	-	85,764
	<u>5,251,832</u>	<u>1,186,580</u>	<u>63,394,762</u>
Total assets	<u>\$ 5,251,832</u>	<u>\$ 1,186,580</u>	<u>\$ 63,394,762</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 700	\$ 2,695,536
Unearned revenue	-	-	1,477,489
Due to other funds	-	-	53,270
	<u>-</u>	<u>700</u>	<u>4,226,295</u>
Total liabilities	<u>-</u>	<u>700</u>	<u>4,226,295</u>
Deferred inflows of resources:			
Unavailable revenue	-	-	76,257
	<u>-</u>	<u>-</u>	<u>76,257</u>
Fund balances (deficits):			
Nonspendable:			
Prepaid items	-	-	85,764
Permanent endowment	3,857,000	772,781	4,629,781
Restricted	1,394,832	413,099	24,384,181
Committed	-	-	29,992,737
Assigned	-	-	-
Unassigned	-	-	(253)
	<u>5,251,832</u>	<u>1,185,880</u>	<u>59,092,210</u>
Total fund balances (deficits)	<u>5,251,832</u>	<u>1,185,880</u>	<u>59,092,210</u>
Total liabilities, deferred inflows of resources and fund balances			
	<u>\$ 5,251,832</u>	<u>\$ 1,186,580</u>	<u>\$ 63,394,762</u>

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
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Special Revenue

	State Gas Tax	SB1 Gas Tax RMRA	Asset Forfeiture	OTS DUI Grant
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,794,788	1,598,761	265,940	330,919
Licenses, permits and fees	-	-	-	-
Investment income	70,979	24,869	13,774	-
Net increase in fair value of investments	60,877	21,330	11,814	-
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	1,926,644	1,644,960	291,528	330,919
Expenditures:				
Current:				
Public safety	-	-	472,943	261,581
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	3,167,959	260,924	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	3,167,959	260,924	472,943	261,581
Excess (deficiency) of revenues over expenditures	(1,241,315)	1,384,036	(181,415)	69,338
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(1,241,315)	1,384,036	(181,415)	69,338
Fund balances (deficits), beginning	4,193,377	500,385	933,112	(69,338)
Fund balances (deficits), ending	<u>\$ 2,952,062</u>	<u>\$ 1,884,421</u>	<u>\$ 751,697</u>	<u>\$ -</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
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	Special Revenue			
	Circulation and Transportation	Building Excise Tax	Community Development Block Grant	Air Quality Management District
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	356,285	111,720
Licenses, permits and fees	363,534	179,278	-	-
Investment income	42,213	7,531	-	20,048
Net increase in fair value of investments	36,205	6,459	-	17,194
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	441,952	193,268	356,285	148,962
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	124,079
Community development	-	-	123,847	-
Community services	-	-	-	-
Capital outlay	-	151,902	-	-
Debt service:				
Principal	-	-	160,000	-
Interest and fiscal charges	-	-	17,561	-
Total expenditures	-	151,902	301,408	124,079
Excess (deficiency) of revenues over expenditures	441,952	41,366	54,877	24,883
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	441,952	41,366	54,877	24,883
Fund balances (deficits), beginning	1,802,844	423,374	(54,877)	1,051,030
Fund balances (deficits), ending	<u>\$ 2,244,796</u>	<u>\$ 464,740</u>	<u>\$ -</u>	<u>\$ 1,075,913</u>

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019
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Special Revenue

	Environmental Liability	Supplemental Law Enforcement	Contributions	FIIN
Revenues:				
Other taxes	\$ 541,349	\$ -	\$ -	\$ -
Intergovernmental	-	195,833	2,928,138	-
Licenses, permits and fees	-	-	-	-
Investment income	148,890	-	34,329	26,998
Net increase in fair value of investments	127,699	-	29,444	23,156
Donations	-	-	2,444	-
Other	38,834	-	-	-
Total revenues	856,772	195,833	2,994,355	50,154
Expenditures:				
Current:				
Public safety	-	195,833	-	-
Public works	318,533	-	-	-
Community development	-	-	-	-
Community services	-	-	-	166,010
Capital outlay	14,050	-	1,810,638	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	332,583	195,833	1,810,638	166,010
Excess (deficiency) of revenues over expenditures	524,189	-	1,183,717	(115,856)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	524,189	-	1,183,717	(115,856)
Fund balances (deficits), beginning	7,415,019	-	911,283	1,435,180
Fund balances (deficits), ending	<u>\$ 7,939,208</u>	<u>\$ -</u>	<u>\$ 2,095,000</u>	<u>\$ 1,319,324</u>

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Other Governmental Funds
Combining Statement of Revenues,
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For the Year Ended June 30, 2019
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Capital Projects

	Assessment District	Fire Station	Facilities Maintenance	Misc SAH Projects
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	58,026	276,502	38,781	-
Net increase in fair value of investments	27,482	237,150	33,261	-
Donations	-	-	-	-
Other	3,823,664	-	-	-
Total revenues	3,909,172	513,652	72,042	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	2,944,613	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	5,718,302	899,830	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,944,613	5,718,302	899,830	-
Excess (deficiency) of revenues over expenditures	964,559	(5,204,650)	(827,788)	-
Other financing sources (uses):				
Transfers in	-	12,851,434	1,000,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	12,851,434	1,000,000	-
Net change in fund balances	964,559	7,646,784	172,212	-
Fund balances (deficits), beginning	967,113	4,272,721	1,323,769	-
Fund balances (deficits), ending	<u>\$ 1,931,672</u>	<u>\$ 11,919,505</u>	<u>\$ 1,495,981</u>	<u>\$ -</u>

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
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Capital Projects

	Civic Center and Park	Sunset Ridge Park	Strategic Planning	Newport Uptown Undergrounding
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	32,022	1,942	806	53
Net increase in fair value of investments	27,465	1,665	691	46
Donations	-	-	-	149,000
Other	-	-	-	-
Total revenues	59,487	3,607	1,497	149,099
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	23,997
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	13,079	6,340	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	6,157	-	-	-
Total expenditures	19,236	6,340	-	23,997
Excess (deficiency) of revenues over expenditures	40,251	(2,733)	1,497	125,102
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	40,251	(2,733)	1,497	125,102
Fund balances (deficits), beginning	1,679,863	101,220	40,801	(121,921)
Fund balances (deficits), ending	<u>\$ 1,720,114</u>	<u>\$ 98,487</u>	<u>\$ 42,298</u>	<u>\$ 3,181</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019
Page 6 of 8

	Capital Projects			
	Misc Facilities Financing	Parks and Community Centers	West Newport Community Center	Balboa Village Parking Management District
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	389,071
Investment income	435	82,728	6,318	17,367
Net increase in fair value of investments	372	70,954	5,419	14,896
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	807	153,682	11,737	421,334
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	32,660	126,567	-	576,996
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	32,660	126,567	-	576,996
Excess (deficiency) of revenues over expenditures	(31,853)	27,115	11,737	(155,662)
Other financing sources (uses):				
Transfers in	-	3,300,400	449,998	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	3,300,400	449,998	-
Net change in fund balances	(31,853)	3,327,515	461,735	(155,662)
Fund balances (deficits), beginning	31,600	939,967	(130,026)	915,377
Fund balances (deficits), ending	\$ (253)	\$ 4,267,482	\$ 331,709	\$ 759,715

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019
Page 7 of 8

	Capital Projects		
	Neighborhood Enhancement	Marina Park	Unrestricted Capital Improvements
Revenues:			
Other taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Licenses, permits and fees	-	-	-
Investment income	33,810	-	-
Net increase in fair value of investments	28,999	-	-
Donations	-	-	-
Other	-	-	-
Total revenues	62,809	-	-
Expenditures:			
Current:			
Public safety	-	-	-
Public works	-	-	-
Community development	-	-	-
Community services	-	-	-
Capital outlay	2,097,720	-	6,304,582
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	2,097,720	-	6,304,582
Excess (deficiency) of revenues over expenditures	(2,034,911)	-	(6,304,582)
Other financing sources (uses):			
Transfers in	2,428,885	-	5,775,000
Transfers out	-	-	-
Total other financing sources (uses)	2,428,885	-	5,775,000
Net change in fund balances	393,974	-	(529,582)
Fund balances (deficits), beginning	1,148,832	-	8,344,222
Fund balances (deficits), ending	<u>\$ 1,542,806</u>	<u>\$ -</u>	<u>\$ 7,814,640</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019
Page 8 of 8

	<u>Permanent Funds</u>		Total Other Governmental Funds
	<u>Bay Dredging</u>	<u>Ackerman Donation</u>	
Revenues:			
Other taxes	\$ -	\$ -	\$ 541,349
Intergovernmental	-	-	7,582,384
Licenses, permits and fees	-	-	931,883
Investment income	100,027	22,669	1,061,117
Net increase in fair value of investments	85,790	19,442	887,810
Donations	-	-	151,444
Other	-	-	3,862,498
	<hr/>	<hr/>	<hr/>
Total revenues	185,817	42,111	15,018,485
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Public safety	-	-	930,357
Public works	-	-	3,411,222
Community development	-	4,900	128,747
Community services	-	-	166,010
Capital outlay	-	-	21,181,549
Debt service:			
Principal	-	-	160,000
Interest and fiscal charges	-	-	23,718
	<hr/>	<hr/>	<hr/>
Total expenditures	-	4,900	26,001,603
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	185,817	37,211	(10,983,118)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Transfers in	-	-	25,805,717
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	25,805,717
	<hr/>	<hr/>	<hr/>
Net change in fund balances	185,817	37,211	14,822,599
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), beginning	5,066,015	1,148,669	44,269,611
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), ending	<u>\$ 5,251,832</u>	<u>\$ 1,185,880</u>	<u>\$ 59,092,210</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 2,172,262	\$ 1,868,656	\$ 1,794,788	\$ (73,868)
Investment income	12,782	12,782	70,979	58,197
Net increase in fair value of investments	-	-	60,877	60,877
Total revenues	<u>2,185,044</u>	<u>1,881,438</u>	<u>1,926,644</u>	<u>45,206</u>
Expenditures:				
Capital outlay	-	6,200,611	3,167,959	3,032,652
Net change in fund balance	2,185,044	(4,319,173)	(1,241,315)	3,077,858
Fund balance, beginning	<u>4,193,377</u>	<u>4,193,377</u>	<u>4,193,377</u>	<u>-</u>
Fund balance, ending	<u>\$ 6,378,421</u>	<u>\$ (125,796)</u>	<u>\$ 2,952,062</u>	<u>\$ 3,077,858</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
SB1 Gas Tax RMRA Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,414,603	\$ 1,425,333	\$ 1,598,761	\$ 173,428
Investment income	44	44	24,869	24,825
Net increase in fair value of investments	-	-	21,330	21,330
Total revenues	<u>1,414,647</u>	<u>1,425,377</u>	<u>1,644,960</u>	<u>219,583</u>
Expenditures:				
Capital outlay	-	1,900,429	260,924	1,639,505
Net change in fund balance	1,414,647	(475,052)	1,384,036	1,859,088
Fund balance, beginning	<u>500,385</u>	<u>500,385</u>	<u>500,385</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,915,032</u></u>	<u><u>\$ 25,333</u></u>	<u><u>\$ 1,884,421</u></u>	<u><u>\$ 1,859,088</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 265,940	\$ 265,940
Investment income	5,580	5,580	13,774	8,194
Net increase in fair value of investments	-	-	11,814	11,814
Total revenues	<u>5,580</u>	<u>5,580</u>	<u>291,528</u>	<u>285,948</u>
Expenditures:				
Public safety	<u>40,000</u>	<u>475,110</u>	<u>472,943</u>	<u>2,167</u>
Net change in fund balance	(34,420)	(469,530)	(181,415)	288,115
Fund balance, beginning	<u>933,112</u>	<u>933,112</u>	<u>933,112</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 898,692</u></u>	<u><u>\$ 463,582</u></u>	<u><u>\$ 751,697</u></u>	<u><u>\$ 288,115</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
OTS DUI Grant Special Revenue Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	<u>\$ 75,000</u>	<u>\$ 361,489</u>	<u>\$ 330,919</u>	<u>\$ (30,570)</u>
Expenditures:				
Public safety	<u>75,000</u>	<u>292,151</u>	<u>261,581</u>	<u>30,570</u>
Net change in fund balance	-	69,338	69,338	-
Fund balance, beginning	<u>(69,338)</u>	<u>(69,338)</u>	<u>(69,338)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (69,338)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Circulation and Transportation Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ -	\$ -	\$ 363,534	\$ 363,534
Investment income	18,863	18,863	42,213	23,350
Net increase in fair value of investments	-	-	36,205	36,205
Total revenues	<u>18,863</u>	<u>18,863</u>	<u>441,952</u>	<u>423,089</u>
Expenditures:				
Capital outlay	-	200,000	-	200,000
Net change in fund balance	18,863	(181,137)	441,952	623,089
Fund balance, beginning	<u>1,802,844</u>	<u>1,802,844</u>	<u>1,802,844</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,821,707</u>	<u>\$ 1,621,707</u>	<u>\$ 2,244,796</u>	<u>\$ 623,089</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 202,950	\$ 202,950	\$ 179,278	\$ (23,672)
Investment income	2,207	2,207	7,531	5,324
Net increase in fair value of investments	-	-	6,459	6,459
Total revenues	<u>205,157</u>	<u>205,157</u>	<u>193,268</u>	<u>(11,889)</u>
Expenditures:				
Capital outlay	-	251,961	151,902	100,059
Net change in fund balance	205,157	(46,804)	41,366	88,170
Fund balance, beginning	<u>423,374</u>	<u>423,374</u>	<u>423,374</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 628,531</u></u>	<u><u>\$ 376,570</u></u>	<u><u>\$ 464,740</u></u>	<u><u>\$ 88,170</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 359,743	\$ 370,685	\$ 356,285	\$ (14,400)
Expenditures:				
Community development	117,311	133,994	123,847	10,147
Debt service:				
Principal	160,000	160,000	160,000	-
Interest and fiscal charges	17,561	17,561	17,561	-
Total expenditures	<u>294,872</u>	<u>311,555</u>	<u>301,408</u>	<u>10,147</u>
Net change in fund balance	64,871	59,130	54,877	(4,253)
Fund balance, beginning	<u>(54,877)</u>	<u>(54,877)</u>	<u>(54,877)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 9,994</u>	<u>\$ 4,253</u>	<u>\$ -</u>	<u>\$ (4,253)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2019

	<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	\$ 111,720	\$ 11,720
Investment income	9,689	9,689	20,048	10,359
Net increase in fair value of investments	-	-	17,194	17,194
Total revenues	<u>109,689</u>	<u>109,689</u>	<u>148,962</u>	<u>39,273</u>
Expenditures:				
Public works	<u>11,058</u>	<u>131,798</u>	<u>124,079</u>	<u>7,719</u>
Net change in fund balance	98,631	(22,109)	24,883	46,992
Fund balance, beginning	<u>1,051,030</u>	<u>1,051,030</u>	<u>1,051,030</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,149,661</u>	<u>\$ 1,028,921</u>	<u>\$ 1,075,913</u>	<u>\$ 46,992</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 642,178	\$ 642,178	\$ 541,349	\$ (100,829)
Investment income	71,129	71,129	148,890	77,761
Net increase in fair value of investments	-	-	127,699	127,699
Other revenue	36,000	36,000	38,834	2,834
Total revenues	<u>749,307</u>	<u>749,307</u>	<u>856,772</u>	<u>107,465</u>
Expenditures:				
Public works	576,030	576,030	318,533	257,497
Capital outlay	-	603,310	14,050	589,260
Total expenditures	<u>576,030</u>	<u>1,179,340</u>	<u>332,583</u>	<u>846,757</u>
Net change in fund balance	173,277	(430,033)	524,189	954,222
Fund balance, beginning	<u>7,415,019</u>	<u>7,415,019</u>	<u>7,415,019</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 7,588,296</u></u>	<u><u>\$ 6,984,986</u></u>	<u><u>\$ 7,939,208</u></u>	<u><u>\$ 954,222</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 165,000	\$ 165,000	\$ 195,833	\$ 30,833
Expenditures:				
Public safety	165,000	165,000	195,833	(30,833)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Contributions Fund Special Revenue Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,809,834	\$ 7,790,282	\$ 2,928,138	\$ (4,862,144)
Investment income	16,978	16,978	34,329	17,351
Net increase in fair value of investments	-	-	29,444	29,444
Donations	-	40,000	2,444	(37,556)
Total revenues	<u>2,826,812</u>	<u>7,847,260</u>	<u>2,994,355</u>	<u>(4,852,905)</u>
Expenditures:				
Capital outlay	-	6,800,702	1,810,638	4,990,064
Net change in fund balance	2,826,812	1,046,558	1,183,717	137,159
Fund balance (deficit), beginning	<u>911,283</u>	<u>911,283</u>	<u>911,283</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,738,095</u>	<u>\$ 1,957,841</u>	<u>\$ 2,095,000</u>	<u>\$ 137,159</u>

**CITY OF NEWPORT BEACH
 Budgetary Comparison Schedule
 FIIN Special Revenue Fund
 For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 10,923	\$ 10,923	\$ 26,998	\$ 16,075
Net increase in fair value of investments	-	-	23,156	23,156
Total revenues	<u>10,923</u>	<u>10,923</u>	<u>50,154</u>	<u>39,231</u>
Expenditures:				
Community services	<u>157,743</u>	<u>166,649</u>	<u>166,010</u>	<u>639</u>
Net change in fund balance	(146,820)	(155,726)	(115,856)	39,870
Fund balance, beginning	<u>1,435,180</u>	<u>1,435,180</u>	<u>1,435,180</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,288,360</u></u>	<u><u>\$ 1,279,454</u></u>	<u><u>\$ 1,319,324</u></u>	<u><u>\$ 39,870</u></u>

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FINANCIAL SECTION

Supplementary Information
Internal Service Funds

FINANCIAL SECTION

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INTERNAL SERVICE FUNDS

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

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

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

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

The ***Retiree Insurance Fund*** is used to account for the cost of providing post-employment health care benefits.

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

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

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Net Position
June 30, 2019

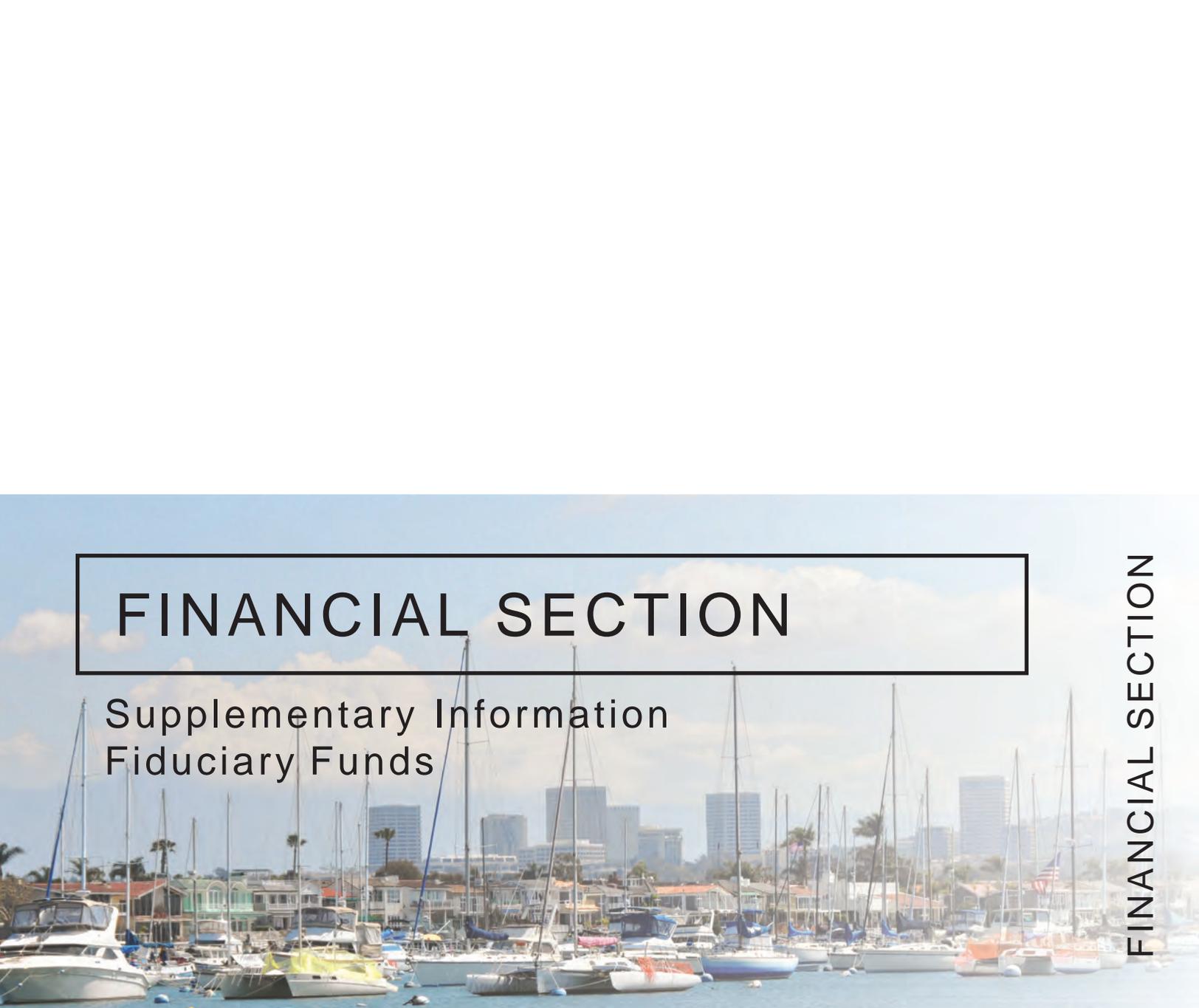
Assets	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Current assets:						
Cash and investments	\$ 30,023,957	\$ 4,804,660	\$ -	\$ 15,381,810	\$ 8,116,457	\$ 58,326,884
Receivables:						
Accounts (net of allowance)	-	-	26,207	1,175	-	27,382
Intergovernmental receivables	-	-	2,241,550	-	-	2,241,550
Inventories	-	-	-	439,040	-	439,040
Prepaid items	-	-	244,161	-	271,891	516,052
Total current assets	<u>30,023,957</u>	<u>4,804,660</u>	<u>2,511,918</u>	<u>15,822,025</u>	<u>8,388,348</u>	<u>61,550,908</u>
Noncurrent assets:						
Capital assets:						
Equipment	-	-	-	36,227,775	3,295,857	39,523,632
Structures	-	-	-	24,993	-	24,993
Software	-	-	-	-	3,603,419	3,603,419
Work in progress	-	-	-	-	76,094	76,094
Less accumulated depreciation	-	-	-	(22,827,823)	(4,543,600)	(27,371,423)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,424,945</u>	<u>2,431,770</u>	<u>15,856,715</u>
Total assets	<u>30,023,957</u>	<u>4,804,660</u>	<u>2,511,918</u>	<u>29,246,970</u>	<u>10,820,118</u>	<u>77,407,623</u>
Deferred outflows of resources:						
Deferred amount from pension plans	-	-	-	468,696	939,452	1,408,148
Deferred amount from OPEB	-	-	-	58,049	116,353	174,402
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>526,745</u>	<u>1,055,805</u>	<u>1,582,550</u>
Liabilities						
Current liabilities:						
Accounts payable	90,122	141,187	-	288,315	215,095	734,719
Accrued payroll	4,847	-	143,145	22,562	54,043	224,597
Due to other funds	-	-	1,848,677	-	-	1,848,677
Workers' compensation - current	3,130,491	-	-	-	-	3,130,491
General liability - current	2,285,850	-	-	-	-	2,285,850
Compensated absences - current	-	2,980,644	-	-	-	2,980,644
Total current liabilities	<u>5,511,310</u>	<u>3,121,831</u>	<u>1,991,822</u>	<u>310,877</u>	<u>269,138</u>	<u>11,204,978</u>
Noncurrent liabilities:						
Workers' compensation	13,139,509	-	-	-	-	13,139,509
General liability	4,666,057	-	-	-	-	4,666,057
Compensated absences	-	9,588,333	-	-	-	9,588,333
Net pension liability	-	-	-	2,110,134	4,229,559	6,339,693
Net OPEB liability	-	-	-	255,576	512,278	767,854
Total noncurrent liabilities	<u>17,805,566</u>	<u>9,588,333</u>	<u>-</u>	<u>2,365,710</u>	<u>4,741,837</u>	<u>34,501,446</u>
Total liabilities	<u>23,316,876</u>	<u>12,710,164</u>	<u>1,991,822</u>	<u>2,676,587</u>	<u>5,010,975</u>	<u>45,706,424</u>
Deferred inflows of resources:						
Deferred amount from pension plans	-	-	-	61,906	124,085	185,991
Deferred amount from OPEB	-	-	-	8,367	16,772	25,139
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,273</u>	<u>140,857</u>	<u>211,130</u>
Net Position						
Invested in capital assets	-	-	-	13,424,945	2,431,770	15,856,715
Unrestricted	6,707,081	(7,905,504)	520,096	13,601,910	4,292,321	17,215,904
Total net position	<u>\$ 6,707,081</u>	<u>\$ (7,905,504)</u>	<u>\$ 520,096</u>	<u>\$ 27,026,855</u>	<u>\$ 6,724,091</u>	<u>\$ 33,072,619</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2019

	<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	\$ 9,992,922	\$ 2,549,427	\$ 3,834,916	\$ 5,759,691	\$ 5,964,619	\$ 28,101,575
Retiree reimbursements	-	-	281,360	-	-	281,360
Employee contributions	-	-	85,427	-	-	85,427
Other	<u>44,182</u>	<u>-</u>	<u>763,252</u>	<u>12,583</u>	<u>12,481</u>	<u>832,498</u>
Total operating revenues	<u>10,037,104</u>	<u>2,549,427</u>	<u>4,964,955</u>	<u>5,772,274</u>	<u>5,977,100</u>	<u>29,300,860</u>
Operating expenses:						
Salaries and wages	-	-	-	1,129,273	2,751,548	3,880,821
Depreciation	-	-	-	2,970,579	723,959	3,694,538
Professional services	-	-	-	-	128,487	128,487
Maintenance and supplies	-	-	-	1,365,881	1,259,379	2,625,260
Fleet parts and supplies	-	-	-	485,464	-	485,464
Telecommunication	-	-	-	-	169,617	169,617
Hardware	-	-	-	-	374,078	374,078
Software	-	-	-	-	31,601	31,601
Workers' compensation	2,351,675	-	-	-	-	2,351,675
Claims and judgments	1,296,366	-	-	-	-	1,296,366
Compensated absences	-	2,498,135	-	-	-	2,498,135
OPEB	-	-	4,844,732	-	-	4,844,732
Total operating expenses	<u>3,648,041</u>	<u>2,498,135</u>	<u>4,844,732</u>	<u>5,951,197</u>	<u>5,438,669</u>	<u>22,380,774</u>
Operating income (loss)	<u>6,389,063</u>	<u>51,292</u>	<u>120,223</u>	<u>(178,923)</u>	<u>538,431</u>	<u>6,920,086</u>
Nonoperating revenues:						
Investment income	581,550	92,422	5	294,316	151,874	1,120,167
Net Increase in fair value of investments	498,783	79,268	4	252,429	130,259	960,743
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,241</u>	<u>-</u>	<u>151,241</u>
Total nonoperating revenues	<u>1,080,333</u>	<u>171,690</u>	<u>9</u>	<u>697,986</u>	<u>282,133</u>	<u>2,232,151</u>
Income (loss) before transfers	<u>7,469,396</u>	<u>222,982</u>	<u>120,232</u>	<u>519,063</u>	<u>820,564</u>	<u>9,152,237</u>
Transfers in	<u>4,200,000</u>	<u>-</u>	<u>-</u>	<u>684,000</u>	<u>-</u>	<u>4,884,000</u>
Change in net position	11,669,396	222,982	120,232	1,203,063	820,564	14,036,237
Net position, beginning	(4,962,315)	(5,921,586)	399,864	25,823,792	5,903,527	21,243,282
Prior year restatement	<u>-</u>	<u>(2,206,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,206,900)</u>
Restated net position, beginning	<u>(4,962,315)</u>	<u>(8,128,486)</u>	<u>399,864</u>	<u>25,823,792</u>	<u>5,903,527</u>	<u>19,036,382</u>
Net position, ending	<u>\$ 6,707,081</u>	<u>\$ (7,905,504)</u>	<u>\$ 520,096</u>	<u>\$ 27,026,855</u>	<u>\$ 6,724,091</u>	<u>\$ 33,072,619</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2019

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Cash flows from operating activities						
Receipts from user departments	\$ 9,992,922	\$ 2,549,427	\$ 4,112,667	\$ 5,758,516	\$ 5,964,619	\$ 28,378,151
Payments to employees	(2,570,859)	(2,477,191)	-	(1,140,763)	(2,770,182)	(8,958,995)
Payments to suppliers	(7,185,140)	-	(4,712,975)	(1,882,623)	(1,927,184)	(15,707,922)
Other operating cash receipts	44,182	-	855,129	12,583	12,481	924,375
Net cash provided by operating activities	<u>281,105</u>	<u>72,236</u>	<u>254,821</u>	<u>2,747,713</u>	<u>1,279,734</u>	<u>4,635,609</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	4,200,000	-	(254,830)	684,000	-	4,629,170
Net cash provided by noncapital financing activities	<u>4,200,000</u>	<u>-</u>	<u>(254,830)</u>	<u>684,000</u>	<u>-</u>	<u>4,629,170</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(3,462,167)	(385,172)	(3,847,339)
Proceeds from sale of capital assets	-	-	-	151,241	-	151,241
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,310,926)</u>	<u>(385,172)</u>	<u>(3,696,098)</u>
Cash flows from investing activities:						
Investment income	1,080,333	171,690	9	546,745	282,133	2,080,910
Net cash provided by investing activities	<u>1,080,333</u>	<u>171,690</u>	<u>9</u>	<u>546,745</u>	<u>282,133</u>	<u>2,080,910</u>
Net increase in cash and cash equivalents	5,561,438	243,926	-	667,532	1,176,695	7,649,591
Cash and cash equivalents, beginning	24,462,519	4,560,734	-	14,714,278	6,939,762	50,677,293
Cash and cash equivalents, ending	<u>\$ 30,023,957</u>	<u>\$ 4,804,660</u>	<u>\$ -</u>	<u>\$ 15,381,810</u>	<u>\$ 8,116,457</u>	<u>\$ 58,326,884</u>
Reconciliation to the statement of net position:						
Cash and investments reported on statement of net position	\$ 30,023,957	\$ 4,804,660	\$ -	\$ 15,381,810	\$ 8,116,457	\$ 58,326,884
Cash and cash equivalents	<u>\$ 30,023,957</u>	<u>\$ 4,804,660</u>	<u>\$ -</u>	<u>\$ 15,381,810</u>	<u>\$ 8,116,457</u>	<u>\$ 58,326,884</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 6,389,063	\$ 51,292	\$ 120,223	\$ (178,923)	\$ 538,431	\$ 6,920,086
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	-	-	2,970,579	723,959	3,694,538
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	-	-	112,281	(1,175)	-	111,106
(Increase) in inventories	-	-	-	(32,239)	-	(32,239)
(Increase) decrease in prepaid items	22,940	-	(1,908)	-	(87,150)	(66,118)
Increase in accounts payable and accrued payroll	80,586	51,214	24,225	4,195	134,003	294,223
(Decrease) in workers' compensation	(219,000)	-	-	-	-	(219,000)
(Decrease) in general liability	(5,992,484)	-	-	-	-	(5,992,484)
(Decrease) in restated compensated absences	-	(30,270)	-	-	-	(30,270)
Increase in net of pension liability and deferred cash flows	-	-	-	15,090	30,248	45,338
(Decrease) in net of OPEB liability and deferred cash flows	-	-	-	(29,814)	(59,757)	(89,571)
Total adjustments	<u>(6,107,958)</u>	<u>20,944</u>	<u>134,598</u>	<u>2,926,636</u>	<u>741,303</u>	<u>(2,284,477)</u>
Net cash provided by operating activities	<u>\$ 281,105</u>	<u>\$ 72,236</u>	<u>\$ 254,821</u>	<u>\$ 2,747,713</u>	<u>\$ 1,279,734</u>	<u>\$ 4,635,609</u>
Noncash investing, capital, and financing activities:						
Net increase in fair value of investments	\$ 498,783	\$ 79,268	\$ 4	\$ 252,429	\$ 130,259	\$ 960,743
Total of noncash activities	<u>\$ 498,783</u>	<u>\$ 79,268</u>	<u>\$ 4</u>	<u>\$ 252,429</u>	<u>\$ 130,259</u>	<u>\$ 960,743</u>



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.

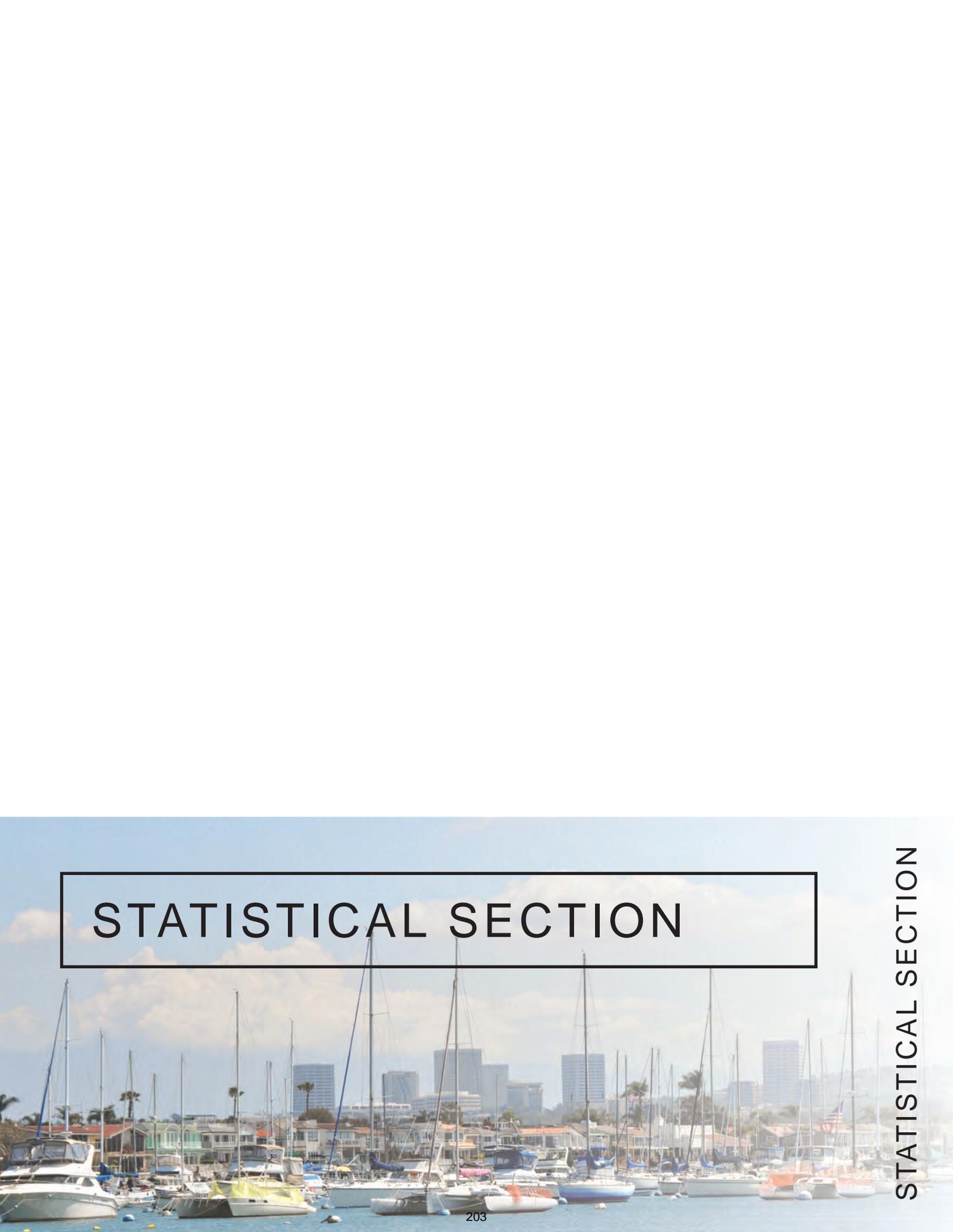
The ***Business Improvement District Fund*** is used to account for monies collected from local business districts for district property improvements and business enhancement.

CITY OF NEWPORT BEACH
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2019

Assets	Special Assessment District	Business Improvement	Totals
	<u> </u>	<u> </u>	<u> </u>
Cash and investments	\$ 405,087	\$ 613,526	\$ 1,018,613
Restricted cash and investments with fiscal agent	2,016,952	-	2,016,952
Receivable:			
Interest	463	-	463
Total assets	<u>\$ 2,422,502</u>	<u>\$ 613,526</u>	<u>\$ 3,036,028</u>
Liabilities			
Due to bondholders	\$ 2,422,448	\$ -	\$ 2,422,448
Due to others	54	613,526	613,580
Total liabilities	<u>\$ 2,422,502</u>	<u>\$ 613,526</u>	<u>\$ 3,036,028</u>

CITY OF NEWPORT BEACH
Agency Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Special Assessment District:				
Assets				
Cash and investments	\$ 1,719,430	\$ 1,639,714	\$ (2,954,057)	\$ 405,087
Restricted cash and investments with fiscal agent	2,161,873	1,748,612	(1,893,533)	2,016,952
Receivable:				
Interest	-	463	-	463
Intergovernmental Receivable	8,752	-	(8,752)	-
Total assets	<u>\$ 3,890,055</u>	<u>\$ 3,388,789</u>	<u>\$ (4,856,342)</u>	<u>\$ 2,422,502</u>
Liabilities				
Due to bondholders	\$ 3,890,055	\$ 3,388,735	\$ (4,856,342)	\$ 2,422,448
Due to others	-	54	-	54
Total Liabilities	<u>\$ 3,890,055</u>	<u>\$ 3,388,789</u>	<u>\$ (4,856,342)</u>	<u>\$ 2,422,502</u>
Business Improvement District:				
Assets				
Cash and investments	<u>\$ 498,647</u>	<u>\$ 4,779,818</u>	<u>\$ (4,664,939)</u>	<u>\$ 613,526</u>
Liabilities				
Due to others	<u>\$ 498,647</u>	<u>\$ 4,779,818</u>	<u>\$ (4,664,939)</u>	<u>\$ 613,526</u>
Totals - All Agency Funds:				
Assets				
Cash and investments	\$ 2,218,077	\$ 6,419,532	\$ (7,618,996)	\$ 1,018,613
Restricted cash and investments with fiscal agent	2,161,873	1,748,612	(1,893,533)	2,016,952
Receivable	-	463	-	463
Intergovernmental receivable	8,752	-	(8,752)	-
Total assets	<u>\$ 4,388,702</u>	<u>\$ 8,168,607</u>	<u>\$ (9,521,281)</u>	<u>\$ 3,036,028</u>
Liabilities				
Due to bondholders	\$ 3,890,055	\$ 3,388,735	\$ (4,856,342)	\$ 2,422,448
Due to others	498,647	4,779,872	(4,664,939)	613,580
Total liabilities	<u>\$ 4,388,702</u>	<u>\$ 8,168,607</u>	<u>\$ (9,521,281)</u>	<u>\$ 3,036,028</u>



STATISTICAL SECTION

STATISTICAL SECTION

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FINANCIAL TRENDS

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports and underlying accounting records for the relevant years.

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

	Fiscal Year			
	<u>2010</u>	<u>2011</u>	<u>2012¹</u>	<u>2013</u>
Governmental activities:				
Net investment in capital assets	\$ 2,084,912,221	\$ 2,087,403,003	\$ 2,098,349,998	\$ 2,124,797,794
Restricted	34,236,929	63,940,282	61,923,719	72,119,674
Unrestricted	86,049,492	67,500,916	82,515,232	77,966,414
Total governmental activities	<u>\$ 2,205,198,642</u>	<u>\$ 2,218,844,201</u>	<u>\$ 2,242,788,949</u>	<u>\$ 2,274,883,882</u>
Business-type activities:				
Net investment in capital assets	\$ 108,449,847	\$ 108,976,459	\$ 108,981,237	\$ 111,177,135
Restricted	-	-	-	-
Unrestricted	10,173,912	9,442,988	15,089,798	19,172,398
Total business-type activities	<u>\$ 118,623,759</u>	<u>\$ 118,419,447</u>	<u>\$ 124,071,035</u>	<u>\$ 130,349,533</u>
Primary government:				
Net investment in capital assets	\$ 2,193,362,068	\$ 2,196,379,462	\$ 2,207,331,235	\$ 2,235,974,929
Restricted	34,236,929	63,940,282	61,923,719	72,119,674
Unrestricted	96,223,404	76,943,904	97,605,030	97,138,812
Total primary government	<u>\$ 2,323,822,401</u>	<u>\$ 2,337,263,648</u>	<u>\$ 2,366,859,984</u>	<u>\$ 2,405,233,415</u>

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

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

³ Reflects restatement of net position due to compensated absences and deferred outflow adjustments related to fiscal year ended June 30, 2016.

⁴ Reflects restatement of net position due to deferred outflow adjustments related to fiscal year ended June 30, 2017.

⁵ Reflects restatement of net position due to implementation of GASB 75 in fiscal year ended June 30, 2018.

⁶ Reflects restatement of net position due to adjustments for capital assets and compensated absences liability in fiscal year ended June 30, 2019.

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

The City of Newport Beach implemented GASB 68 for the fiscal year ended June 30, 2015.

The City of Newport Beach implemented GASB 75 for the fiscal year ended June 30, 2018.

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

Fiscal Year					
2014 ²	2015 ³	2016 ⁴	2017 ⁵	2018 ⁶	2019
\$ 2,148,942,928	\$ 2,176,644,408	\$ 2,193,773,102	\$ 2,201,552,683	\$ 2,208,832,391	\$ 2,218,040,304
59,998,344	45,689,702	44,033,677	45,753,736	49,791,908	56,426,811
(184,990,765)	(150,532,773)	(130,468,268)	(133,461,197)	(122,024,754)	(102,035,181)
<u>\$ 2,023,950,507</u>	<u>\$ 2,071,801,337</u>	<u>\$ 2,107,338,511</u>	<u>\$ 2,113,845,222</u>	<u>\$ 2,136,599,545</u>	<u>\$ 2,172,431,934</u>
\$ 115,948,522	\$ 113,914,514	\$ 117,055,576	\$ 116,238,944	\$ 119,375,596	\$ 119,346,350
-	-	-	-	-	-
13,160,611	21,756,124	23,430,189	28,890,311	29,183,382	30,331,669
<u>\$ 129,109,133</u>	<u>\$ 135,670,638</u>	<u>\$ 140,485,765</u>	<u>\$ 145,129,255</u>	<u>\$ 148,558,978</u>	<u>\$ 149,678,019</u>
\$ 2,264,891,450	\$ 2,290,558,922	\$ 2,310,828,678	\$ 2,317,791,627	\$ 2,328,207,987	\$ 2,337,386,654
59,998,344	45,689,702	44,033,677	45,753,736	49,791,908	56,426,811
(171,830,154)	(128,776,649)	(107,038,079)	(104,570,886)	(92,841,372)	(71,703,512)
<u>\$ 2,153,059,640</u>	<u>\$ 2,207,471,975</u>	<u>\$ 2,247,824,276</u>	<u>\$ 2,258,974,477</u>	<u>\$ 2,285,158,523</u>	<u>\$ 2,322,109,953</u>

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government	\$ 17,082,705	\$ 15,857,397	\$ 14,325,966	\$ 15,830,575	\$ 18,834,165	\$ 24,558,041	\$ 19,335,275	\$ 20,443,569	\$ 19,011,099	\$ 20,549,224
Public safety	79,402,600	78,128,006	75,696,570	83,235,188	87,676,062	96,945,872	91,046,455	102,494,314	107,647,562	111,556,065
Public works	55,445,327	40,341,323	48,913,412	47,794,631	42,953,118	45,774,939	45,443,988	54,039,601	47,615,000	53,339,878
Community development	10,082,454	8,637,525	9,365,676	9,223,098	10,283,481	10,073,248	9,943,868	12,056,086	12,377,394	11,493,204
Community services	17,232,357	17,272,374	21,554,696	22,244,661	21,357,271	22,418,287	22,700,052	26,583,440	27,307,115	27,758,097
Interest on long-term debt	372,502	5,078,881	8,204,928	7,989,339	7,888,192	7,711,334	7,615,094	7,472,188	7,381,743	7,187,971
Total governmental activities expenses	179,617,945	165,315,506	178,061,248	186,317,492	188,992,289	207,481,721	196,084,732	223,089,198	221,339,913	231,884,439
Business-type activities:										
Water	18,732,351	19,824,996	18,358,646	20,208,300	22,037,284	21,175,954	21,605,197	22,004,013	23,724,918	26,898,075
Wastewater	3,599,034	3,936,949	3,360,418	3,462,165	3,368,656	3,452,398	3,818,165	4,218,926	4,158,155	4,222,228
Total business-type activities expenses	22,331,385	23,761,945	21,719,064	23,670,465	25,405,940	24,628,352	25,423,362	26,222,939	27,883,073	31,120,303
Total primary government expenses	201,949,330	189,077,451	199,780,312	209,987,957	214,398,229	232,110,073	221,508,094	249,312,137	249,222,986	263,004,742
Program revenues:										
Governmental activities:										
Charges for services:										
General government	2,909,603	2,722,527	2,593,741	2,759,306	3,046,232	3,647,210	3,722,557	5,089,123	5,355,887	5,887,265
Public safety	15,006,601	15,686,314	16,240,135	16,008,421	19,124,113	19,386,017	19,108,222	19,899,242	20,733,883	21,979,376
Public works	6,392,877	2,938,315	4,576,208	5,019,835	5,517,103	5,276,991	5,319,510	5,214,426	5,789,579	5,778,441
Community development	4,806,745	5,599,737	6,202,080	7,057,010	8,043,390	8,608,645	8,419,588	10,838,114	9,956,226	9,902,445
Community services	8,673,465	8,962,818	14,119,869	13,176,050	13,270,316	13,667,775	13,964,018	13,653,466	13,974,329	13,556,360
Operating Grants and Contributions:	15,677,617	10,710,266	11,418,147	11,290,989	15,196,696	10,673,286	17,826,914	11,632,188	11,943,941	14,021,506
Capital Grants and Contributions:	12,350,100	11,101,239	14,838,783	25,613,846 ¹	563,786	38,157,665 ²	2,717,504	27,993,317 ²	1,815,464	6,638,356
Total governmental activities program revenues	65,817,008	57,721,216	69,988,962	80,925,457	64,761,636	99,417,589	71,078,313	94,319,876	69,569,309	77,763,749
Business-type activities:										
Charges for services:										
Water	17,412,634	20,097,227	23,877,685	26,795,767	29,397,882	27,705,129	24,499,952	25,371,307	26,931,193	26,843,751
Wastewater	3,368,327	3,348,433	3,382,905	3,450,638	3,438,670	3,326,362	3,065,762	3,161,114	3,445,772	4,069,265
Total business-type activities program revenues	20,780,961	23,445,660	27,260,590	30,246,405	32,836,552	31,031,491	27,565,714	28,532,421	30,376,965	30,913,016
Total primary government program revenues	86,597,969	81,166,876	97,249,552	111,171,862	97,598,188	130,449,080	98,644,027	122,852,297	99,946,274	108,676,765
Net revenues (expenses):										
Governmental activities	(113,800,937)	(107,594,290)	(108,072,286)	(105,392,035)	(124,230,653)	(108,064,132)	(125,006,419)	(128,769,322)	(151,770,604)	(154,120,690)
Business-type activities	(1,550,424)	(316,285)	5,541,526	6,575,940	7,430,612	6,403,139	2,142,352	2,309,482	2,493,892	(207,287)
Total net revenues (expenses)	\$ (115,351,361)	\$ (107,910,575)	\$ (102,530,760)	\$ (98,816,095)	\$ (116,800,041)	\$ (101,660,993)	\$ (122,864,067)	\$ (126,459,840)	\$ (149,276,712)	\$ (154,327,977)

¹ 2013 data varies from trend because of increased capital assets related to contribution from State of California.

² Data varies from trend because of one-time receipt of developer contributions.

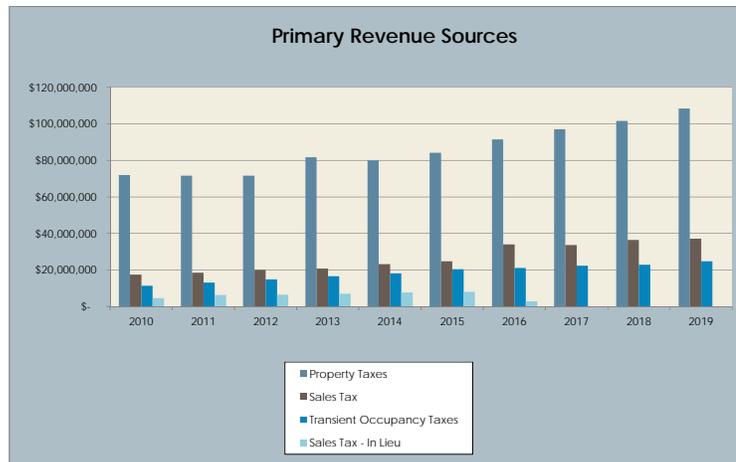
The City of Newport Beach implemented GASB 63 and GASB 65 for the fiscal year ended June 30, 2013.

The City of Newport Beach implemented GASB 68 for the fiscal year ended June 30, 2015.

The City of Newport Beach implemented GASB 75 for the fiscal year ended June 30, 2018.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property tax	\$ 71,999,680	\$ 71,630,345	\$ 71,546,249	\$ 81,603,194	\$ 79,889,346	\$ 84,121,461	\$ 91,516,611	\$ 96,964,060	\$ 101,593,290	\$ 108,365,261
Sales tax	17,440,736	18,455,181	20,107,597	20,784,204	23,142,065	24,832,412	33,937,986	33,702,895	36,373,253	37,168,063
Sales tax in-lieu	4,539,946	6,284,266	6,523,492	7,078,517	7,727,876	8,046,424	2,870,474	-	-	-
Transient occupancy tax	11,400,710	13,082,451	14,798,191	16,500,285	18,176,369	20,369,158	21,083,199	22,382,361	22,857,737	24,697,446
Business license tax	4,026,614	4,090,634	4,073,725	4,145,666	4,156,130	4,141,282	4,024,386	4,149,016	4,282,935	4,428,440
Franchise tax	3,715,946	3,730,819	3,845,901	3,820,723	3,998,943	4,189,130	4,047,584	4,026,005	4,228,469	4,286,496
Motor vehicle license fees	314,957	403,042	42,911	-	-	-	-	-	-	-
Other taxes	201,893	226,257	278,521	286,880	216,604	354,919	327,009	358,209	3,346,987	2,633,720
Investment income	706,855	366,081	405,674	219,091	542,915	437,272	584,259	589,001	632,808	2,644,319
Net increase in fair value of investments	707,200	369,235	246,119	-	53,783	61,337	376,311	-	-	2,234,249
Other	1,820,272	2,601,538	2,789,471	2,748,524	3,803,728	3,161,567	4,001,486	2,290,482	3,416,348	3,495,085
Change in accounting estimates	-	-	8,484,000	-	-	-	-	-	-	-
Capital contributions	-	-	7,352	319,884	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	(3,500,000)	-	-
Total governmental activities	116,874,809	121,239,849	133,149,203	137,486,968	141,707,759	149,714,962	162,769,305	160,962,029	176,731,827	189,953,079
Business-type activities:										
Investment income	128,399	52,996	49,718	22,442	128,439	123,445	216,576	77,752	184,906	713,970
Net increase in fair value of investments	100,117	58,977	67,696	-	18,199	34,921	148,527	-	-	612,358
Other	-	-	-	-	-	-	2,375,000	-	-	-
Capital contributions	-	-	(7,352)	(319,884)	-	-	22,516	-	-	-
Transfers	-	-	-	-	-	-	-	3,500,000	-	-
Total business-type activities	228,516	111,973	110,062	(297,442)	146,638	158,366	2,762,619	3,577,752	184,906	1,326,328
Total primary government	117,103,325	121,351,822	133,259,265	137,189,526	141,854,397	149,873,328	165,531,924	164,539,781	176,916,733	191,279,407
Changes in net position										
Governmental activities	3,073,872	13,645,559	25,076,917	32,094,933	17,477,106	41,650,830	37,762,886	32,192,707	24,961,223	35,832,389
Business-type activities	(1,321,908)	(204,312)	5,651,588	6,278,498	7,577,250	6,561,505	4,904,971	5,887,234	2,678,798	1,119,041
Total primary government	\$ 1,751,964	\$ 13,441,247	\$ 30,728,505	\$ 38,373,431	\$ 25,054,356	\$ 48,212,335	\$ 42,667,857	\$ 38,079,941	\$ 27,640,021	\$ 36,951,430



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

	Fiscal Year			
	2010 ²	2011	2012	2013
General fund:				
Nonspendable		\$ 1,031,742	\$ 7,854,478	\$ 9,919,486
Restricted		1,681,333	2,263,049	2,410,373
Committed		27,619,902	29,673,333	29,371,507
Assigned		11,865,835	19,431,475	6,843,417
Unassigned		20,570,033	20,570,023	32,585,375
Total general fund		<u>\$ 62,768,845</u> ³	<u>\$ 79,792,358</u>	<u>\$ 81,130,158</u>
All other governmental funds:				
Nonspendable		\$ 5,898,234	\$ 5,396,436	\$ 4,697,220
Restricted		36,445,842	30,957,184	27,433,342
Committed		115,923,344	70,500,156	33,961,163
Assigned		5,633,558	-	-
Unassigned		(2,988,102)	(11,339,671)	(15,723,261)
Total all other governmental funds		<u>\$ 160,912,876</u> ⁴	<u>\$ 95,514,105</u>	<u>\$ 50,368,464</u>
Total all governmental funds		<u>\$ 223,681,721</u>	<u>\$ 175,306,463</u>	<u>\$ 131,498,622</u>

	Fiscal Year
	2010
General fund:	
Reserved	\$ 5,472,481
Unreserved	76,685,385
Total general fund	<u>\$ 82,157,866</u>
All other governmental funds:	
Reserved	\$ 9,363,673
Unreserved, reported in:	
Special revenue funds	27,973,528
Capital projects funds	(10,571,278)
Permanent funds	1,294,924
Total all other governmental funds	<u>\$ 28,060,847</u>
Total all governmental funds	<u>\$ 110,218,713</u>

¹ The City of Newport Beach implemented 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.

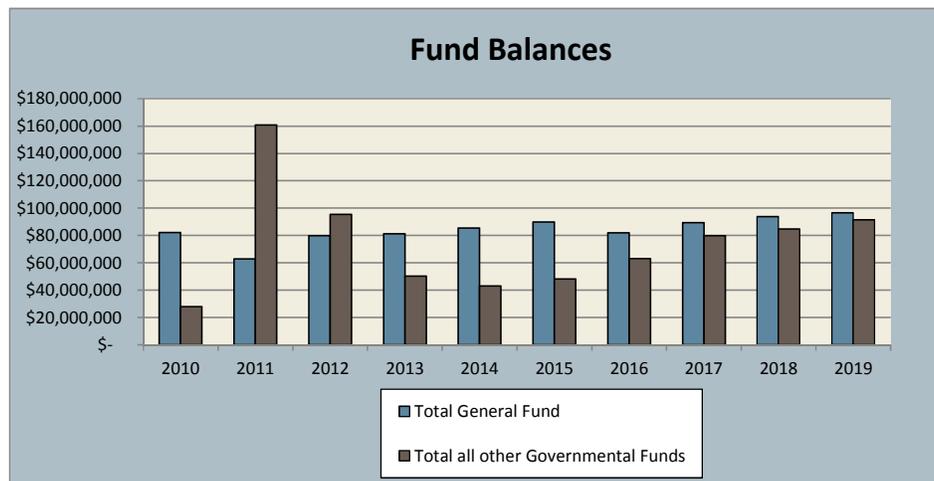
⁵ Data varies from trend due to the reclassification of the contingency reserve from committed fund balance to unassigned fund balance per council approval.

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

⁷ Data varies from trend due to additional funds set aside for seawall construction and pension related items.

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

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 16,316,499	\$ 15,784,396	\$ 15,210,896	\$ 14,434,017	\$ 14,050,930	\$ 13,147,221
3,939,751	5,389,810	3,083,133	3,797,009	4,412,302	4,757,437
12,782,235 ⁵	11,847,852	2,726,020 ⁶	10,570,638 ⁷	13,444,487	13,335,675
1,326,170	1,421,225	4,201,311	567,132	590,368	1,199,682
51,015,820 ⁵	55,509,258	56,618,041	60,009,244	61,415,049	64,146,123
<u>\$ 85,380,475</u>	<u>\$ 89,952,541</u>	<u>\$ 81,839,401⁶</u>	<u>\$ 89,378,040⁷</u>	<u>\$ 93,913,136</u>	<u>\$ 96,586,138</u>
\$ 4,629,781	\$ 4,669,269	\$ 4,629,781	\$ 4,666,256	\$ 4,787,243	\$ 4,715,545
33,243,790	29,842,384	33,662,859	31,950,139	38,629,419	45,958,167
19,513,389	26,159,261	40,248,977	49,510,047	41,731,742	40,732,124
-	-	-	-	-	-
(14,291,969)	(12,495,729)	(15,422,984)	(6,308,331)	(376,162)	(253)
<u>\$ 43,094,991</u>	<u>\$ 48,175,185</u>	<u>\$ 63,118,633</u>	<u>\$ 79,818,111</u>	<u>\$ 84,772,242</u>	<u>\$ 91,405,583</u>
<u>\$ 128,475,466</u>	<u>\$ 138,127,726</u>	<u>\$ 144,958,034</u>	<u>\$ 169,196,151</u>	<u>\$ 178,685,378</u>	<u>\$ 187,991,721</u>



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

	Fiscal Year			
	2010	2011	2012	2013
Revenues:				
Taxes	\$ 113,809,443	\$ 117,983,765	\$ 121,710,955	\$ 134,733,550
Intergovernmental	15,379,698	11,467,471	12,122,963	11,393,589
Licenses, permits and fees	3,950,967	5,198,986	6,691,125	7,682,555
Charges for services	15,293,362	15,285,813	16,020,825	16,254,399
Fines and forfeitures	4,105,632	3,545,229	3,795,787	3,649,532
Investment income	1,289,890	1,045,592	1,142,935	372,514
Net increase in fair value of investments	1,155,363	882,317	704,656	-
Property income	14,624,923	15,538,387	17,458,143	19,847,371
Donations	5,497,640	1,790,073	13,977,850	587,445
Other	7,646,274	5,091,527	691,125	3,543,894
Total revenues	<u>182,753,192</u>	<u>177,829,160</u>	<u>194,316,364</u>	<u>198,064,849</u>
Expenditures:				
Current:				
General government	15,169,546	15,424,734	12,896,492	13,671,480
Public safety	77,202,445	74,947,173	75,377,871	80,546,969
Public works	39,922,406	31,442,076	32,399,178	32,451,624
Community development	9,556,066	8,430,813	8,939,825	8,994,710
Community services	14,916,230	15,662,011	19,296,505	18,872,022
Capital outlay	36,796,653	37,645,882	80,617,948	72,133,582
Debt service:				
Principal	1,820,679	6,230,080	4,529,854	3,998,000
Interest and fiscal charges	383,297	1,179,612	8,320,500	8,152,488
Issuance of debt costs	-	1,219,071	-	-
Total expenditures	<u>195,767,322</u>	<u>192,181,452</u>	<u>242,378,173</u>	<u>238,820,875</u>
Excess (deficiency) of revenues over (under) expenditures	(13,014,130)	(14,352,292)	(48,061,809)	(40,756,026)
Other financing sources (uses):				
Transfers in	22,380,521	58,763,620	24,640,318	47,875,107
Transfers out	(21,780,521)	(58,763,620)	(24,953,767)	(50,926,922)
Proceeds from issuance of debt	1,500,000	126,660,000	-	-
Proceeds from sale	-	-	-	-
Issuance of debt premium	-	1,155,300	-	-
Proceeds from loan issuance	-	-	-	-
Payment to refunded loan escrow agent	-	-	-	-
Total other financing sources (uses)	<u>2,100,000</u>	<u>127,815,300</u>	<u>(313,449)</u>	<u>(3,051,815)</u>
Net change in fund balances	<u>\$ (10,914,130)</u>	<u>\$ 113,463,008</u>	<u>\$ (48,375,258)</u>	<u>\$ (43,807,841)</u>
Debt service as a percentage of noncapital expenditures				
	1.4%	4.8%	8.3%	15.8%

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

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 137,910,879	\$ 146,664,903	\$ 158,386,385	\$ 162,184,218	\$ 171,982,240	\$ 183,455,182
16,825,839	11,813,208	17,262,147	17,073,653	16,148,754	15,818,543
6,659,203	14,676,754	6,571,123	9,844,908	6,405,668	6,302,603
16,864,092	16,914,210	18,827,991	19,197,065	19,828,786	19,472,866
3,272,951	3,732,405	3,684,602	3,590,700	3,181,823	3,347,714
1,136,062	928,729	1,157,539	772,546	1,143,210	3,490,992
124,439	177,485	769,460	-	-	2,938,136
22,214,256	21,406,667	22,259,425	23,553,188	25,430,217	26,674,107
1,170,171	22,249,427	4,190,822	16,827,889	414,123	402,709
1,400,048	6,984,418	2,982,924	2,277,322	2,893,770	5,173,716
<u>207,577,940</u>	<u>245,548,206</u>	<u>236,092,418</u>	<u>255,321,489</u>	<u>247,428,591</u>	<u>267,076,568</u>
14,471,167	14,060,512	14,629,672	15,086,397	16,099,310	16,769,920
82,642,988	94,568,122	96,225,784	98,750,981	109,760,129	116,054,531
32,414,457	33,694,578	36,000,905	35,961,024	38,012,230	44,132,877
9,768,928	9,876,706	10,913,205	11,696,779	12,979,656	12,310,621
19,047,813	20,235,546	21,784,680	23,607,284	25,538,966	26,372,495
33,572,193	47,169,671	31,934,463	30,822,972	24,054,866	26,347,312
4,091,000	4,183,000	4,272,000	4,401,000	3,335,000	3,470,000
8,052,927	7,957,811	7,839,341	7,704,957	7,617,107	7,428,469
-	-	-	-	-	-
<u>204,061,473</u>	<u>231,745,946</u>	<u>223,600,050</u>	<u>228,031,394</u>	<u>237,397,264</u>	<u>252,886,225</u>
3,516,467	13,802,260	12,492,368	27,290,095	10,031,327	14,190,343
41,223,727	53,281,956	48,523,132	45,342,446	45,308,862	54,664,532
(47,245,283)	(57,431,956)	(54,185,192)	(49,390,226)	(45,850,962)	(59,548,532)
-	-	-	-	-	-
-	-	-	995,802	-	-
-	-	-	-	-	-
-	1,339,000	-	-	-	-
-	(1,339,000)	-	-	-	-
<u>(6,021,556)</u>	<u>(4,150,000)</u>	<u>(5,662,060)</u>	<u>(3,051,978)</u>	<u>(542,100)</u>	<u>(4,884,000)</u>
<u>\$ (2,505,089)</u>	<u>\$ 9,652,260</u>	<u>\$ 6,830,308</u>	<u>\$ 24,238,117</u>	<u>\$ 9,489,227</u>	<u>\$ 9,306,343</u>
6.9%	6.6%	7.2%	6.0%	5.3%	4.8%

REVENUE CAPACITY

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports and underlying accounting records for the relevant years.

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

Fiscal Year Ended June 30	Secured			Unsecured	Total Taxable Assessed Value	Change	Total Direct Tax Rate
	Residential	Commercial	Other				
2010	29,057,665,304	4,614,669,993	3,406,238,449	1,580,961,132	38,659,534,878	1.96%	1.000%
2011	30,853,053,683	4,711,084,222	1,516,055,361	1,671,177,215	38,751,370,481	0.24%	1.000%
2012	31,603,505,416	4,504,291,343	1,442,600,505	1,565,104,496	39,115,501,760	0.94%	1.000%
2013	32,522,843,119	4,627,463,458	1,435,546,888	1,597,277,039	40,183,130,504	2.73%	1.000%
2014	34,678,952,381	4,688,189,694	1,489,111,147	1,484,909,241	42,341,162,463	5.37%	1.000%
2015	36,814,891,583	5,007,508,388	1,348,136,131	1,581,520,801	44,752,056,903	5.69%	1.000%
2016	39,263,791,190	5,264,898,550	1,394,764,145	1,465,016,213	47,388,470,098	5.89%	1.000%
2017	41,834,060,284	5,539,551,197	1,398,481,252	1,569,593,832	50,341,686,565	6.23%	1.000%
2018	44,862,969,434	5,953,148,011	1,499,414,812	1,464,683,763	53,780,216,020	6.83%	1.000%
2019	48,246,937,786	6,466,645,074	1,474,416,367	1,513,162,553	57,701,161,781	7.29%	1.000%

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City Direct Rates:										
City basic rate	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total City Direct Rate	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates:										
Water Districts	0.082	0.081	0.081	0.081	0.081	0.047	0.047	0.047	0.047	0.047
School Districts	0.1521	0.1548	0.1546	0.1646	0.1702	0.1819	0.1826	0.1730	0.1764	0.1612
Total Overlapping Rate	0.234	0.236	0.236	0.245	0.251	0.228	0.229	0.219	0.223	0.208
Total Direct & Overlapping Rate	<u>\$ 1.234</u>	<u>\$ 1.236</u>	<u>\$ 1.236</u>	<u>\$ 1.245</u>	<u>\$ 1.251</u>	<u>\$ 1.228</u>	<u>\$ 1.229</u>	<u>\$ 1.219</u>	<u>\$ 1.223</u>	<u>\$ 1.208</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	2019			2010		
	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	\$ 1,284,373,515	1	2.23%	\$ 1,845,922,190	1	4.78%
PH Finance LLC	296,523,267	2	0.51%	N/A	-	0.00%
Villas at Fashion Island	265,717,717	3	0.46%	N/A	-	0.00%
Block 500 Newport Center Drive LLC	191,105,505	4	0.33%	N/A	-	0.00%
HG Newport Owner LLC	176,500,000	5	0.31%	N/A	-	0.00%
650 Newport Center Drive LLC	157,815,585	6	0.27%	N/A	-	0.00%
Newport Bluffs LLC	157,544,403	7	0.27%	138,143,707	3	0.36%
Balboa Bay Club Ventures	145,360,066	8	0.25%	N/A	-	0.00%
UDR Newport Beach North LP	135,306,348	9	0.23%	117,788,896	6	0.30%
WJ Newport LLC	134,432,043	10	0.23%	N/A	-	0.00%
	<u>\$ 2,944,678,449</u>		<u>5.10%</u>	<u>\$ 2,101,854,793</u>		<u>5.44%</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
2010	68,412,731	66,282,513 ³	96.89%	1,507,391	67,789,904	99.09%
2011	70,476,893	68,577,472	97.30%	1,069,122	69,646,594	98.82%
2012	71,157,295	69,435,794	97.58%	985,344	70,421,138	98.97%
2013	74,165,333	72,532,734	97.80%	736,983	73,269,717	98.79%
2014	79,195,727	77,758,504	98.19%	650,273	78,408,777	99.01%
2015	83,843,488	82,191,604	98.03%	814,585	83,006,189	99.00%
2016	84,166,940	81,762,526	97.14%	776,966	82,539,492	98.07%
2017	86,264,321	84,019,053	97.40%	723,614	84,742,667	98.24%
2018	92,139,181	90,279,099	97.98%	728,725	91,007,824	98.77%
2019	98,471,700	96,356,203	97.85%	- ⁴	96,356,203	97.85%

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 2019 delinquent taxes collected in subsequent years was not available as of the date the information was collected for the City's Comprehensive Annual Financial Report.

Source: Orange County Auditor Controller's Office

DEBT CAPACITY

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports and underlying accounting records for the relevant years.

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

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation ¹	Note Payable	Pre-Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
2010	3,990,000	932,934	8,400,000	1,883,000	-	1,500,000
2011	127,744,977	737,854	7,200,000	1,788,000	-	750,000
2012	125,884,424	-	6,000,000	1,686,000	-	-
2013	123,073,871	-	4,800,000	1,578,000	-	-
2014	120,178,318	-	3,600,000	1,462,000	-	-
2015	117,197,765	-	2,400,000	1,339,000	-	-
2016	114,137,212	-	1,200,000	1,207,000	-	-
2017	110,956,659	-	-	1,066,000	-	-
2018	107,651,106	-	-	916,000	-	-
2019	104,220,553	-	-	756,000	-	-

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
16,705,934	-	-	16,705,934	0.25%	193
138,220,831	-	-	138,220,831	2.34%	1,619
133,570,424	-	-	133,570,424	2.30%	1,553
129,451,871	-	-	129,451,871	1.85%	1,498
125,240,318	-	-	125,240,318	1.81%	1,442
120,936,765	-	-	120,936,765	1.77%	1,386
116,544,212	-	-	116,544,212	1.77%	1,383
112,022,659	-	-	112,022,659	1.66%	1,319
108,567,106	-	-	108,567,106	1.48%	1,245
104,976,553	-	-	104,976,553	1.36%	1,204

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>
2010	3,990,000	(360,000)	3,630,000	0.01%	42
2011	127,744,977	(1,488,670)	126,256,307	0.33%	1,479
2012	125,884,424	(2,532,561)	123,351,863	0.32%	1,434
2013	123,073,871	(1,157,250)	121,916,621	0.30%	1,410
2014	120,178,318	(2,352,746)	117,825,572	0.28%	1,356
2015	117,197,765	(2,350,210)	114,847,555	0.26%	1,316
2016	114,137,212	(2,362,904)	111,774,308	0.24%	1,326
2017	110,956,659	(2,364,034)	108,592,625	0.22%	1,279
2018	107,651,106	(2,384,338)	105,266,768	0.20%	1,207
2019	104,220,553	(2,362,228)	101,858,325	0.18%	1,168

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, 2019

City Net Assessed Valuation: \$ 57,701,161,781

	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/19	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.978%	\$ 48,050,000	\$ 950,429
Coast Community College District	34.439%	754,064,504	259,692,275
Rancho Santiago Community College District	2.776%	234,052,001	6,497,284
Rancho Santiago Community College District School Facilities Improvement District No. 1	5.253%	115,390,000	6,061,437
Laguna Beach Unified School District	15.277%	21,715,000	3,317,401
Laguna Beach Unified School District Community Facilities District No. 98-1	100.000%	8,040,000	8,040,000
Newport Mesa Unified School District	73.310%	257,491,912	188,767,321
Newport Mesa Unified School District Community Facilities District No. 90-1	100.000%	3,605,000	3,605,000
Santa Ana Unified School District	6.489%	293,004,757	19,013,079
Irvine Ranch Water District Improvement Districts	2.924% - 100.000%	460,711,700	56,509,289
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	25,755,000	25,755,000
California Statewide Communities Development Authority Community Facilities District No. 2018-3	100.000%	8,300,000	8,300,000
City of Newport Beach 1915 Act Bonds	100.000%	7,436,380	7,436,380
Orange County Newport Coast Assessment District No. 01-1	100.000%	4,207,000	4,207,000
Orange County Newport Coast Reassessment District No. 17-1R	100.000%	26,115,000	26,115,000
Orange County General Fund Obligations	9.747%	388,720,000	37,888,538
Orange County Pension Obligation Bonds	9.747%	407,629,239	39,731,622
Orange County Board of Education Certificates of Participation	9.747%	13,490,000	1,314,870
Coast Community College District Certificates of Participation	34.439%	2,950,000	1,015,951
Santa Ana Unified School District Certificates of Participation	6.489%	66,113,991	4,290,137
Overlapping Tax Increment Debt (Successor Agencies):	3.687% - 65.176%	17,125,000	7,275,285
TOTAL OVERLAPPING DEBT		\$ 3,163,966,484	\$ 715,783,296
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	\$ 104,220,553	\$ 104,220,553
Community Development Block Grant Loan	100.000%	756,000	756,000
TOTAL DIRECT DEBT		\$ 104,976,553	\$ 104,976,553
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 820,759,849
GROSS COMBINED TOTAL DEBT ⁽²⁾			\$ 820,759,849

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

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

Ratios to 2018-19 Net Assessed Valuation:

Total Overlapping Debt	1.24%
Total Direct Debt (\$104,976,553)	0.18%
Gross Combined Total Debt	1.42%

Ratios to Redevelopment Incremental Valuation (\$1,166,223,378)

Total Overlapping Tax Increment Debt	0.62%
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Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2010	2011	2012	2013
Assessed valuation	\$ 38,659,534,878	\$ 38,751,370,481	\$ 39,115,501,760	\$ 40,183,130,504
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	9,664,883,720	9,687,842,620	9,778,875,440	10,045,782,626
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,449,732,558	1,453,176,393	1,466,831,316	1,506,867,394
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 1,449,732,558</u>	<u>\$ 1,453,176,393</u>	<u>\$ 1,466,831,316</u>	<u>\$ 1,506,867,394</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					
2014	2015	2016	2017	2018	2019
\$ 42,341,162,463	\$ 44,752,056,903	\$ 47,388,470,098	\$ 50,341,686,565	\$ 53,780,216,020	\$ 57,701,161,781
25%	25%	25%	25%	25%	25%
10,585,290,616	11,188,014,226	11,847,117,525	12,585,421,641	13,445,054,005	14,425,290,445
15%	15%	15%	15%	15%	15%
1,587,793,592	1,678,202,134	1,777,067,629	1,887,813,246	2,016,758,101	2,163,793,567
-	-	-	-	-	-
<u>\$ 1,587,793,592</u>	<u>\$ 1,678,202,134</u>	<u>\$ 1,777,067,629</u>	<u>\$ 1,887,813,246</u>	<u>\$ 2,016,758,101</u>	<u>\$ 2,163,793,567</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 years.

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

Fiscal Year	Population ¹	Personal Income (in thousands)	Per Capita Income ⁽²⁾	Unemployment Rate ⁽³⁾
2010	86,738	6,676,484	76,973	6.0%
2011	85,376	5,916,215	69,296	5.8%
2012	85,990	5,809,828	67,564	5.1%
2013	86,436	6,995,784	80,936	4.2%
2014	86,874	6,926,725	79,733	3.6%
2015	87,249	6,848,523	78,494	4.0%
2016	84,270	6,574,071	78,012	3.4%
2017	84,915	6,736,392	79,331	3.1%
2018	87,182	7,334,970	84,134	2.9%
2019	87,180	7,704,445	88,374	2.6%

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

Sources:

⁽¹⁾ California State Department of Finance, E-4 Population Estimates for Cities, Counties and State 2008-2010; and, E-1 Population Estimates for Cities, Counties and State January 1, 2015 - 2019.

⁽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	2019			2010		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	5,200	1	6.32%	4,001	1	4.91%
Pacific Life Insurance	1,316	2	1.60%	1,513	3	1.86%
Glidewell Dental	1,273	3	1.55%	1,400	4	1.72%
PIMCO Advisors	1,225	4	1.49%	500	10	0.61%
Newport-Mesa Unified School District	807	5	0.98%	545	8	0.67%
Jazz Semi-Conductor	805	6	0.98%	N/A ²	-	N/A
City of Newport Beach	726	7	0.88%	940	5	1.15%
Resort at Pelican Hill	713	8	0.87%	N/A ²	-	N/A
Balboa Bay Club and Resort	520	9	0.63%	500	10	0.61%
The Island Hotel	430	10	0.52%	500	10	0.61%
Fletcher Jones Motor Cars Inc.	410	11	0.50%	500	10	0.61%
Marriott-Newport Beach	275	12	0.33%	510	9	0.63%

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

² Company listed was unable to provide employee data for 2010.

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

OPERATING INFORMATION

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

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

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports and underlying accounting records for the relevant years.

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

Function	Full-Time Employees as of June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	92	94	95	94	79	78	77	77	79	80
Public safety	394	381	359	357	366	370	374	371	372	375
Community development	53	51	58	56	53	52	52	52	53	53
Public works	147	144	130	128	119	109	104	99	98	96
Community services	69	70	68	70	74	75	79	81	79	78
Water	36	37	38	32	32	31	32	31	33	34
Wastewater	14	15	15	15	13	13	12	13	11	11
Total	<u>805</u>	<u>792</u>	<u>763</u>	<u>752</u>	<u>736</u>	<u>728</u>	<u>730</u>	<u>724</u>	<u>725</u>	<u>726</u>

Source: City Finance Department

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

	Fiscal Year			
	2010	2011	2012	2013
Police:				
Adult Arrests	2,967	3,093	2,982	3,161
Parking Citations Issued	66,310	67,459	55,418	58,823
Fire:				
Fire Responses	172	165	201	342
Fire Inspections	7,000	7,100	4,315	4,338
General Services:				
Street Patching (tons of mix)	3,467	2,580	2,246	1,708
Sidewalk Repair (square feet)	49,540	39,972	34,000	37,607
Recreation & Senior Services:				
Co-Sponsored Youth Organization Attendance	350,000	322,000	257,322	293,938
Senior Transportation Services	15,458	15,063	15,264	13,112
Water:				
New Connections	19	28	35	54
Average Daily Consumption (hundred cubic feet)	17.25	17.25	15.15	14.02
Sewer:				
New Connections	9	6	15	14
Miles of Pipe Cleaned	200	235	248	215
Library Services:				
Library Circulation of Materials	1,819,122	1,770,683	1,582,953	1,582,914

Source: City of Newport Beach

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

Fiscal Year					
2014	2015	2016	2017	2018	2019
2,794	3,472	3,158	3,178	3,266	3,520
51,609	59,753	64,762	69,246	56,685	67,048
356	305	300	247	248	209
3,352	1,281	1,201	1,216	1,307	1,033
2,408	2,711	1,890	1,439	1,403	1,402
37,607	27,175	27,000	20,490	22,925	14,840
294,000	303,152	305,000	425,000	437,751	469,959
13,956	13,740	14,000	13,500	13,071	13,386
72	187	194	229	210	210
15.96	16.39	11.66	13.80	14.07	13.75
22	20	17	41	137	46
245	260	250	202	211	196
1,689,870	1,610,818	1,575,000	1,464,640	1,424,594	1,376,041

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

	Fiscal Year			
	2010	2011	2012	2013
Police:				
Stations	1	1	1	1
Fire:				
Fire Stations	8	8	8	8
Lifeguard Headquarters	1	1	1	1
Public works:				
Streets (miles)	395	395	395	395
Streetlights	5,978	5,978	5,977	5,977
Traffic Signals	803	803	808	808
Recreation & Senior Services:				
Parks	63	63	63	64
Community Centers (includes leased property)	14	14	14	14
Aquatic Center	1	1	1	1
Water:				
Water Mains (miles)	303.27	303.25	303.25	303.25
Maximum Daily Capacity (thousands of gallons)	19,341	28,540	27,508	26,916
Wastewater:				
Sanitary Sewers (miles)	202.80	202.40	202.40	202.40
Storm Sewers (miles)	95.50	95.40	95.40	95.40
Library Services:				
Libraries	4	4	4	4

Source: City of Newport Beach

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

Fiscal Year					
2014	2015	2016	2017	2018	2019
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
395	395	399	400	400	400
5,977	5,977	5,978	5,978	5,978	5,971
808	808	808	808	808	808
64	64	64	64	64	65
14	14	15	15	15	15
1	1	1	1	1	1
298.37	299.58	299.77	300.64	300.30	300.88
27,704	27,800	27,800	27,800	27,800	27,800
202.62	202.64	202.75	202.72	203.56	203.99
70.62	94.14	92.08	94.74	95.12	95.35
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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Type of Customer:										
Residential	4,251,996	3,656,705	4,001,344	3,890,973	3,902,007	3,853,566	3,072,589	3,564,203	3,603,927	3,439,655
Commercial	1,165,128	1,145,843	2,369,492	2,389,822	2,525,169	2,560,620	1,847,372	2,142,952	2,201,254	2,075,812
Government	349,334	320,821	374,091	394,787	455,251	396,605	263,116	305,214	289,738	256,398
Total	<u>5,766,458</u>	<u>5,123,369</u>	<u>6,744,927</u>	<u>6,675,582</u>	<u>6,882,427</u>	<u>6,810,791</u>	<u>5,183,077</u>	<u>6,012,369</u>	<u>6,094,919</u>	<u>5,771,865</u>
Total direct rate per 100 cubic ft.	\$ 2.20	\$ 2.46	\$ 2.73	\$ 2.96	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08

Source: City Utilities Department

CITY OF NEWPORT BEACH
Utility Rates¹
Last Ten Fiscal Years

Fiscal Year Ended June 30	Monthly Base Rate	Rate per 100 cubic ft
2010	12.77	2.55
2011	17.59	2.81
2012	19.61	3.08
2013	21.13	3.31
2014	21.77	3.43
2015	21.77	3.43
2016	21.77	3.43
2017	21.77	3.43
2018	23.73	3.46
2019	24.34	3.50

¹ Rates are based on 5/8" or 3/4" meter, which are the standard household meter sizes. Rates include sewer service. The City charges an excess-use rate above normal demand.

Source: City Revenue Division

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

Water Customer	2019			2010		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Irvine Company Apartment	\$ 601,120	1	2.14%	\$ 369,195	1	2.10%
Irvine Company Office	556,372	2	1.98%	252,238	3	1.44%
Hoag Memorial Hospital	366,944	3	1.31%	269,088	2	1.53%
Big Canyon Country Club	303,921	4	1.08%	160,923	8	0.92%
Newport Beach Country Club	280,014	5	1.00%	193,677	4	1.10%
Newport-Mesa Unified School District	277,058	6	0.99%	151,315	9	0.86%
Bluffs Homeowners Association	264,090	7	0.94%	179,594	6	1.02%
Park Newport Ltd	260,358	8	0.93%	184,336	5	1.05%
UDR Newport Beach	245,251	9	0.87%	172,287	7	0.98%
Irvine Company Retail	197,952	10	0.71%	123,016	11	0.70%
Pacific View - Pierce Bros.	156,367	11	0.56%	128,045	10	0.73%
Villa Balboa Community Association	124,531	12	0.44%	93,419	13	0.53%
Jasmine Creek Community Association	119,068	13	0.42%	80,277	17	0.46%
Newport Dunes Resort & Marina	118,390	14	0.42%	90,233	14	0.51%
Irvine Company Resort	115,181	15	0.41%	83,433	16	0.47%
	<u>\$ 3,986,616</u>		<u>14.22%</u>	<u>\$ 2,531,076</u>		<u>14.41%</u>

Source: City Revenue Division



City of Newport Beach
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