
**CITY OF
NEWPORT BEACH**

**ANNUAL
COMPREHENSIVE
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2021





*Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021*

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



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

INTRODUCTORY SECTION



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CITY OF NEWPORT BEACH
 Annual Comprehensive Financial Report
 Year Ended June 30, 2021

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INTRODUCTORY SECTION

(Unaudited)

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December 23, 2021

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

The City Charter and California state law require that the City of Newport Beach (“City”) issue a complete set of financial statements annually and that an independent firm of certified public accountants audit this report in conformance with generally accepted auditing standards (GAAS). The Annual Comprehensive Financial Report (ACFR) of the City of Newport Beach for the year ended June 30, 2021, is hereby submitted.

The ACFR 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 DavisFarr 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, 2021 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, 2021, are fairly presented in

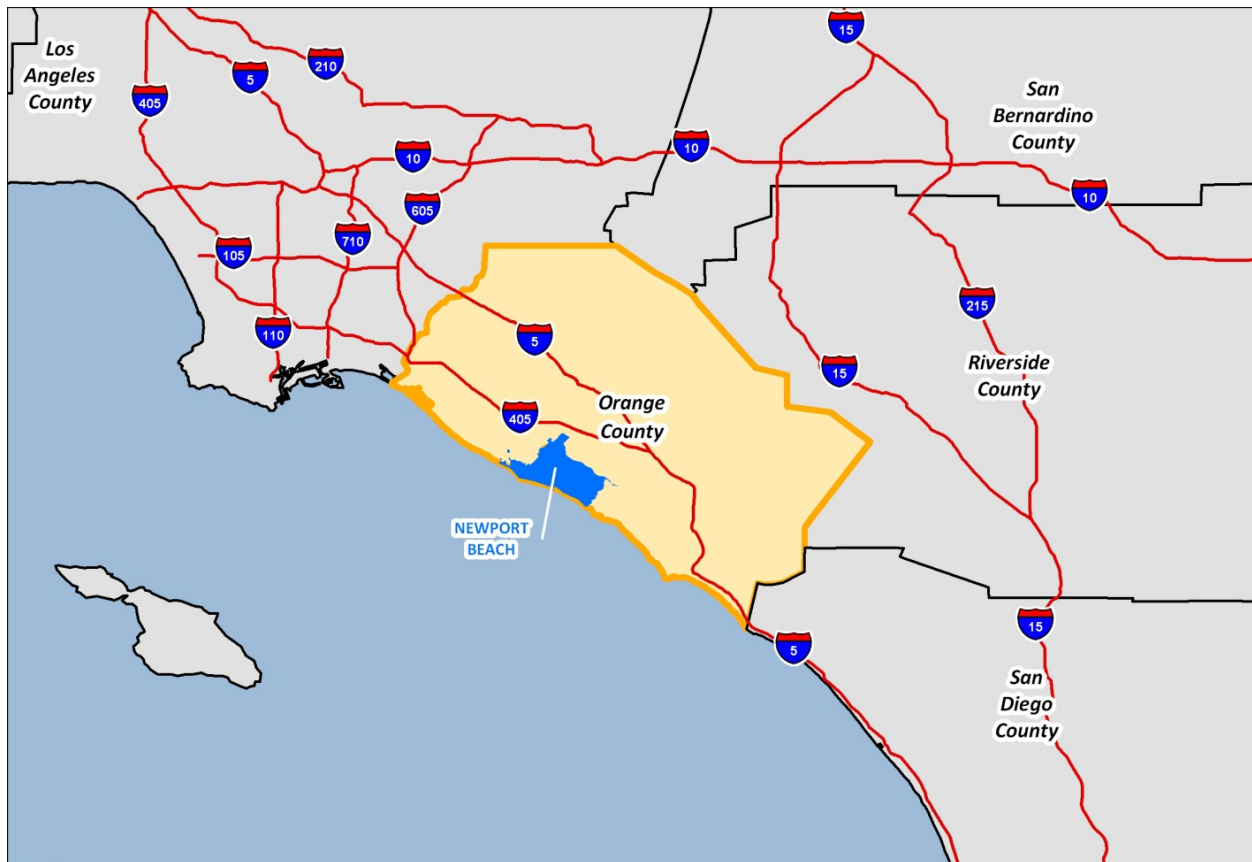
conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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 Orange County 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 9,000 recreational and sports charter boats docked within its 21-square-mile harbor. The bay and the ten miles of ocean beach offer outstanding fishing, swimming, surfing, and aquatic sports activities. The city has a permanent population of 85,865, 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 on 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,

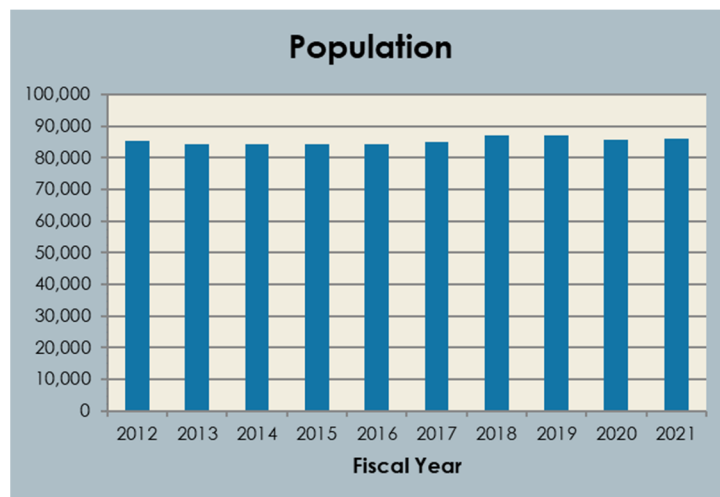
among other things, policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations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

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

DEMOGRAPHICS

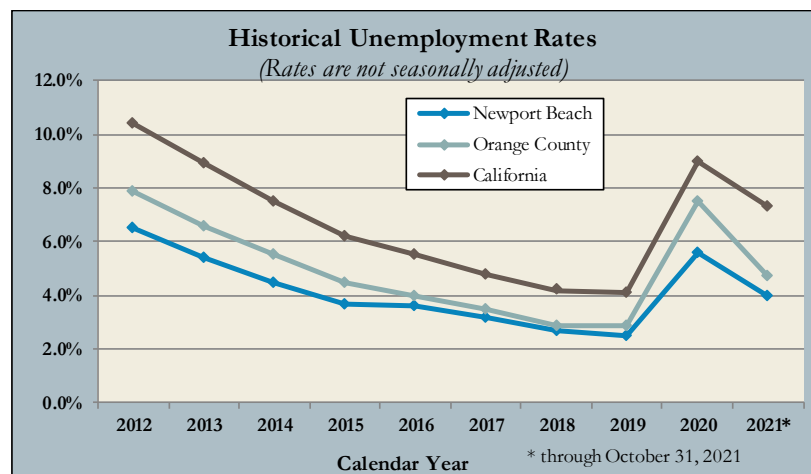
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 85,865, the population has been very stable as indicated by the following chart.



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.

2020 Median Household Income	
City of Newport Beach	\$128,294
Orange County	95,934
California	80,444
USA	65,712

The leading industries here are professional, scientific, health care, finance, insurance, legal, and travel/tourism. Unemployment in the city stands at 4.0% due to the remaining economic impacts associated with the COVID-19 pandemic, but is significantly lower when compared to the state, 7.3% and the county, 4.7%, as illustrated in the following chart.



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

LOCAL ECONOMY

Financial activity at the end of the fiscal year indicates that revenues came in higher, and expenditures lower, than the revised budget. This is a reflection of both the City’s conservative budgeting and projection methodologies, consistent with City Council Policy F-3 – Budget Adoption and Administration, and a more rapid improvement in the economy than had been initially anticipated.

Newport Beach’s hotel occupancy rate stands at 60.7% as of August 21st and is 37.9% higher than at the same time last year. When California reopened its economy in mid-June and dropped several COVID-related restrictions, hotel occupancy shot up. In Anaheim, the home of Disneyland, hotel occupancy was at 70% in June, compared to

45% the previous year, according to the global hospitality data and analytics company STR. However, some hoteliers remain concerned about the lingering impacts of the COVID-19 pandemic on tourism as well as a slow return of business travelers.

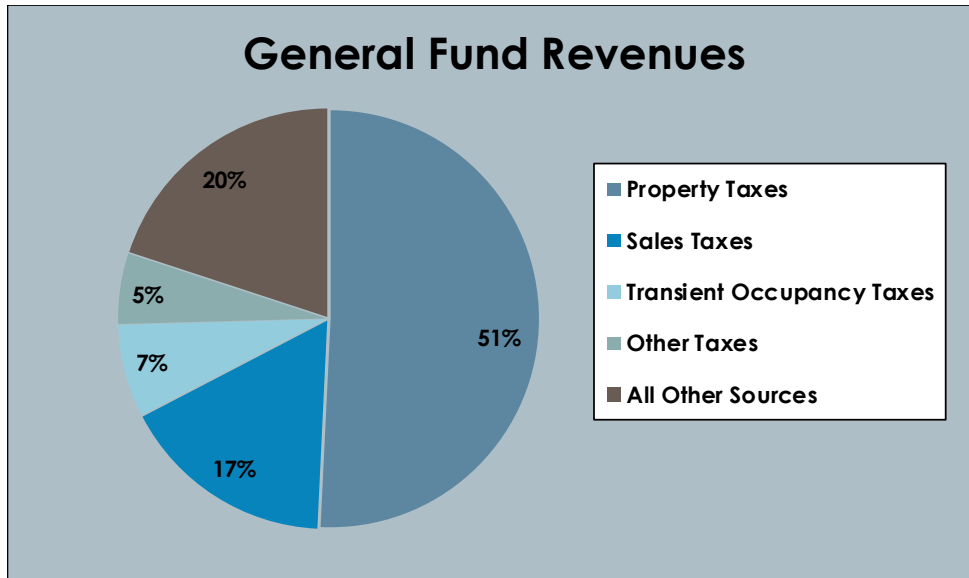
Automobile sales as a major industry group has experienced a classical V-shaped recovery in the aftermath of the COVID-19 recession. New car sales dropped 68% or more at many dealers around the State in the initial weeks after the State's pandemic shutdown order in March 2020. Sales have since steadily rebounded and are now in 2021 13% higher than the same period in 2019, a year before the crisis began. Limited supply has been overwhelmed by strong demand. Consumers are treating themselves to more expensive models, with new cars reported to be 8% more costly this year. The California New Car Dealers Association reports that Porsche, Mercedes, and Tesla have been the most sought-after brands in 2021. S&P Global and other research firms are forecasting continued growth in the 15% range for the remainder of the year before sales begin to flatten out in 2022.

The Conference Board expects consumer spending to continue to improve in the second half of 2021, especially on in-person services, but the overall growth contribution derived from consumer spending will moderate as much of the recovery in this facet of the economy has already been achieved. However, continued consumer uncertainty in reaction to the identification of new COVID-19 variants presents a downside risk to consumer spending. While it is unlikely that a new round of severe government-mandated mobility restrictions will be implemented to contain these variants, cyclical fluctuations in the public's comfort interacting in public spaces does have the potential to affect consumer confidence and in-person spending.

TOP THREE REVENUE SOURCES

Most revenue categories performed at or higher than their budgeted levels this year due to more favorable economic conditions than anticipated when the budget was developed in April 2020. This performance trend led to a \$17.7 million budget amendment during the third quarter that aligned the revenue budget with the higher anticipated results projected at that time. Actual revenues were \$16.1 million or 7.3% higher than anticipated. As discussed in more detail below, the primary positive variances were in sales tax and service fees & charges.

The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu, and Transient Occupancy Taxes (TOT), represent 74% of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees, and other taxes represent nearly 80% of all General Fund revenues, while only 20% is generated from 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 more than half (51%) of all General Fund revenues. Due to the limited supply of scenic coastal property and the unique access to 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. Property tax revenues for FY 2020-21 were budgeted conservatively anticipating the potential for delayed payments due to economic hardship and the Governor’s Executive Order suspending penalties and interest for delinquent property tax payments. These concerns did not come to pass, and FY 2020-21 property taxes came in \$1.6 million or 1.4% higher than budgeted. Secured property tax payments came in strong, \$1.3 million over budget, which is an indication of timely property tax payments and higher valuations.

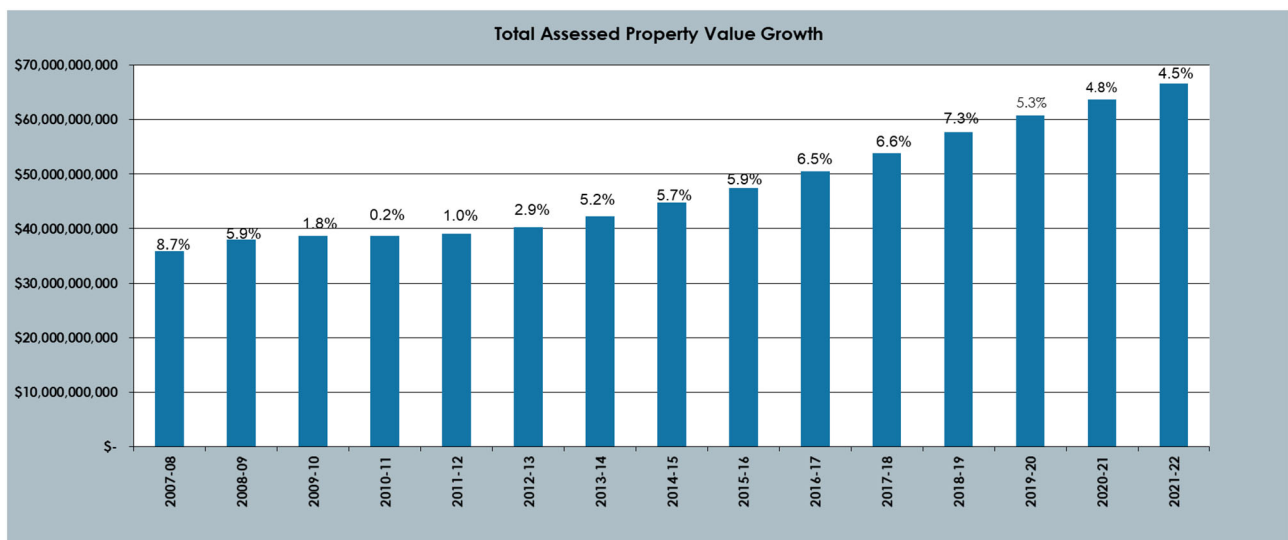
Despite new record price levels, statewide growth in home sales slowed and pending sales dropped in the second quarter of 2021 for the first time since May 2020. Higher priced markets like Newport Beach continued to do well while sales of lower priced properties remained below last year’s levels. The median home sales price of detached single-family residences in Newport Beach was \$3.1 million on June 30, 2021, up 15.9% from the prior quarter and 25% higher than the prior year. With the recent surge of home prices, this category will likely continue to improve, which bodes well for future secured property tax revenues. Estimated average single-family home values of \$3,193,863 in Newport Beach far exceed the countywide average value of \$1,350,087.

CITY OF NEWPORT BEACH Single Family Home Values*		
Year	Home Value	% Change
2012	\$ 1,666,362	3.18%
2013	\$ 1,930,565	15.86%
2014	\$ 2,027,552	5.02%
2015	\$ 2,173,786	7.21%
2016	\$ 2,318,400	6.65%
2017	\$ 2,589,204	11.68%
2018	\$ 2,727,520	5.34%
2019	\$ 2,650,832	-2.81%
2020	\$ 2,879,248	8.62%
2021	\$ 3,193,863	10.93%

* Source: HdL

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 two 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.



Value changes in Newport Beach show continued appreciation in property values in FY 2020-21. Over the past 10 years, assessed valuation increased an average of 5.5% per

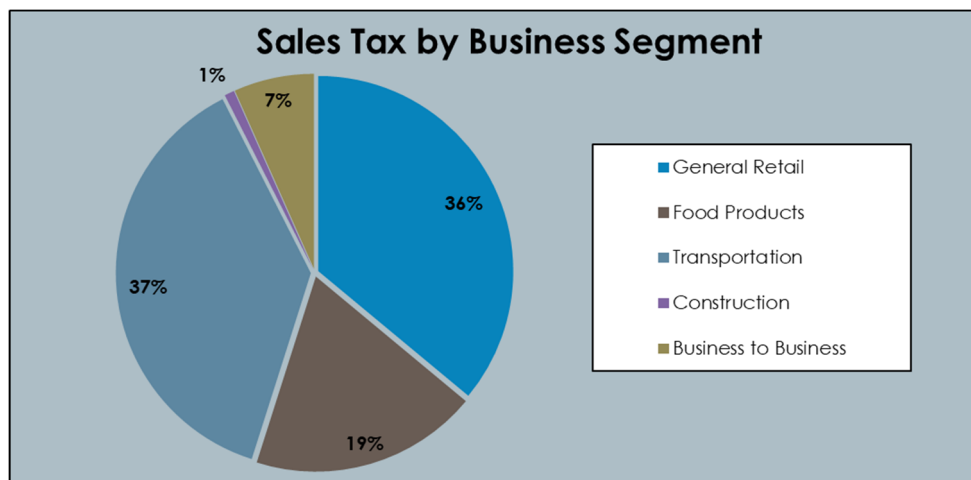
year and 6.2% over a twenty-year period. Newport Beach’s assessed property values increased 4.8%, with a local assessed value of \$63.7 billion for FY 2020-21.

Sales Taxes

The second largest funding source for the General Fund is sales tax revenue, typically making up more than 15% of General Fund revenues. The City’s sales tax base is largely generated from three main industry categories including Autos and Transportation, General Consumer Goods, and Restaurants/Hotels. Most of these industries are also heavily impacted by tourism. The latest sales tax information shows that retail and restaurants have been hit especially hard this past year while autos and transportation is showing quarter over quarter increases. Also, the California Department of Tax and Fee Administration (CDTFA) has extended due dates and offered payment plans to small businesses. This has, and will continue to create, timing issues related to when revenues are received.

The City’s sales tax consultant provided an updated sales tax estimate at the end of the third quarter, which resulted in an upwardly revised sales tax budget of \$34.5 million. This came as the result of increased consumer spending amid an environment of reduced COVID-19-related restrictions. Actual Sales Tax revenues came in \$4.4 million or 12.8% higher than anticipated and surpassed the previous highest annual sales tax revenues in FY 2018-19 of \$38.5 million and the prior year receipts of \$36.2 million. Businesses pivoted in creative ways to reach their customers as they were able to open at some capacity sooner than expected resulting in relatively strong consumer spending, and significantly increased online retail activity resulted in strong revenues from the county sales tax pool. All three main industry categories performed better than expected, with particularly strong growth seen in the fourth quarter.

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 37% of total sales taxes. The next largest segments, “Food Products” and “General Retail,” account for 19% and 36% of total sales taxes, respectively. The next largest sales tax segment, “Business to Business” accounts for 7% of total sales.



Transient Occupancy Taxes (TOT)

TOT accrues to the City at a rate of 10% of room charges with 18% of this collection going to the local destination marketing organization (Newport Beach & Company) 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 hotels and resorts and accounts for 80 percent of TOT revenues. The residential category is made up of approximately 1,500 vacation rentals representing 20 percent of TOT revenue.

TOT was the City's most severely impacted revenue source as the pandemic unfolded, as most major hotels within the City were temporarily closed towards the end of March 2020 and many didn't start reopening until late May or early June, with some hotels remaining closed in the third quarter. Also, short term rentals were not allowed to operate in the City from early April 2020 until May 20, 2020. All but one hotel are now operational, and the latest tax receipts (July) indicate several hotels are reporting their highest monthly tax receipts ever. Staff had budgeted FY 2020-21 TOT revenues very conservatively, expecting to realize 10%, 20%, and 25% of prior year revenue in the first, second, and third quarters respectively. Staff had anticipated that residential TOT would be similarly impacted economically, but in fact, the negative impact has been limited to hotel TOT, with residential TOT revenues coming in at just under \$1 million higher than budgeted. The table below illustrates a comparison of hotel TOT revenues by fiscal year and quarter. It is remarkable to note the precipitous revenue increase during in the last quarter accounted for 38.6% of revenue for FY 2020-21. The fourth quarter receipts are much higher than the previous year and somewhat narrowed the revenue loss gap when compared to prior years. The positive improvement in this category has led to year-end revenue collections for this category reaching 81% of the prior year actuals. Revenues through the end of the fiscal year were approximately \$1.7 million or 11.0% over the revised budget.

Transient Occupancy Tax Receipts by Quarter FY18-FY21

	Fiscal Year 2020 - 21		Fiscal Year 2019 - 20		Fiscal Year 2018 - 19		Fiscal Year 2017 - 18	
	Actual Received	% of Actuals	Actual Received	% of Actuals	Actual Received	% of Actuals	Actual Received	% of Actuals
1st Quarter	2,267,092	13.43%	4,959,179	23.79%	4,820,281	19.52%	4,340,572	19.01%
2nd Quarter	5,523,645	32.71%	7,730,446	37.08%	6,313,511	25.56%	5,962,939	26.11%
3rd Quarter	2,579,739	15.28%	5,545,740	26.60%	5,759,862	23.32%	5,217,752	22.85%
4th Quarter	6,515,721	38.59%	2,612,517	12.53%	7,803,792	31.60%	7,312,352	32.02%
TOTAL	\$16,886,197	100%	\$20,847,883	100%	\$24,697,446	100%	\$22,833,614	100%

A steady improvement in revenue and occupancy rates combined with daily room rates that have been consistently higher than in recent years have been seen since December, which is anticipated to continue given the current easing of restrictions and the anticipated return of more significant numbers of leisure, and ultimately business, travelers in the months ahead.

LONG TERM FINANCIAL PLANNING

The City continues to be in excellent financial health due to its strong underlying tax base, disciplined fiscal decisions, and stable governance. Conservative budgeting and sound financial policies have resulted in a trend of General Fund operating surpluses and strong reserve levels for several years. This is still no less the case even amid the significant economic downturn the City experienced during the COVID-19 pandemic. The City annually completes a Long-Range Financial Forecast covering the next 20 years pursuant to City Council Policy F-3 – Budget Adoption and Administration. That forecast shows positive General Fund results in each of the next 20 years and does not indicate any long-term financial trends of concern. The City's long-term financial planning has been guided by its strong financial policies, prudent budgeting decisions, and proactive planning in such critical areas as facilities replacement and pensions. These policies are regularly evaluated and updated as conditions and needs change.

Financial Policies

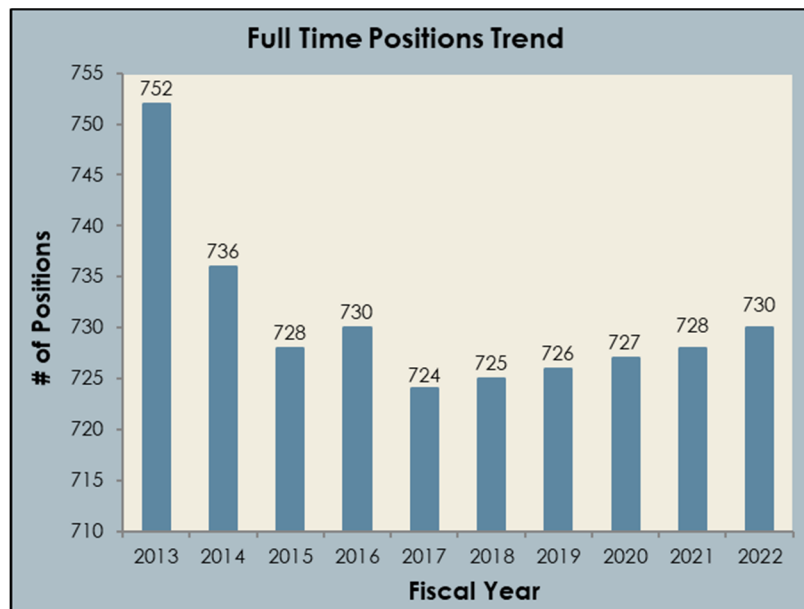
The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, revenue initiatives, competitive contracting, facility replacement planning, and more. The budget surplus utilization policy directs the use of surplus funds resulting from unrestricted General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

www.newportbeachca.gov/policies

Annual Budget

The annual budget serves as the foundation for the City of Newport Beach's financial planning and control and allows the City Council to prioritize City expenditures so that they are aligned with core community values. The City of Newport Beach, along with other local jurisdictions, states, and the federal government faced an exceptionally challenging economic environment as a result of the COVID-19 Pandemic. As previously mentioned, actual revenue results ended up much better than anticipated and actual expenditures ended the year lower than budgeted due to the careful management of operating expenditures (implementation of a hiring freeze and the curtailment of other expenditures).

Per current policy, appropriations for operating expenditures are balanced in relation to current revenue sources and do not rely on one-time revenue sources or reserves. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, as was the case in FY 2019-20 and in the development of the FY 2020-21 budget. As a result of early retirement plans, attrition, outsourcing, and lay-offs implemented in the years following the onset of the Great Recession, the full-time work force was reduced by approximately 4% between FY 2012-13 and FY 2016-17 as depicted in the chart below. In the years since, thoughtful additions to the City's workforce have been implemented with a continued focus on fiscal discipline and maintaining balanced budgets.



The City has traditionally taken a conservative approach to forecasting revenues, often assuming only modest growth. This fiscal conservatism has created a stable financial base. As a result, even in a downturn, the City of Newport Beach is able to maintain its services at a high level, while reducing expenses to accommodate reduced revenues. The City's fiscal discipline has allowed it to prepare balanced budgets and to save, both

during prosperous and difficult economic periods. As the economy continues to improve, these trends are likely to continue.

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 2021, 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. The City’s has aggressively attacked its unfunded pension liability and has made regular discretionary payments to reduce that liability at a more rapid pace than is required by CalPERS, as further described in the Pension section below.

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 Planning Reserve (FFPR) in FY 2020-21 by allocating resources to debt service, fire stations, parks and community centers, and other projects.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/20	\$ 17,046,839
Sources	
Licenses, Permits and Fees	313,195
Property Income	263,188
Donations	5,150,000
Transfer In from General Fund	19,844,644
Investment Income	263,817
Net increase in fair value of investments	(241,649)
Total Sources	25,593,195
Uses	
2010 Civic Center COPs Debt Service ¹	(7,646,138)
Parks and Community Centers	(6,901,299)
Total Uses	(14,547,437)
Ending Balance 6/30/21	\$ 28,092,597

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

Overall, the FFPR balance is increasing by \$11.0 million from the prior fiscal year.

Pensions

As of the actuarial valuation date of June 30, 2020, 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).
- Through negotiated cost sharing, saw employees contribute 58% of the Normal Cost of the plan, or \$10.5 million in FY2020-21.
- Adopted a fixed and shorter amortization period for the unfunded liability.
- Made Additional Discretionary Payments (ADPs)
- Contributed no less than Actuarial Determined Contribution (ADC) each & every year.
- Analyzed the 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.
- Maintained 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 ACFR – 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 ACFR – 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 its 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. Currently, the City Council has committed to a fixed \$35 million per year contribution toward the unfunded pension liability, which is approximately \$9 million more than is required by CalPERS. Additionally, for two years in a row the City

Council has appropriated an additional \$5 million toward accelerated payment of the unfunded liability from year-end budget surplus funds.

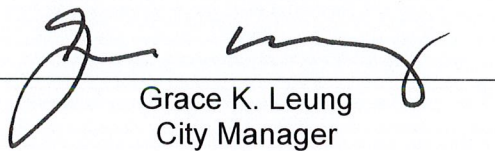
AWARDS AND ACKNOWLEDGMENTS

The City has prepared an Annual Comprehensive Financial Report for the past 28 years. The City has received awards for excellence in financial reporting in each of those years.

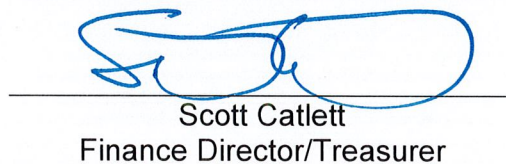
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport Beach for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive 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 Annual Comprehensive financial report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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



Grace K. Leung
City Manager



Scott Catlett
Finance Director/Treasurer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Newport Beach
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

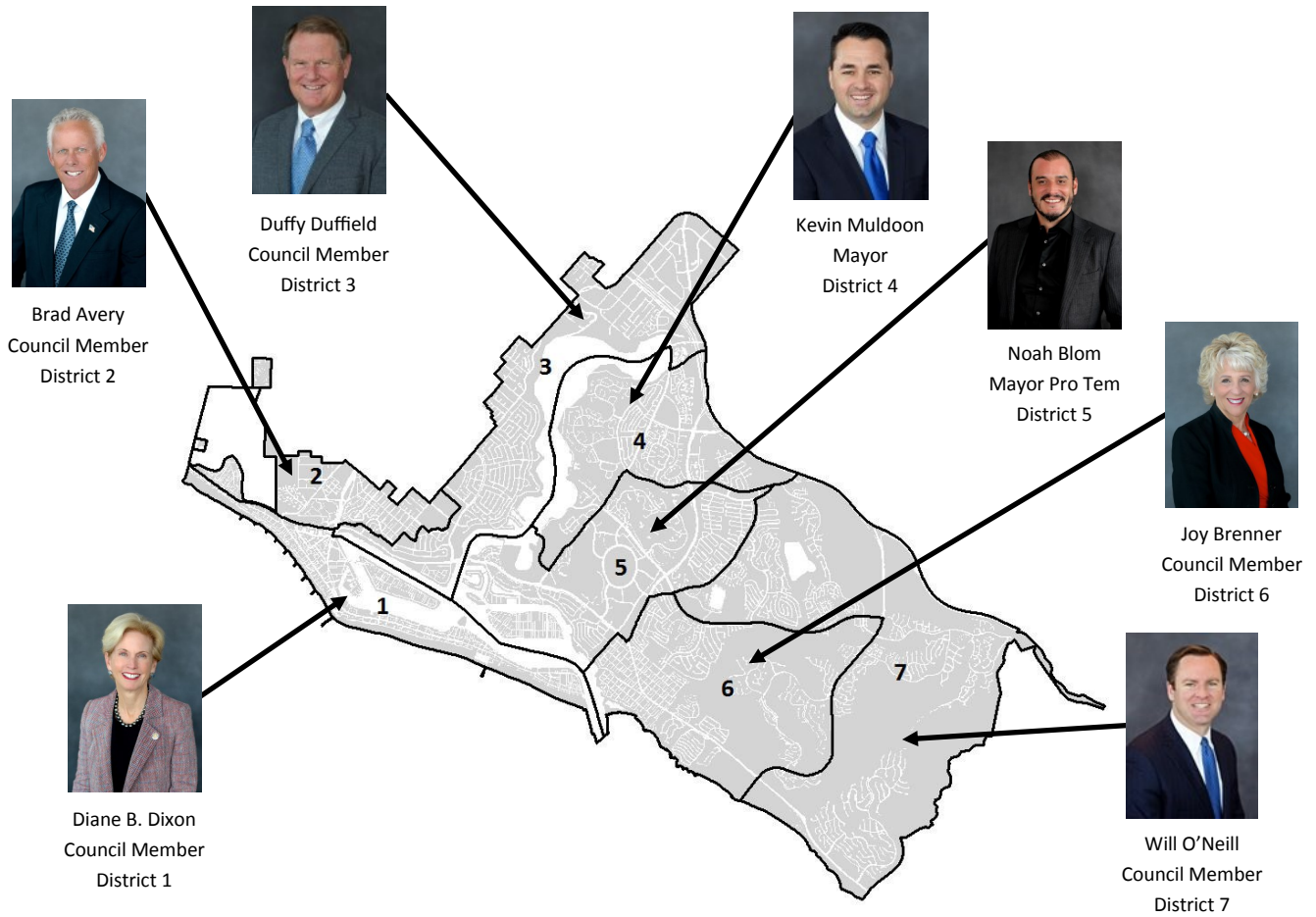
June 30, 2020

Christopher P. Morill

Executive Director/CEO

Newport Beach City Officials

City Council Members



City Executive Staff



Aaron Harp
City Attorney

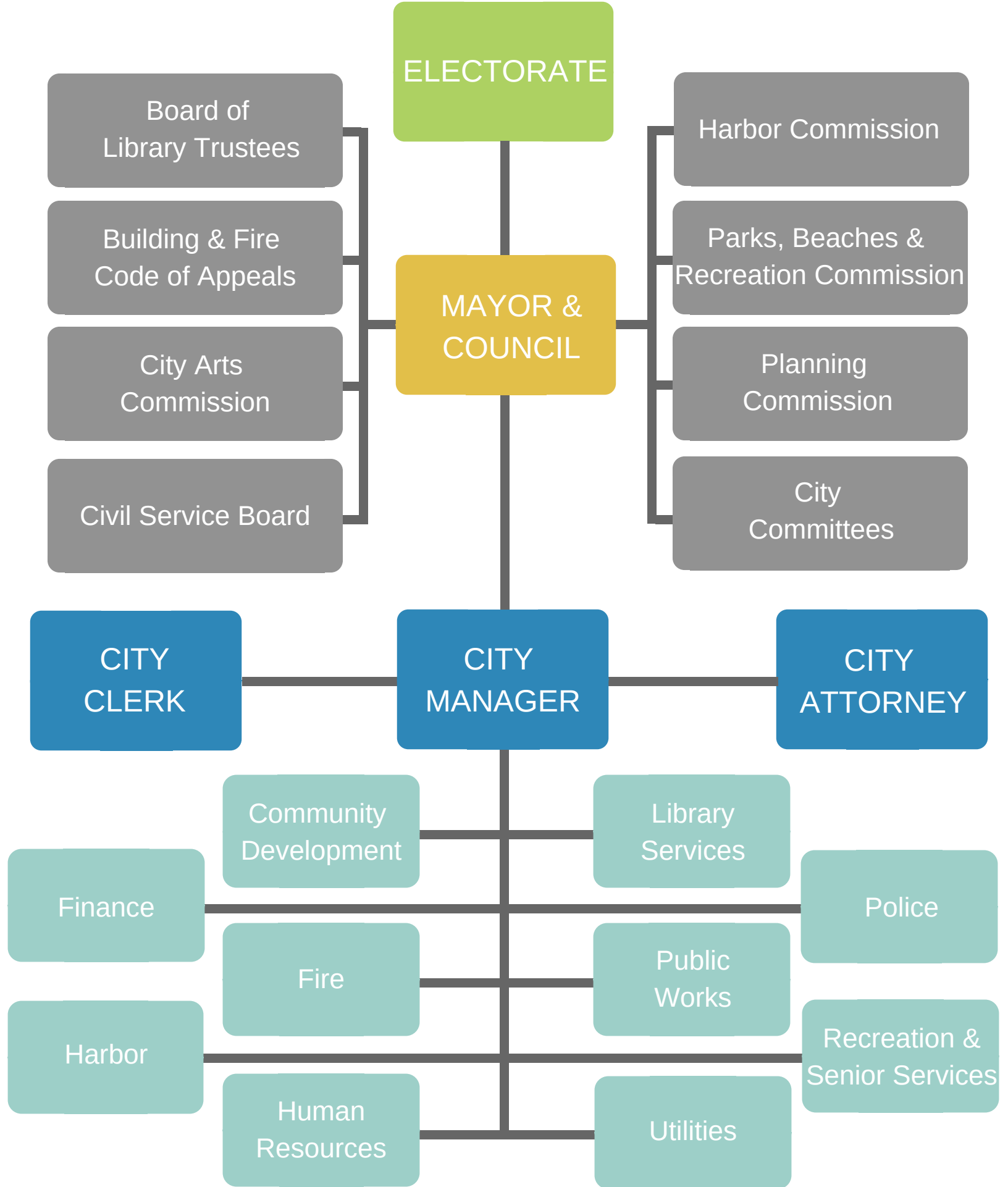


Grace K. Leung
City Manager



Leilani Brown
City Clerk

- Tara Finnigan.....Deputy City Manager
- Scott Catlett.....Finance Director/Treasurer
- Seimone JurjisCommunity Development Director
- Jeff Boyles.....Fire Chief
- Paul Blank.....Harbormaster
- Barbara Salvini.....Human Resources Director
- Tim Hetherton.....Library Services Director
- Jon T. LewisPolice Chief
- Dave Webb.....Public Works Director
- Laura DetweilerRecreation & Senior Services Director
- Mark Vukojevic.....Utilities Director





FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S 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, as of and for the year ended June 30, 2021, 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.

Auditor's 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 of Newport Beach, California, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2021 reflect certain prior period adjustments as described further in note 18 to the financial statements. Our opinion is not modified with respect to this matter.

As described further in note 1 to the financial statements, during the year ended June 30, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *budgetary comparison information* for the General Fund and each major special revenue fund and *Schedule of Changes in the Net Pension Liability and Related Ratios – Miscellaneous Plan, Schedule of Contributions – Miscellaneous Plan, Schedule of Changes in the Net Pension Liability and Related Ratios – Safety Plan, Schedule of Contributions – Safety Plan, Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Contributions – OPEB*, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information 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 of Newport Beach's basic financial statements. The *combining and individual nonmajor fund financial statements*, the *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *combining and individual nonmajor fund financial statements* 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 *combining and individual nonmajor fund financial statements* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021 on our consideration of the City of Newport Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Newport Beach's internal control over financial reporting and compliance.

Dawn Funn LLP

Irvine, California
December 23, 2021

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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 Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2021. 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 Annual Comprehensive 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 its facilities and other major infrastructure.

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

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

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

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

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

The City utilizes three broad categories of funds:

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

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

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

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

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

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

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, 2021 was \$2.4 billion, increasing \$28.6 million or 1.2% over the prior year. Net position can serve as an important indicator of whether the City's overall financial condition is improving or deteriorating over time.

Current and other assets increased \$27.0 million. This increase is primarily due to increases in cash and investments, accounts receivable (net of allowance), intergovernmental receivables, and prepaid items, offset by a decrease in interest receivable. Capital assets increased \$10.8 million, mostly due to new infrastructure related to the water and wastewater systems.

Current liabilities increased \$12.7 million primarily due to increases in accounts payable and unearned revenue. The increase in unearned revenue was due to the receipt of federal funds through the American Rescue Plan Act that had not been spent by the end of the fiscal year.

Long-term liabilities increased \$6.9 million. The increase is primarily due to increases in outstanding certificates of participation due to a new debt issuance and a small increase to the City's net pension liability. See Note (6) and Note (10) of the Notes to the Financial Statements for more information.

Figure 1
Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Current and other assets	\$ 298,255	\$ 327,609	\$ 42,604	\$ 40,271	\$ 340,859	\$ 367,880
Capital assets	2,318,827	2,324,346	120,769	126,028	2,439,596	2,450,374
Total assets	2,617,082	2,651,955	163,373	166,299	2,780,455	2,818,254
Deferred Outflows of Resources	66,119	70,434	1,863	2,304	67,982	72,738
Current liabilities	25,177	35,627	3,833	6,100	29,010	41,727
Long-term liabilities	456,589	463,424	10,600	10,671	467,189	474,095
Total liabilities	481,766	499,051	14,433	16,771	496,199	515,822
Deferred Inflows of Resources	6,088	878	234	17	6,322	895
Net Position						
Net investment in capital assets	2,217,853	2,227,573	120,292	124,776	2,338,145	2,352,349
Restricted	67,708	67,189	-	-	67,708	67,189
Unrestricted	(90,214)	(72,302)	30,277	27,039	(59,937)	(45,263)
Total net position	\$ 2,195,347	\$ 2,222,460	\$ 150,569	\$ 151,815	\$ 2,345,916	\$ 2,374,275

The largest portion of the City's net position, at \$2.4 billion of net position, reflects the net investment in capital assets (e.g., land, right of way, street trees, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to residents. Therefore, they do not represent a financial resource to the City and consequently are not readily available for funding current obligations.

Restricted net position totaled only \$67.2 million of net position and remained relatively constant with a slight decrease of \$519,000 from the prior year.

As of June 30, 2021, unrestricted net position had a deficit of \$45.3 million. The deficit decreased \$14.7 million from the prior year primarily due to an increase in the receipt of unrestricted revenues such as property taxes and sales taxes that were not spent or restricted by the end of the fiscal year.

GOVERNMENTAL ACTIVITIES

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

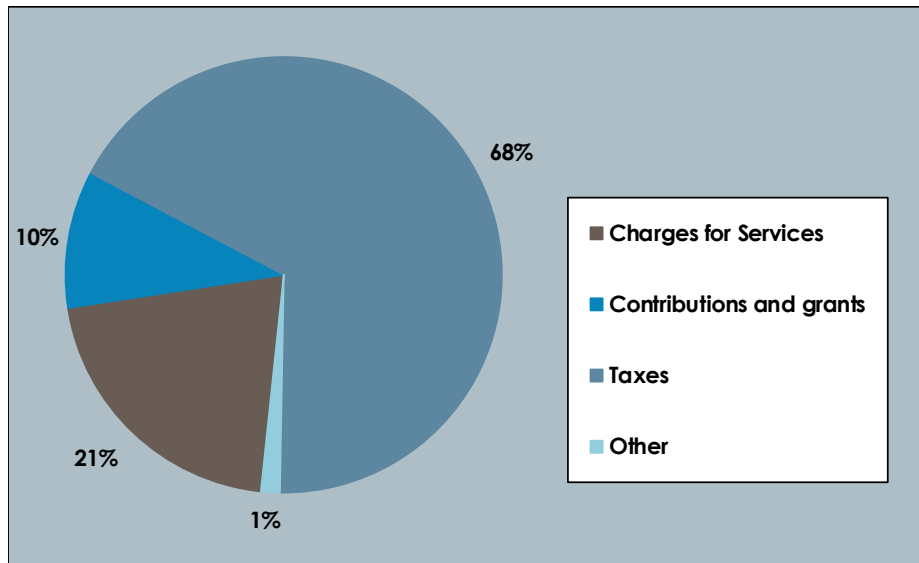
Figure 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 57,670	\$ 58,113	\$ 31,211	\$ 35,358	\$ 88,881	\$ 93,471
Operating grants and capital contributions	14,659	20,362	-	-	14,659	20,362
Capital grants and contributions	7,352	7,658	-	-	7,352	7,658
Total program revenues	79,681	86,133	31,211	35,358	110,892	121,491
General Revenues:						
Taxes:						
Property taxes	113,314	119,157	-	-	113,314	119,157
Sales tax	36,233	38,956	-	-	36,233	38,956
Transient occupancy taxes	21,097	16,886	-	-	21,097	16,886
Other taxes	11,869	12,852	-	-	11,869	12,852
Investment related income	5,142	518	1,358	55	6,500	573
Other	2,117	3,355	-	-	2,117	3,355
Total general revenues	189,772	191,724	1,358	55	191,130	191,779
Total revenues	269,453	277,857	32,569	35,413	302,022	313,270
Expenses:						
General government	20,714	20,394	-	-	20,714	20,394
Public safety	119,194	119,185	-	-	119,194	119,185
Public works	60,055	63,689	-	-	60,055	63,689
Community development	12,842	12,157	-	-	12,842	12,157
Community services	26,668	28,214	-	-	26,668	28,214
Interest	7,065	7,105	-	-	7,065	7,105
Water	-	-	27,387	28,943	27,387	28,943
Wastewater	-	-	4,292	5,223	4,292	5,223
Total expenses	246,538	250,744	31,679	34,166	278,217	284,910
Increases in net position	22,915	27,113	890	1,247	23,805	28,360
Net position at beginning of year	2,172,432	2,195,347	149,678	150,568	2,322,110	2,345,915
Net position at end of year	\$ 2,195,347	\$ 2,222,460	\$ 150,568	\$ 151,815	\$ 2,345,915	\$ 2,374,275

Revenues Associated with Governmental Activities Discussion

Figure 2 illustrates in detail how the \$278.1 million in Governmental Activities revenue was derived. Figure 3 summarizes this revenue by major source. As shown on Figures 2 and 3, \$58.1 million, or 20.9%, of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another \$28.3 million, or 10.2%, of the revenues were generated by contributions and grants received from governmental organizations, developers, and property owners for both capital and operating activities. The remaining \$191.7 million, or 68.9%, represented general revenues of the City including taxes, intergovernmental revenues, and other miscellaneous revenues.

**Figure 3
Governmental Activities Revenue Sources
Year Ended June 30, 2021**



As illustrated in Figure 2, program revenues related to Governmental Activities increased \$6.5 million from the prior year. This increase was primarily attributable to an increase in operating grants and capital contributions received for a utility undergrounding district project and the restoration of vegetation in a nature park, in addition to funding received from other governmental agencies in response to economic challenges created by the COVID-19 global pandemic.

The City's general revenues related to Governmental Activities increased about \$2.0 million from the prior year primarily due increases in property taxes, sales taxes, and other general revenues, which included a delayed reimbursement payment from the federal government due to the pandemic, offset by decreases in transient occupancy taxes due to the pandemic and investment income.

Property tax is the largest individual revenue source for the City and collections finished the year \$5.8 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 \$39.0 million, sales taxes represent the second largest individual revenue source for the City. Sales taxes increased \$2.7 million from the previous year. This was due to the easing of pandemic related restrictions and strong consumer spending as businesses found creative ways to reach their customers.

Transient occupancy taxes (TOT), the City's third largest revenue source, finished the year at \$16.9 million, which is a decrease of \$4.2 million from the previous fiscal year. The net decrease stems mostly from a decrease in hotel TOT due to falling occupancy rates and closures of hotels because of the coronavirus global pandemic, offset by an increase in residential (short-term lodging-related) TOT.

Investment income, comprised of both interest income and unrealized gains, totaled \$518,000, a decrease of about \$4.6 million from the prior fiscal year. Most of the decrease is from a net decrease in the fair value of investments, which is consistent with the fiscal year's generally increasing interest rate environment.

Expenses Associated with Governmental Activities Discussion

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

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

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

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

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

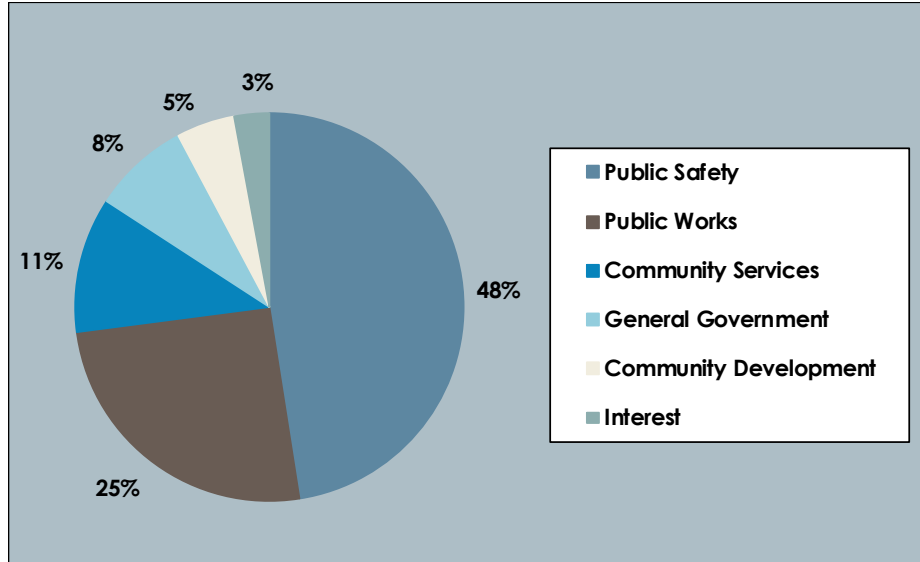
Community Services is comprised of three departments (Library Services, Recreation & Senior Services, and Harbor) providing library services, cultural and arts programs, recreation services, senior social and transportation services and harbor programs and services.

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

Figure 2 illustrates in detail how the \$250.7 million of Governmental Activities expense was derived. The increase of \$4.2 million from the prior year is mostly due to an increase in spending related to the COVID pandemic, including providing economic support to small businesses, and an increase in maintenance type capital improvement projects.

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

**Figure 4
Governmental Activities Functional Expenses
Year Ended June 30, 2021**

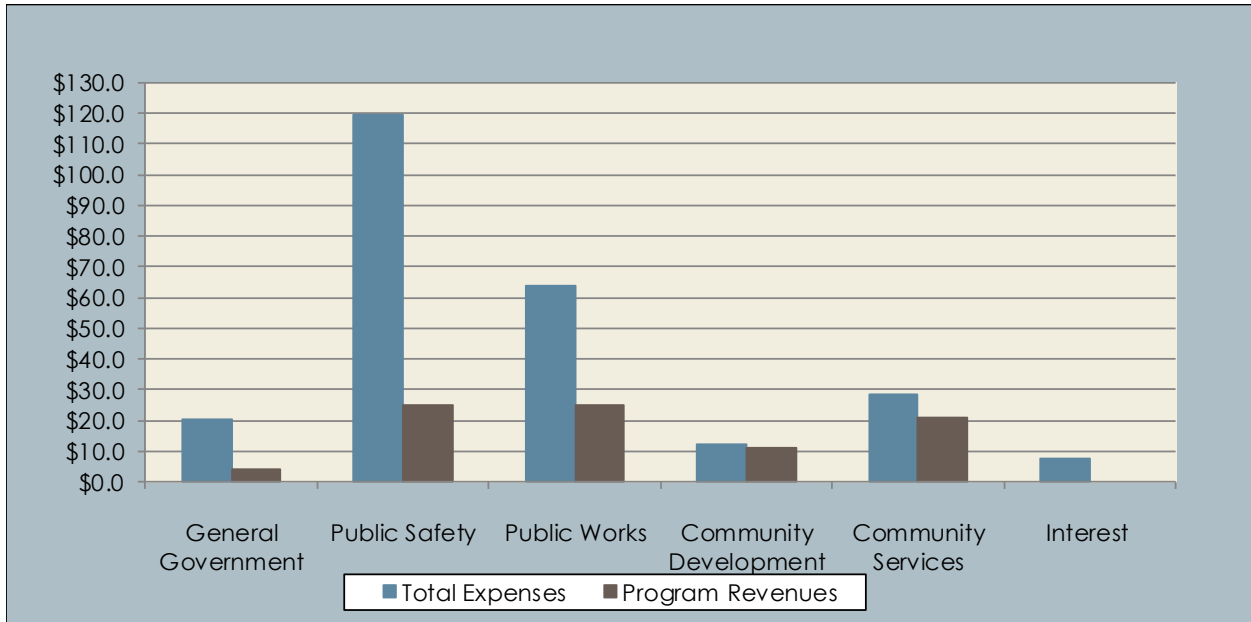


Figures 5 and 6 illustrate the net cost of each service. The net cost represents the amount that governmental activities are subsidized by taxes and other general revenues of the City.

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

	2020		2021	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 20,714	\$ (15,497)	\$ 20,394	\$ (16,342)
Public safety	119,194	(94,767)	119,185	(93,945)
Public works	60,055	(38,463)	63,689	(38,984)
Community development	12,842	(2,860)	12,157	(1,205)
Community services	26,668	(8,204)	28,214	(7,029)
Interest	7,065	(7,065)	7,105	(7,105)
	<u>\$ 246,538</u>	<u>\$ (166,856)</u>	<u>\$ 250,744</u>	<u>\$ (164,610)</u>

Figure 6
Program Expenses and Revenue – Governmental Activities
Year Ended June 30, 2021
(in millions)



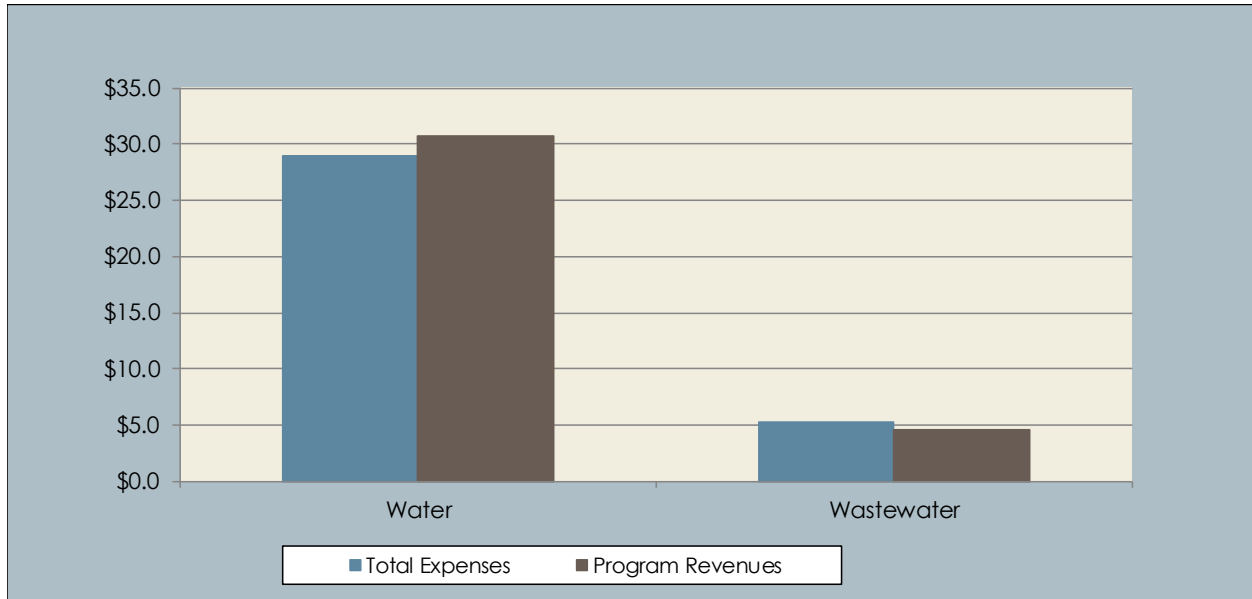
BUSINESS-TYPE ACTIVITIES

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 \$35.4 million, of which, all is related to program revenues. As shown in Figure 7 on the following page, Water activities represents about \$30.8 million (87.0%) of program revenues, while Wastewater activities represents \$4.6 million (13.0%) of program revenues.

Figure 7
Program Expenses and Revenue – Business-type Activities
Year Ended June 30, 2021
(in millions)



Expenses Associated with Business-Type Activities Discussion

Current year expenses for Business-type activities totaled \$34.2 million, an increase of about \$2.5 million over prior year as shown in Figure 2. This is attributable to an increase in general and system maintenance and miscellaneous expenses.

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

Water

Of the \$28.9 million in water related expenses, \$11.2 million (38.8%) is for the purchase of water, \$5.2 million (18.0%) covers employee related costs, \$6.2 million (21.5%) is for maintenance, supplies, and depreciation of the water system, \$2.8 million (9.7%) is for professional services, \$2.0 million (6.8%) is for utility payments and the remaining \$1.5 million (5.3%) is collectively attributable to other miscellaneous expenses.

Wastewater

Of the \$5.2 million in wastewater related expenses, \$2.5 million (47.8%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.5 million (29.2%) is for employee related costs, and the remaining approximately \$1.2 million (23.0%) is attributable to professional services, utility payments 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, 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 \$222.3 million, an increase of \$17.3 million from the prior year. The increase is the net result of increases in fund balances in the General Fund, Facilities Financial Planning Reserve Fund, Civic Center COP Fund, Tide and Submerged Land – Operating Fund, Tide and Submerged Land – Harbor Capital Fund, and other permanent funds in aggregate; offset by decreases in the other special revenue funds, and other capital projects funds in aggregate. The General Fund represented \$106.0 million or 47.7% of the combined fund balances of the Governmental Funds.

Figure 8
Governmental Funds Fund Balance
(in thousands)

	2020	2021	Change
General Fund	\$ 99,083	\$ 105,953	\$ 6,870
Tide and Submerged Land - Operating	2,872	4,313	1,441
Tide and Submerged Land - Harbor Capital	16,399	23,608	7,209
Facilities Financial Planning Reserve	17,047	28,093	11,046
Civic Center COP	1,159	2,256	1,097
Non-major special revenue	23,056	21,798	(1,258)
Non-major capital projects	38,740	29,608	(9,132)
Non-major permanent	6,667	6,673	6
	<u>\$ 205,023</u>	<u>\$ 222,302</u>	<u>\$ 17,279</u>

The following describes the classification of fund balance as of June 30, 2021. 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 \$15.3 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$15.3 million nonspendable fund balance, \$978,644 is for prepaid items, \$309,343 is for inventories, \$9.4 million is for long-term loan receivables, and \$4.6 million is for permanent endowments.

Restricted Fund Balance – The City has \$68.8 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 \$68.8 million restricted fund balance, \$4.9 million is restricted in the General Fund, of which \$212,877 is for Affordable Housing, \$1.7 million is for Oceanfront Encroachment and \$3.0 million is restricted for support of public access channel programming, training, and community benefits;

\$3.6 million is restricted in the Tide and Submerged Land – Operating Fund, of which \$2.4 million is restricted for capital projects and maintenance and repairs, and \$1.2 million is restricted for the Upper Newport Bay restoration; \$23.6 million is restricted in the Tidelands and Submerged Land – Harbor Capital Fund for capital projects; and \$2.3 million is restricted for Civic Center COP debt service. Of the remaining \$34.5 million in restricted fund balance, \$21.7 million is restricted for various special revenue funds, \$2.9 million is restricted for the Assessment District Fund, \$7.9 million is restricted for the Fire Station Fund, and \$2.0 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has \$51.1 million in fund balance classified as committed to indicate that the City Council has committed how the money will be spent. Of the \$51.1 million committed fund balance, \$3.2 million is committed in the General Fund for encumbrances and miscellaneous projects; \$760,000 is committed in the Tide and Submerged Land – Operating Fund; \$28.1 million is committed in the Facilities Financial Planning Reserve Fund; \$121,334 is committed in the Fire Station Fund, \$7.0 million is committed in the Unrestricted Capital Improvements Fund; \$4.7 million is committed in the Parks and Community Center Fund, \$497,985 is committed in the Civic Center Fund, \$2.2 million is committed to the Facilities Maintenance Fund; \$3.1 million is committed in the Neighborhood Enhancement Fund; and \$1.4 million is committed in Balboa Village Parking Management District Fund.

Assigned Fund Balance – The City has \$1.5 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. Currently, the assignments are intended to be used for items related to arts and culture.

Unassigned Fund Balance – The remaining \$85.6 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:

- General Fund revenues finished \$4.8 million or 2.1% higher than prior year mostly due to a \$5.8 million increase in property taxes as the City’s assessed valuation continued to increase due primarily to the appreciation of home values, and a \$2.7 million increase in sales taxes as consumer spending increased as pandemic related restrictions eased. These two major increases were offset by a \$4.0 million pandemic related decrease in transient occupancy taxes revenues. General Fund expenditures finished \$8.4 million or 4.3% higher than the prior year mostly due to a \$5.7 million increase in pension related costs, primarily due to additional discretionary payments to pay down the City’s unfunded liability sooner; and a \$1.2 million increase in public safety strike team and mutual aid costs that will be offset by future reimbursements. In total, fund balance in the General Fund increased \$6.9 million and ended the year at \$106.0 million.
- Fund balance for the Tide and Submerged Land - Operating Fund increased \$1.4 million and ended the current year with \$4.3 million in fund balance. The increase was due to the City’s General Fund subsidizing the operations of the Tide and Submerged Land - Operating Fund.
- Fund balance for the Tide and Submerged Land – Harbor Capital Fund increased \$7.2 million ending at \$23.6 million. This was largely due to a transfer from the General Fund

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

- Fund balance for the Facilities Financial Planning Reserve Fund increased \$11.0 million to end the current year at \$28.1 million in fund balance. This was mainly due to the revenue from donations and transfers of unexpended appropriations from various Capital Projects Funds that relate to completed or ultimately debt-financed capital projects.
- Fund balance for the Civic Center COP Fund increased \$1.1 million ending at \$2.3 million. The increase was mostly due to the receipt of a delayed Build America Bond subsidy payment from the federal government.

Proprietary Funds

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

Enterprise Fund results for the year included the following:

- Net position in the Water Fund increased \$2.0 million mainly due to increases in both water rates and water usage. Associated expense increases were manageable, because the City was allowed to purchase more groundwater than usual. Groundwater generally costs less than imported water.
- Net position in the Wastewater Fund decreased \$489,429 mainly due to expenses exceeding revenues. The implementation of a multi-year rate increase is ongoing.

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

- Total net position in the Internal Service Funds increased \$2.7 million in the current year. This was mostly due to operating income of \$6.6 million, which included increases in revenue from charges for services for retiree insurance and equipment maintenance. Operating income's contribution to net position was reduced by the net effect of non-operating revenue and net transfers, which combined reduced net position by approximately \$3.9 million. Approximately \$4.5 million was transferred to the General Fund following an analysis of certain Internal Service Funds that had excess reserves on hand that could be returned to the General Fund as part of the budget-balancing strategy to address the COVID-19 pandemic.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$19.1 million from the original budget during the year ended June 30, 2021. Factors contributing to this fluctuation are highlighted as follows:

- Sales tax revenue estimates were increased \$5.8 million based on more favorable economic conditions than expected when the budget was developed. Certain industry

categories, such as autos and transportation saw record highs, even as others, such as restaurants were hit especially hard.

- The transient occupancy tax budget was increased by \$8.8 million as most major hotels and short-term lodging reopened after the budget was developed. Short-term lodging revenues very quickly rebounded and achieved record highs, while hotel-related revenues rebounded faster over time than anticipated as occupancy rates improved. The revenue impact of these lower occupancy rates was partially offset by sustained higher-than typical daily room rates.
- Final budgeted intergovernmental revenue increased \$3.5 million due to an increase in grants from other governmental agencies, specifically from the CARES Act, California Office of Emergency Services, and Medi-Cal Intergovernmental Transfer program.
- Service Fees & Charges decreased from the adopted budget, in the amount of \$3.0 million. The most significant portion of these reductions were from fee-based recreation classes that were canceled or scaled back due to the pandemic.
- Other Taxes, which includes Property Transfer Tax, Business License Tax, and Franchise Taxes increased by \$1.4 million. These revenue sources performed better than expected when the budget was developed and the impact from the COVID-19 pandemic was still unknown.
- Miscellaneous revenues, licenses and permits, and property income all were adjusted upward from the adopted budget by a total of \$2.6 million. These revenues had been adjusted downward by 20% across the board in response to the pandemic. Ultimately building construction activity remained strong, parking revenues hit record highs as visitors flocked to the beaches in lieu of other vacation destinations, and property income continued to be received without any measurable delinquencies.

Final budgeted expenditures for the General Fund increased \$7.8 million from the original budget during the year ended June 30, 2021. The significant factors contributing to the increase are as follows:

- The addition of \$5.0 million to the benefits budget associated with an additional discretionary payment toward the City's unfunded pension liability.
- An increase of \$1.2 million related to the City's contribution to a new homeless shelter to be operated by the City of Costa Mesa in partnership with the City of Newport Beach.

Variance with Final Budget

Actual General Fund revenues came in at \$16.1 million above final budgeted revenues for the year ended June 30, 2021. Significant factors contributing to this favorable variance are summarized as follows:

- A favorable variance of \$1.6 million in property taxes was mostly due to secured property taxes coming in above expectations.

- A favorable variance of \$4.4 million in sales tax revenue was due to strong consumer spending in certain industries such as autos and transportation, despite restrictions in place for restaurants, as well as increased revenues from the Orange County sales tax pool from online purchases.
- A favorable \$1.7 million variance in transient occupancy tax was due to the aforementioned positive variances in hotel occupancy rates and nightly room rates.
- Other Taxes ended the year \$1.8 million higher than projected due primarily to strong growth in property transfer taxes related to a very active housing market.
- Charges for services ended the year \$3.9 million higher due primarily to receipts for paramedic service fees that were \$1.6 million more than the revised budget. This was caused by a higher number of transports and a reduction in collection times for these fees. Additionally, plan check fees came in higher than anticipated due to steady activity in the construction field, including large projects such as the Newport Beach Marriot Hotel & Spa renovation and other sizable developments.

Actual General Fund expenditures of \$203.5 million were less than final budgetary estimates of \$210.6 million. The \$7.1 million favorable variance was due to routine savings in salaries as well as contract services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of June 30, 2021, amounts to \$2.4 billion, net of accumulated depreciation. This is comprised of a broad range of capital assets including land, buildings, machinery and equipment, park facilities, road improvements, storm drains, piers, oil wells, sound walls, an 800 MHz radio communications system, parking pay stations and meters, and bridges. The total capital assets increased \$10.8 million over the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Land	\$ 1,897,520	\$ 1,897,520	\$ 2,219	\$ 2,219	\$ 1,899,739	\$ 1,899,739
Structures	190,481	186,077	424	409	190,905	186,486
Equipment	18,774	18,428	167	154	18,941	18,582
Infrastructure	206,039	210,945	115,104	122,831	321,143	333,776
Work in progress	6,013	11,375	2,855	415	8,868	11,790
Totals	\$ 2,318,827	\$ 2,324,345	\$ 120,769	\$ 126,028	\$ 2,439,596	\$ 2,450,373

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

- Capital asset additions totaled \$39.2 million in both the Governmental and Business Type Activities in the current year. Of the \$39.2 million, \$23.7 million represents additions of infrastructure assets mostly related to the road system and water system; and \$4.0 million is related to equipment additions. The remaining \$15.5 million is comprised of additions of non-depreciable assets such as work in progress, \$10.6 million, along with depreciable structure additions of \$873,519.
- Of the \$28.4 million of additions in governmental assets in the current year, additions in infrastructure contributed \$13.4 million, which was mostly due to upgrades in the road system. The remaining \$15.0 million added in the current year as governmental assets, is comprised of \$873,519 million of structure additions which is mostly related to a new gun range at the police station, \$10.2 million of work in progress, mostly related to the ongoing construction of a new fire station, enhancements to an existing park and upgrades to the road system, and \$4.0 million of equipment additions mostly related to vehicle purchases and the purchase of parking pay stations.
- The \$10.7 million of business-type asset additions in the current year is comprised of \$10.3 million in water and sewer system infrastructure additions, \$12,007 in equipment additions, and \$414,590 of work in progress additions related to water system improvements.

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

Long-term Debt

Figure 10
Outstanding Debt at Year End
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Certificates of participation	\$ 100,695	\$ 105,490	\$ -	\$ -	\$ 100,695	\$ 105,490
Bond premium	-	1,291	-	-	-	1,291
CDBG Loan	585	403	-	-	585	403
Totals	\$ 101,280	\$ 107,184	\$ -	\$ -	\$ 101,280	\$ 107,184

The City's total debt increased \$5.9 million during the current fiscal year. The increase is the result of the issuance of new debt, partially offset by debt service payments and amortization of bond premiums. 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 Conference Board recently forecasted that the US economy will grow by 3.5 percent (year-over-year) in 2022 and 2.9 percent (year-over-year) in 2023. This forecast is a downgrade from the prior outlook despite the recent approval of a large bipartisan infrastructure package by Congress. While this package will certainly benefit growth in 2022 and 2023, the forecast had already assumed it would pass for several months.

The downgrade is due to two concerns. 1) Despite progress in the vaccination campaign, some resurgence in COVID-19 in Q1 2022 is expected due to colder weather and more time spent indoors. This seasonal pattern was seen in early 2021 and it is expected that a similar, though muted, wave of infections early next year may slow consumer spending growth. 2) It is expected that the US Federal Reserve (the Fed) will begin to raise interest rates earlier and incrementally more frequently than previously anticipated. The persistence of high inflation rates and a recent rebound in hiring are likely to result in the Fed reigning in supportive monetary policy more rapidly. While these two factors will moderate growth in 2022 and 2023, it is important to note that projections still show robust economic expansion over the next two years.

Next year, the bulk of economic growth will be associated with continued expansion in consumer spending. However, economists expect support from business investment and, critically, a rebound in private inventories. Government spending should also grow more rapidly as money associated with the infrastructure package begins to be spent. Finally, economists are also increasing their inflation outlook for 2022. Recent bottlenecks in supply chains, elevated demand for some goods and services, and higher energy prices appear to be more persistent than previously thought.

Local Revenue Trend

Residential and commercial property values are among the highest in the country. Our overall assessed valuation (AV) has been stable despite the economic downturn between 2009 and 2012, with growth in the each of the last 26 years. Property tax revenues in Newport Beach are expected to continue to grow in the 5% to 6% range in the year ahead. This positive growth is primarily being driven by a strong real estate market with the limited inventory of coastal and view homes seeing strong demand. The reassessment of homes that are sold to the current market value has a significantly positive impact on the City's property tax revenues as homes that have been owned by the same owner for 10, 20, or more years are sold at prices that substantially exceed the assessed valuation of the homes as limited by Proposition 13.

Automobile sales as a major industry group has experienced a classical V-shaped recovery in the aftermath of the COVID-19 recession. New car sales dropped 68% or more at many dealers around the State in the initial weeks after the State's pandemic shutdown order in March 2020. Sales have since steadily rebounded and are now in 2021 13% higher than the same period in 2019, a year before the crisis began. Limited supply has been overwhelmed by strong demand. Consumers are treating themselves to more expensive models, with new cars reported to be 8% more costly this year. The California New Car Dealers Association reports that Porsche, Mercedes, and Tesla have been the most sought-after brands in 2021, all of which have retail locations in Newport Beach. S&P Global and other research firms are forecasting that sales will begin to flatten out in 2022, but the sizable number of automobile dealers in the City is anticipated to have a continued positive impact on the City's sales tax revenues in the year ahead. Fiscal

year 2020-21 saw the City achieve a record for sales tax revenues. It is anticipated that strong automobile sales combined with the continued rebound of in-person retail establishments and restaurants will push the City's sales tax revenues to a new high next fiscal year.

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 that support a wide variety of programs and initiatives. It also includes competitive wages for City employees that will further the City's goal of attracting and retaining a well-qualified workforce to meet the high expectations of our community.

The City Council adopted a fiscal year 2021-22 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. 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.

Fiscal year 2021-22 will mark another year of an accelerated plan to pay down the City's unfunded pension liability. Increasing the City's pension contribution now will result in a lower, level-dollar payment in the future, so the adopted budget also includes an additional \$10.2 million discretionary payment towards the City's unfunded liability.

Overall, the City's total debt burden is low and remains affordable. The economy benefits from the City's mature, wealthy tax base and strong employment among a diversity of business sectors, as well as retail shopping and tourism activity. Residential and commercial property values are among the highest in the country. Our overall assessed valuation (AV) has been stable despite the economic downturn between 2009 and 2012, with growth in the each of the last 26 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 2021. 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 ten years due to conservative budgeting and a stable and growing tax revenue base. The City has used surpluses

for important one-time purposes, like paying more towards retirement obligations and investing in IT and communications infrastructure. 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, Annual Comprehensive 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, 2021

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 4)	\$ 279,418,393	\$ 34,052,547	\$ 313,470,940
Receivables:			
Accounts (net of allowance)	8,814,538	6,663,749	15,478,287
Interest	824,791	99,552	924,343
Intergovernmental receivables	13,171,502	99,863	13,271,365
Restricted cash and investments with fiscal agent (note 4)	18,373,724	-	18,373,724
Internal balances	644,587	(644,587)	-
Investment in joint ventures (note 14)	256,862	-	256,862
Inventory	756,798	-	756,798
Prepaid items	5,347,783	-	5,347,783
Capital assets (note 5):			
Non-depreciable	1,908,895,494	2,634,040	1,911,529,534
Depreciable	685,353,555	197,210,256	882,563,811
Accumulated depreciation	<u>(269,902,749)</u>	<u>(73,815,846)</u>	<u>(343,718,595)</u>
Total assets	<u>2,651,955,278</u>	<u>166,299,574</u>	<u>2,818,254,852</u>
Deferred Outflows of Resources:			
Deferred amount from pension plans (note 10)	62,371,001	1,864,920	64,235,921
Deferred amount from OPEB (note 11)	<u>8,062,754</u>	<u>438,601</u>	<u>8,501,355</u>
Total deferred outflows of resources	<u>70,433,755</u>	<u>2,303,521</u>	<u>72,737,276</u>
Liabilities:			
Accounts payable	14,889,650	5,886,750	20,776,400
Accrued payroll	5,233,135	182,887	5,416,022
Accrued interest payable	3,590,292	-	3,590,292
Deposits payable	2,583,151	29,940	2,613,091
Unearned revenue	9,330,752	-	9,330,752
Noncurrent liabilities (note 6):			
Due within one year	13,867,383	-	13,867,383
Due in more than one year:			
Net pension liability (note 10)	300,459,059	9,622,652	310,081,711
Net OPEB liability (note 11)	19,248,798	1,048,642	20,297,440
Other	<u>129,848,285</u>	<u>-</u>	<u>129,848,285</u>
Total liabilities	<u>499,050,505</u>	<u>16,770,871</u>	<u>515,821,376</u>
Deferred Inflows of Resources:			
Deferred amount from pension plans (note 10)	693,186	6,875	700,061
Deferred amount from OPEB (note 11)	<u>185,275</u>	<u>10,078</u>	<u>195,353</u>
Total deferred inflows of resources	<u>878,461</u>	<u>16,953</u>	<u>895,414</u>
Net Position:			
Net investment in capital assets	2,227,572,605	124,775,772	2,352,348,377
Restricted for:			
Public safety	734,689	-	734,689
Public works	25,660,079	-	25,660,079
Community services	31,648,834	-	31,648,834
Community development	216,184	-	216,184
Debt service	2,255,795	-	2,255,795
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	2,043,658	-	2,043,658
Unrestricted	<u>(72,301,558)</u>	<u>27,039,499</u>	<u>(45,262,059)</u>
Total net position	<u>\$ 2,222,460,067</u>	<u>\$ 151,815,271</u>	<u>\$ 2,374,275,338</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 20,394,278	\$ 2,914,007	\$ 1,137,923	\$ -	\$ 4,051,930
Public safety	119,184,958	22,038,904	3,201,135	-	25,240,039
Public works	63,689,155	5,067,478	12,104,521	7,532,825	24,704,824
Community development	12,157,226	10,491,970	458,013	2,005	10,951,988
Community services	28,214,205	17,601,288	3,460,028	123,557	21,184,873
Interest on long-term debt	7,104,816	-	-	-	-
Total governmental activities	<u>250,744,638</u>	<u>58,113,647</u>	<u>20,361,620</u>	<u>7,658,387</u>	<u>86,133,654</u>
Business-type activities:					
Water	28,943,243	30,739,726	-	-	30,739,726
Wastewater	5,223,245	4,618,186	-	-	4,618,186
Total business-type activities	<u>34,166,488</u>	<u>35,357,912</u>	<u>-</u>	<u>-</u>	<u>35,357,912</u>
Total primary government	<u>\$ 284,911,126</u>	<u>\$ 93,471,559</u>	<u>\$ 20,361,620</u>	<u>\$ 7,658,387</u>	<u>\$ 121,491,566</u>

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

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (16,342,348)	\$ -	\$ (16,342,348)
(93,944,919)	-	(93,944,919)
(38,984,331)	-	(38,984,331)
(1,205,238)	-	(1,205,238)
(7,029,332)	-	(7,029,332)
(7,104,816)	-	(7,104,816)
<u>(164,610,984)</u>	<u>-</u>	<u>(164,610,984)</u>
-	1,796,483	1,796,483
-	(605,059)	(605,059)
<u>-</u>	<u>1,191,424</u>	<u>1,191,424</u>
<u>(164,610,984)</u>	<u>1,191,424</u>	<u>(163,419,560)</u>
119,157,057	-	119,157,057
38,956,275	-	38,956,275
16,886,197	-	16,886,197
4,481,349	-	4,481,349
4,204,224	-	4,204,224
4,166,549	-	4,166,549
2,603,982	525,295	3,129,277
(2,086,189)	(469,799)	(2,555,988)
3,354,808	-	3,354,808
<u>191,724,252</u>	<u>55,496</u>	<u>191,779,748</u>
27,113,268	1,246,920	28,360,188
<u>2,195,346,799</u>	<u>150,568,351</u>	<u>2,345,915,150</u>
<u>\$ 2,222,460,067</u>	<u>\$ 151,815,271</u>	<u>\$ 2,374,275,338</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 **American Rescue Plan Act Fund** is used to account for federal funding received through Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act.

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

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

Other Governmental Funds

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

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2021
Page 1 of 2

	Special Revenue Funds			
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	American Rescue Plan Act
Assets				
Cash and investments (note 4)	\$ 94,479,951	\$ 4,593,441	\$ 33,053,540	\$ 5,070,636
Receivables:				
Accounts (net of allowance)	5,148,723	1,464,333	-	-
Interest	322,461	45,467	75,395	-
Intergovernmental receivables	10,971,734	-	-	-
Restricted cash and investments with fiscal agent (note 4)	-	-	-	-
Advance to other funds (note 12)	9,426,659	-	-	-
Due from other funds (note 12)	439,194	-	-	-
Prepaid items	901,095	-	-	-
Inventory	309,343	-	-	-
Total assets	\$ 121,999,160	\$ 6,103,241	\$ 33,128,935	\$ 5,070,636
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 5,971,016	\$ 824,660	\$ 94,280	\$ -
Accrued payroll	4,914,760	25,576	-	-
Deposits payable	2,394,195	188,956	-	-
Unearned revenue	2,498,846	751,292	-	5,070,636
Advance from other funds (note 12)	-	-	9,426,659	-
Due to other funds (note 12)	-	-	-	-
Total liabilities	15,778,817	1,790,484	9,520,939	5,070,636
Deferred Inflows of Resources:				
Unavailable revenue	266,945	-	-	-
Total deferred inflows of resources	266,945	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	901,095	-	-	-
Inventories	309,343	-	-	-
Long-term loan receivable	9,426,659	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Affordable housing	212,877	-	-	-
Oceanfront encroachment	1,707,188	-	-	-
Upper Newport Bay restoration	-	1,161,905	-	-
Other	2,955,960	2,390,852	23,607,996	-
Committed:				
Oil and gas	-	760,000	-	-
Other	3,235,746	-	-	-
Assigned	1,489,350	-	-	-
Unassigned	85,715,180	-	-	-
Total fund balances	105,953,398	4,312,757	23,607,996	-
Total liabilities, deferred inflows of resources and fund balances	\$ 121,999,160	\$ 6,103,241	\$ 33,128,935	\$ 5,070,636

(continued)

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2021
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)	\$ 21,524,441	\$ -	\$ 53,376,807	\$ 212,098,816
Receivables:				
Accounts (net of allowance)	-	-	986,123	7,599,179
Interest	58,350	-	125,876	627,549
Intergovernmental receivables	-	-	2,199,768	13,171,502
Restricted cash and investments with fiscal agent (note 4)	-	8,651,423	9,722,301	18,373,724
Advance to other funds (note 12)	-	-	-	9,426,659
Due from other funds (note 12)	6,531,812	-	-	6,971,006
Prepaid items	-	-	77,549	978,644
Inventory	-	-	-	309,343
Total assets	<u>\$ 28,114,603</u>	<u>\$ 8,651,423</u>	<u>\$ 66,488,424</u>	<u>\$ 269,556,422</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 115	\$ 5,550,699	\$ 12,440,770
Accrued payroll	-	-	3,342	4,943,678
Deposits payable	-	-	-	2,583,151
Unearned revenue	22,006	-	987,972	9,330,752
Advance from other funds (note 12)	-	-	-	9,426,659
Due to other funds (note 12)	-	6,395,513	222,657	6,618,170
Total liabilities	<u>22,006</u>	<u>6,395,628</u>	<u>6,764,670</u>	<u>45,343,180</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	1,644,087	1,911,032
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,644,087</u>	<u>1,911,032</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	77,549	978,644
Inventories	-	-	-	309,343
Long-term loan receivable	-	-	-	9,426,659
Permanent endowment	-	-	4,629,781	4,629,781
Restricted:				
Affordable housing	-	-	-	212,877
Oceanfront encroachment	-	-	-	1,707,188
Upper Newport Bay restoration	-	-	-	1,161,905
Other	-	2,255,795	34,498,079	65,708,682
Committed:				
Oil and gas	-	-	-	760,000
Other	28,092,597	-	19,010,557	50,338,900
Assigned	-	-	-	1,489,350
Unassigned	<u>-</u>	<u>-</u>	<u>(136,299)</u>	<u>85,578,881</u>
Total fund balances	<u>28,092,597</u>	<u>2,255,795</u>	<u>58,079,667</u>	<u>222,302,210</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,114,603</u>	<u>\$ 8,651,423</u>	<u>\$ 66,488,424</u>	<u>\$ 269,556,422</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, 2021

Fund balances of governmental funds	\$	222,302,210
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.		2,308,183,827
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 - Series 2010B		(97,630,000)
Certificates of participation payable - Series 2020A		(7,860,000)
Bond premium - Series 2020A		(1,291,026)
CDBG loan		(403,000)
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		61,144,383
Deferred inflows of resources		(688,663)
Pension liability		(294,129,932)
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		7,774,270
Deferred inflows of resources		(178,645)
OPEB liability		(18,559,067)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(3,590,292)
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.		1,911,032
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.		44,573,521
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.		256,862
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.		644,587
Net position of governmental activities	\$	<u><u>2,222,460,067</u></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, 2021
Page 1 of 2

	Special Revenue Funds			
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	American Rescue Plan Act
Revenues:				
Taxes and assessments:				
Property tax	\$ 119,157,057	\$ -	\$ -	\$ -
Sales tax	38,956,275	-	-	-
Transient occupancy tax	16,886,197	-	-	-
Other taxes	12,852,122	-	-	-
Intergovernmental	5,175,738	-	-	-
Licenses, permits and fees	5,167,349	87,955	-	-
Charges for services	18,423,745	10,694	-	-
Fines and forfeitures	3,887,782	35,944	-	-
Investment income	1,598,624	146,455	404,878	-
Net decrease in fair value of investments	(1,221,105)	(147,649)	(357,700)	-
Property income	12,167,053	12,778,430	3,633,703	-
Donations	241,871	-	-	-
Other	1,415,919	-	-	-
Total revenues	234,708,627	12,911,829	3,680,881	-
Expenditures:				
Current:				
General government	16,254,262	1,117,041	-	-
Public safety	111,542,840	13,637,963	-	-
Public works	40,525,674	3,087,944	-	-
Community development	12,726,565	3,019	-	-
Community services	22,469,259	1,856,593	-	-
Capital outlay	-	479,994	967,233	-
Debt service (note 6):				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	203,518,600	20,182,554	967,233	-
Excess (deficiency) of revenues over expenditures	31,190,027	(7,270,725)	2,713,648	-
Other financing sources (uses):				
Transfers in (note 13)	10,335,111	8,711,959	4,500,000	-
Transfers out (note 13)	(34,655,212)	-	(4,184)	-
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
Total other financing sources (uses)	(24,320,101)	8,711,959	4,495,816	-
Net change in fund balances	6,869,926	1,441,234	7,209,464	-
Fund balances, beginning, as restated	99,083,472	2,871,523	16,398,532	-
Fund balances, ending	\$ 105,953,398	\$ 4,312,757	\$ 23,607,996	\$ -

(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, 2021
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	\$ -	\$ -	\$ -	\$ 119,157,057
Sales tax	-	-	-	38,956,275
Transient occupancy tax	-	-	-	16,886,197
Other taxes	-	-	499,406	13,351,528
Intergovernmental	-	3,380,852	13,677,282	22,233,872
Licenses, permits and fees	313,195	-	998,056	6,566,555
Charges for services	-	-	-	18,434,439
Fines and forfeitures	-	-	-	3,923,726
Investment income	263,817	36,298	751,304	3,201,376
Net decrease in fair value of investments	(241,649)	-	(666,579)	(2,634,682)
Property income	263,188	-	-	28,842,374
Donations	5,150,000	-	100,000	5,491,871
Other	-	-	2,088,184	3,504,103
Total revenues	5,748,551	3,417,150	17,447,653	277,914,691
Expenditures:				
Current:				
General government	-	-	-	17,371,303
Public safety	-	-	825,510	126,006,313
Public works	-	-	3,203,675	46,817,293
Community development	-	-	267,256	12,996,840
Community services	-	-	2,419,337	26,745,189
Capital outlay	-	-	32,280,858	33,728,085
Debt service (note 6):				
Principal	-	3,065,000	182,000	3,247,000
Interest and fiscal charges	-	6,901,879	187,468	7,089,347
Total expenditures	-	9,966,879	39,366,104	274,001,370
Excess (deficiency) of revenues over expenditures	5,748,551	(6,549,729)	(21,918,451)	3,913,321
Other financing sources (uses):				
Transfers in (note 13)	19,844,644	7,646,138	19,341,972	70,379,824
Transfers out (note 13)	(14,547,437)	-	(16,758,179)	(65,965,012)
Certificates of participation issued	-	-	7,860,000	7,860,000
Premium on certificates of participation issued	-	-	1,373,936	1,373,936
Total other financing sources (uses)	5,297,207	7,646,138	11,817,729	13,648,748
Net change in fund balances	11,045,758	1,096,409	(10,100,722)	17,562,069
Fund balances, beginning, as restated	17,046,839	1,159,386	68,180,389	204,740,141
Fund balances, ending	\$ 28,092,597	\$ 2,255,795	\$ 58,079,667	\$ 222,302,210

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, 2021

Net change in fund balances - total governmental funds \$ 17,562,069

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. 5,237,027

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:

Certificates of participation issued - Series 2020A (7,860,000)
Repayment of principal 3,247,000

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.

Bond premium - Series 2020A (1,373,936)
Amortization of bond premium - Series 2020A 82,910

Accrued interest for debt service is the net change in accrued interest for the current period. (98,379)

Pension expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. 4,872,162

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. 3,292,279

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. (867,071)

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. 2,743,371

Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities. 10,392

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. 265,444

Change in net position of governmental activities \$ 27,113,268

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes and assessments:				
Property	\$ 117,508,227	\$ 117,508,227	\$ 119,157,057	\$ 1,648,830
Sales	28,690,831	34,540,800	38,956,275	4,415,475
Transient occupancy	6,434,115	15,209,156	16,886,197	1,677,041
Other taxes	9,674,739	11,083,175	12,852,122	1,768,947
Intergovernmental	1,646,716	5,109,769	5,175,738	65,969
Licenses, permits and fees	4,194,661	5,093,067	5,167,349	74,282
Charges for services	17,521,798	14,477,586	18,423,745	3,946,159
Fines and forfeitures	3,536,151	3,144,524	3,887,782	743,258
Investment income	1,112,200	1,112,200	1,598,624	486,424
Net decrease in fair value of investments	-	-	(1,221,105)	(1,221,105)
Property income	8,706,310	10,109,836	12,167,053	2,057,217
Donations	113,000	525,155	241,871	(283,284)
Other	445,156	734,127	1,415,919	681,792
	<u>199,583,904</u>	<u>218,647,622</u>	<u>234,708,627</u>	<u>16,061,005</u>
Expenditures:				
General government:				
City council	832,892	839,658	622,965	216,693
City clerk	1,141,782	1,162,143	1,116,925	45,218
City attorney	2,535,945	2,587,242	2,360,181	227,061
City manager	3,386,595	3,678,398	2,948,796	729,602
Finance	7,092,263	6,550,074	6,374,397	175,677
Human resources	3,243,014	3,302,699	2,830,998	471,701
Total general government	<u>18,232,491</u>	<u>18,120,214</u>	<u>16,254,262</u>	<u>1,865,952</u>
Public safety:				
Police	67,002,345	65,413,679	62,900,635	2,513,044
Fire	54,790,910	46,920,623	48,642,205	(1,721,582)
Total public safety	<u>121,793,255</u>	<u>112,334,302</u>	<u>111,542,840</u>	<u>791,462</u>
Public works:				
Public works - general services	26,387,118	26,746,503	26,815,801	(69,298)
Public works	10,666,858	8,812,475	8,680,675	131,800
Utilities	5,033,549	5,109,739	5,029,198	80,541
Total public works	<u>42,087,525</u>	<u>40,668,717</u>	<u>40,525,674</u>	<u>143,043</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2021
(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	11,751,729	12,106,768	11,775,668	331,100
Code and water quality enforcement	993,947	953,842	950,897	2,945
Total community development	<u>12,745,676</u>	<u>13,060,610</u>	<u>12,726,565</u>	<u>334,045</u>
Community services:				
Parking operations	2,114,404	2,476,564	1,901,731	574,833
Library services	9,559,849	10,294,909	9,160,027	1,134,882
Recreation and senior services	13,325,836	13,617,021	11,407,501	2,209,520
Total community services	<u>25,000,089</u>	<u>26,388,494</u>	<u>22,469,259</u>	<u>3,919,235</u>
Total expenditures	<u>219,859,036</u>	<u>210,572,337</u>	<u>203,518,600</u>	<u>7,053,737</u>
Excess of revenues over expenditures	<u>(20,275,132)</u>	<u>8,075,285</u>	<u>31,190,027</u>	<u>23,114,742</u>
Other financing sources (uses):				
Transfers in	9,623,249	10,616,723	10,335,111	(281,612)
Transfers out	<u>(6,000,000)</u>	<u>(34,655,212)</u>	<u>(34,655,212)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,623,249</u>	<u>(24,038,489)</u>	<u>(24,320,101)</u>	<u>(281,612)</u>
Net change in fund balance	(16,651,883)	(15,963,204)	6,869,926	22,833,130
Fund balance, beginning	<u>99,083,472</u>	<u>99,083,472</u>	<u>99,083,472</u>	<u>-</u>
Fund balance, ending	<u>\$ 82,431,589</u>	<u>\$ 83,120,268</u>	<u>\$ 105,953,398</u>	<u>\$ 22,833,130</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 48,785	\$ 66,507	\$ 87,955	\$ 21,448
Charges for services	8,608	12,050	10,694	(1,356)
Fines and forfeitures	15,144	17,843	35,944	18,101
Investment income	192,208	192,208	146,455	(45,753)
Net decrease in fair value of investments	-	-	(147,649)	(147,649)
Property income	10,224,109	11,885,165	12,778,430	893,265
Total revenues	<u>10,488,854</u>	<u>12,173,773</u>	<u>12,911,829</u>	<u>738,056</u>
Expenditures:				
General government	-	1,104,658	1,117,041	(12,383)
Public safety	-	12,420,766	13,637,963	(1,217,197)
Public works	746,736	3,189,116	3,087,944	101,172
Community development	-	-	3,019	(3,019)
Community services	2,208,344	2,339,878	1,856,593	483,285
Capital outlay	780,000	1,293,095	479,994	813,101
Total expenditures	<u>3,735,080</u>	<u>20,347,513</u>	<u>20,182,554</u>	<u>164,959</u>
Excess (deficiency) of revenues over expenditures	<u>6,753,774</u>	<u>(8,173,740)</u>	<u>(7,270,725)</u>	<u>903,015</u>
Other financing sources:				
Transfers in	-	8,711,959	8,711,959	-
Net change in fund balance	6,753,774	538,219	1,441,234	903,015
Fund balance, beginning	<u>2,871,523</u>	<u>2,871,523</u>	<u>2,871,523</u>	<u>-</u>
Fund balance, ending	<u>\$ 9,625,297</u>	<u>\$ 3,409,742</u>	<u>\$ 4,312,757</u>	<u>\$ 903,015</u>

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 436,141	\$ 436,141	\$ 404,878	\$ (31,263)
Net decrease in fair value of investments	-	-	(357,700)	(357,700)
Property income	<u>2,320,035</u>	<u>2,320,035</u>	<u>3,633,703</u>	<u>1,313,668</u>
Total revenues	<u>2,756,176</u>	<u>2,756,176</u>	<u>3,680,881</u>	<u>924,705</u>
Expenditures:				
Capital outlay	<u>1,946,972</u>	<u>12,233,890</u>	<u>967,233</u>	<u>11,266,657</u>
Excess (deficiency) of revenues over expenditures	<u>809,204</u>	<u>(9,477,714)</u>	<u>2,713,648</u>	<u>12,191,362</u>
Other financing sources (uses):				
Transfers in	-	4,500,000	4,500,000	-
Transfers out	<u>-</u>	<u>(4,184)</u>	<u>(4,184)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>4,495,816</u>	<u>4,495,816</u>	<u>-</u>
Net change in fund balance	809,204	(4,981,898)	7,209,464	12,191,362
Fund balance, beginning	<u>16,398,532</u>	<u>16,398,532</u>	<u>16,398,532</u>	<u>-</u>
Fund balance, ending	<u>\$ 17,207,736</u>	<u>\$ 11,416,634</u>	<u>\$ 23,607,996</u>	<u>\$ 12,191,362</u>

See accompanying notes to basic financial statements

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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, 2021

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and investments	\$ 31,398,142	\$ 2,654,405	\$ 34,052,547	\$ 67,319,577
Receivables:				
Accounts (net of allowance)	5,721,383	942,366	6,663,749	1,215,359
Interest	91,778	7,774	99,552	197,242
Intergovernmental receivables	99,863	-	99,863	-
Inventories	-	-	-	447,455
Prepaid items	-	-	-	4,369,139
Total current assets	37,311,166	3,604,545	40,915,711	73,548,772
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	39,581
Equipment	301,193	35,988	337,181	41,859,340
Software	-	-	-	3,603,419
Infrastructure	147,358,085	48,826,594	196,184,679	-
Work in progress	264,425	150,165	414,590	462,981
Less accumulated depreciation	(53,832,521)	(19,983,325)	(73,815,846)	(29,802,848)
Total capital assets (net of accumulated depreciation)	96,999,028	29,029,422	126,028,450	16,162,473
Total assets	134,310,194	32,633,967	166,944,161	89,711,245
Deferred outflows of resources:				
Deferred amount from pension plans	1,347,450	517,470	1,864,920	1,226,618
Deferred amount from OPEB	316,901	121,700	438,601	288,484
Total deferred outflows of resources	1,664,351	639,170	2,303,521	1,515,102
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	5,808,573	78,177	5,886,750	2,448,880
Accrued payroll	138,683	44,204	182,887	289,457
Deposits payable	29,940	-	29,940	-
Due to other funds (note 12)	-	-	-	352,836
Workers' compensation - current	-	-	-	2,716,603
General liability - current	-	-	-	2,679,733
Compensated absences - current	-	-	-	4,336,047
Total current liabilities	5,977,196	122,381	6,099,577	12,823,556
Noncurrent liabilities:				
Workers' compensation (note 6)	-	-	-	12,036,397
General liability (note 6)	-	-	-	5,585,902
Compensated absences (note 6)	-	-	-	9,176,960
Net pension liability (note 10)	6,952,631	2,670,021	9,622,652	6,329,127
Net OPEB liability	757,672	290,970	1,048,642	689,731
Total noncurrent liabilities	7,710,303	2,960,991	10,671,294	33,818,117
Total liabilities	13,687,499	3,083,372	16,770,871	46,641,673
Deferred inflows of resources:				
Deferred amount from pension plans	4,967	1,908	6,875	4,523
Deferred amount from OPEB	7,282	2,796	10,078	6,630
Total deferred inflows of resources	12,249	4,704	16,953	11,153
Net Position				
Net investment in capital assets	95,781,695	28,994,077	124,775,772	19,627,040
Unrestricted	26,493,102	1,190,984	27,684,086	24,946,481
Total net position	\$ 122,274,797	\$ 30,185,061	152,459,858	\$ 44,573,521
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(644,587)	
Net position of business-type activities			\$ 151,815,271	

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, 2021

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
	<u>Water</u>	<u>Wastewater</u>		
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 30,413,190	\$ -	\$ 30,413,190	\$ -
Charges for services	-	-	-	32,823,267
Sewer service and connection fees	-	4,586,512	4,586,512	-
Retiree reimbursements	-	-	-	141,862
Employee contributions	-	-	-	59,084
Other	326,536	31,674	358,210	1,046,058
Total operating revenues	<u>30,739,726</u>	<u>4,618,186</u>	<u>35,357,912</u>	<u>34,070,271</u>
Operating expenses:				
Purchase of water	11,156,173	-	11,156,173	-
Salaries and benefits	5,241,360	1,526,710	6,768,070	3,444,472
Depreciation	1,648,246	651,414	2,299,660	3,500,207
Professional services	2,796,812	466,669	3,263,481	281,592
Maintenance and supplies	2,453,903	968,865	3,422,768	2,884,280
System maintenance	2,136,803	876,922	3,013,725	-
Utilities	1,969,678	75,672	2,045,350	-
Fleet parts and supplies	-	-	-	299,837
Telecommunication	-	-	-	153,434
Hardware	-	-	-	436,613
Software	-	-	-	237,204
Workers' compensation	-	-	-	1,917,334
Claims and judgments	-	-	-	5,604,723
Compensated absences	-	-	-	2,866,959
OPEB ARC - cash subsidy	-	-	-	5,819,883
Other	1,386,664	545,153	1,931,817	-
Total operating expenses	<u>28,789,639</u>	<u>5,111,405</u>	<u>33,901,044</u>	<u>27,446,538</u>
Operating income (loss)	<u>1,950,087</u>	<u>(493,219)</u>	<u>1,456,868</u>	<u>6,623,733</u>
Nonoperating revenues:				
Investment income	480,092	45,203	525,295	957,868
Net decrease in fair value of investments	(428,386)	(41,413)	(469,799)	(865,084)
Gain on sale of capital assets	-	-	-	441,666
Total nonoperating revenues	<u>51,706</u>	<u>3,790</u>	<u>55,496</u>	<u>534,450</u>
Income (loss) before transfers	<u>2,001,793</u>	<u>(489,429)</u>	<u>1,512,364</u>	<u>7,158,183</u>
Transfers in (note 13)	-	-	-	531,764
Transfers out (note 13)	-	-	-	(4,946,576)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,414,812)</u>
Change in net position	<u>2,001,793</u>	<u>(489,429)</u>	<u>1,512,364</u>	<u>2,743,371</u>
Net position, beginning of year	<u>120,273,004</u>	<u>30,674,490</u>		<u>41,830,150</u>
Net position, end of year	<u>\$ 122,274,797</u>	<u>\$ 30,185,061</u>		<u>\$ 44,573,521</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(265,444)	
Change in net position of business-type activities			<u>\$ 1,246,920</u>	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2021

	<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	\$ 29,954,995	\$ 4,507,796	\$ 34,462,791	\$ 33,545,836
Cash payments to employees for services	(5,656,512)	(1,686,265)	(7,342,777)	(8,773,870)
Cash payments to suppliers for goods and services	(18,175,318)	(2,469,435)	(20,644,753)	(17,389,115)
Cash payments for other operating activities	(1,060,128)	(513,479)	(1,573,607)	-
Cash received for other operating activities	-	-	-	1,630,277
Net cash provided (used) by operating activities	<u>5,063,037</u>	<u>(161,383)</u>	<u>4,901,654</u>	<u>9,013,128</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	1,997,853
Cash paid to other funds	-	-	-	(6,427,541)
Net cash (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,429,688)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(7,136,340)	(422,423)	(7,558,763)	(3,782,403)
Proceeds from sale of capital assets	-	-	-	441,666
Net cash (used) for capital and related financing activities	<u>(7,136,340)</u>	<u>(422,423)</u>	<u>(7,558,763)</u>	<u>(3,340,737)</u>
Cash flows from investing activities:				
Investment (loss)	(40,072)	(3,984)	(44,056)	(104,458)
Net cash (used) by investing activities	<u>(40,072)</u>	<u>(3,984)</u>	<u>(44,056)</u>	<u>(104,458)</u>
Net increase (decrease) in cash and cash equivalents	(2,113,375)	(587,790)	(2,701,165)	1,138,245
Cash and cash equivalents, beginning	<u>33,511,517</u>	<u>3,242,195</u>	<u>36,753,712</u>	<u>66,181,332</u>
Cash and cash equivalents, ending	<u>\$ 31,398,142</u>	<u>\$ 2,654,405</u>	<u>\$ 34,052,547</u>	<u>\$ 67,319,577</u>
Reconciliation to the statement of net position:				
Cash and investments reported on statement of net position	<u>\$ 31,398,142</u>	<u>\$ 2,654,405</u>	<u>\$ 34,052,547</u>	<u>\$ 67,319,577</u>
Cash and cash equivalents	<u>\$ 31,398,142</u>	<u>\$ 2,654,405</u>	<u>\$ 34,052,547</u>	<u>\$ 67,319,577</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	<u>\$ 1,950,087</u>	<u>\$ (493,219)</u>	<u>\$ 1,456,868</u>	<u>\$ 6,623,733</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,648,246	651,414	2,299,660	3,500,207
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(457,475)	(78,716)	(536,191)	580,707
Decrease in intergovernmental receivables	1,226	-	1,226	525,135
(Increase) in inventories	-	-	-	(34,440)
(Increase) in prepaid items	-	-	-	(3,384,759)
Increase (decrease) in accounts payable and accrued payroll	2,346,692	(78,110)	2,268,582	1,631,956
(Decrease) in deposits payable	(1,946)	-	(1,946)	-
(Decrease) in workers' compensation	-	-	-	(768,000)
Increase in general liability	-	-	-	304,687
Increase in compensated absences	-	-	-	419,688
(Decrease) in net pension liability and deferred cash flows	(289,552)	(111,199)	(400,751)	(263,585)
(Decrease) in net OPEB liability and deferred cash flows	(134,241)	(51,553)	(185,794)	(122,201)
Total adjustments	<u>3,112,950</u>	<u>331,836</u>	<u>3,444,786</u>	<u>2,389,395</u>
Net cash provided by operating activities	<u>\$ 5,063,037</u>	<u>\$ (161,383)</u>	<u>\$ 4,901,654</u>	<u>\$ 9,013,128</u>
Noncash investing, capital and financing activities:				
Net (decrease) in fair value of investments	<u>\$ (428,386)</u>	<u>\$ (41,413)</u>	<u>\$ (469,799)</u>	<u>\$ (865,084)</u>
Total of noncash activities	<u>\$ (428,386)</u>	<u>\$ (41,413)</u>	<u>\$ (469,799)</u>	<u>\$ (865,084)</u>

See accompanying notes to basic financial statements



FINANCIAL SECTION

FUND FINANCIAL STATEMENTS
FIDUCIARY FUNDS

FINANCIAL SECTION

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FIDUCIARY FUNDS

Custodial 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
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021

	<u>Custodial Funds</u>
Assets	
Cash and investments (note 4)	\$ 1,224,273
Restricted cash and investments with fiscal agent (note 4)	1,333,345
Receivable:	
Accounts (net of allowance)	336,687
Interest	1,490
Intergovernmental receivable	18,283
Total assets	<u>2,914,078</u>
Liabilities	
Due to others	<u>776,511</u>
Total liabilities	<u>776,511</u>
Net Position	
Restricted for:	
Individuals, organizations, and other governments	<u>2,137,567</u>
Total net position	<u><u>\$ 2,137,567</u></u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
June 30, 2021

	Custodial Funds
Additions	
Special assessments	\$ 1,283,969
Investment earnings	1,236
Other	70,395
Total additions	1,355,600
Deductions	
Debt service	1,130,047
Unclaimed property	281,611
Administrative	59,767
Other	18,208
Total deductions	1,489,633
Net (decrease) in fiduciary net position	(134,033)
Net position, beginning of year as restated	2,271,600
Net position, end of year	\$ 2,137,567

See accompanying notes to basic financial statements

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FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL SECTION

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

(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, 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 the City's Central Library, Civic Center, and most recently the new Fire Station No. 2 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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

financial data and transactions are included in the debt service fund. Separate financial statements are not prepared for the Corporation. The debt service fund is used solely to account for the activities of the Corporation and contains no other City debt financing activities.

b. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

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

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

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

Fund Financial Statements

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

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

Governmental Funds

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

availability period. Other revenue items are considered to be measurable and available when cash is received by the City.

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

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

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

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

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

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The amount of net appreciation on investments that is available to support City programs is \$2,043,658. 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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

Endowments in the Balance Sheet. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504. The authority for spending investment earnings for scholarships resides with the City Manager, and the authority 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.

Fiduciary funds are also reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

c. Fund Classifications

The City utilizes the following broad categories of funds:

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

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

General Fund

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

Special Revenue Funds

Tide and Submerged Land – Operating

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

Tide and Submerged Land – Harbor Capital

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

American Rescue Plan Act Fund

The American Rescue Plan Act Fund is used to account for federal funding received through Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act.

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.

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Debt Service Funds

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 City's Civic Center Complex.

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

Water Fund

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

Wastewater Fund

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

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

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

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

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

Internal Service Funds – The Internal Service Funds are used to account for the City's self-insured general liability and workers' compensation, compensated absences, and retiree insurance liabilities; the cost of maintaining and replacing the City's rolling stock fleet, parking equipment, coordinated communications systems equipment, certain fire equipment, and recreation equipment; and 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 Custodial Funds, a type of Fiduciary Fund, are used to account for assets held by the City as an agent for property owners with special

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assessments, local businesses in business improvements districts, and monies held by the police department in a custodial capacity.

d. New Accounting Pronouncements

Current Year Standards

In fiscal year 2020-21, the City implemented the following Government Accounting Standards Board (GASB) Statements:

- GASB Statement No. 84 – “*Fiduciary Activities*”, effective for periods beginning after December 15, 2019. The result of implementing this statement was changes to the accounting and presentation of fiduciary funds. Fiduciary fund net position at July 1, 2020 increased \$500,160.
- GASB Statement No. 89 – “*Accounting for Interest Cost Incurred before the End of a Construction Period*”, effective for periods beginning after December 15, 2020. This statement did not impact the City.
- GASB Statement No. 90 – “*Majority Equity Interests*”, effective for periods beginning after December 15, 2019. This statement did not impact the City.
- GASB Statement No. 98 – “*The Annual Comprehensive Financial Report*”, effective for fiscal years ending after December 15, 2021. The result of implementing this statement was changing the name of the Comprehensive Annual Financial Report to Annual Comprehensive Financial Report.

Pending Accounting Standards

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

- GASB Statement No. 87 – “*Leases*”, effective for periods beginning after June 15, 2021.
- GASB Statement No. 91 – “*Conduit Debt Obligations*”, effective for periods beginning after December 15, 2021.
- GASB Statement No. 92 – “*Omnibus 2020*”, primarily effective for periods beginning after June 15, 2021.
- GASB Statement No. 93 – “*Replacement of Interbank Offered Rates*”, effective for periods beginning after June 15, 2021

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- GASB Statement No. 94 – “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”, effective for periods beginning after June 15, 2022.
- GASB Statement No. 96 – “*Subscription-Based Information Technology Arrangements*”, effective for fiscal years beginning after June 15, 2022.
- GASB Statement No. 97 – “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*”, effective for fiscal years beginning after June 15, 2021, except for the requirements of paragraphs 4 and 5.

e. Accounts Receivable

Accounts receivable represent all service and capital project billings other than intergovernmental receivables stated below. As of June 30, 2021, accounts receivable deemed to be uncollectible with an outstanding balance over 120 days past due were written off the City’s accounting records to ensure that the income statement and balance sheet are fairly stated at the amount expected to be collected in receivables. Receivables with governmental organizations are generally excluded from the write-off as they are more likely to be received due to the governments’ creditworthiness.

f. Cash and Investments

Cash and Cash Equivalents

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

Investments

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

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

The City’s investment in LAIF is \$64,004,389 at June 30, 2021. 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

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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 her 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, 2021, the balance of these accounts totaled \$13,271,365.

h. Inventories and Prepaid Items

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

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

i. Capital Assets

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

Major capital outlays 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.

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

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

j. Claims and Judgments

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

k. Property Taxes

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

Lien date	Jan 1	
Levy date	July 1	
Due dates	November 1	1 st installment
	March 1	2 nd installment
Collection dates	December 10	1 st installment
	April 10	2 nd installment

l. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and limited amounts of earned but unused sick leave benefits, which will be paid to employees upon separation from City service. Beginning in fiscal year

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1990, the City adopted a general leave plan to replace the traditional vacation and sick leave plan. The City uses a general leave plan that permits a maximum of three years' accrual for every employee, above which the excess either stops accruing or 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 represents monies collected for developer deposits, demolition deposits, planning deposits and others, for services which have not yet been performed. These unspent portions are reported as liabilities on the financial statements.

n. Unearned Revenue

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

o. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has three items that qualify for reporting in this category. The first item is the deferred outflows related to employer pension and OPEB contributions made after the measurement date. The second item is a deferred outflow related to pensions and OPEB resulting from changes in assumptions. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions and OPEB through the plans. The third item is a deferred outflow related to pensions and OPEB resulting from the difference between expected and actual experience. This amount is amortized over a closed period equal to the average of expected remaining service lives of all employees that are provided pensions and OPEB through the plans.

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

p. Fund Balance Classifications

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

Nonspendable fund balance

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

Restricted fund balance

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

Committed fund balance

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

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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

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

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

q. Estimates

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

r. Pensions

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

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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, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

s. Post-Employment Health Care Benefits (OPEB)

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

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

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

(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 \$222,302,210 differs from "net position" of governmental activities \$2,222,460,067 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.

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Cost of capital assets	\$2,548,283,728
Accumulated depreciation	<u>(240,099,901)</u>
Total capital assets, net*	<u>\$2,308,183,827</u>

*Amount excludes net capital assets of \$16,162,473 from Internal Service funds

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at June 30, 2021 were:

Certificates of participation – Series 2010B	\$97,630,000
Certificates of participation – Series 2020A	7,860,000
Bond premium – Series 2020A	1,291,026
CDBG loan	<u>403,000</u>
Total	<u>\$107,184,026</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>\$3,590,292</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>\$256,862</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>\$1,911,032</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
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Internal Service Funds

Internal service funds are used by management to charge the costs of certain activities (such as equipment management and self-insurance 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>\$44,573,521</u>
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Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability – GASB 68

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

Deferred Outflows of Resources	\$61,144,383
Deferred Inflows of Resources	(688,663)
Pension Liability	(294,129,932)

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	\$7,774,270
Deferred Inflows of Resources	(178,645)
OPEB Liability	(18,559,067)

Internal Balance

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

Internal Balance	<u>\$644,587</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
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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
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**Explanation of Differences Between Government Funds
Balance Sheet and the Statement of Net Position**

	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Assets and Deferred Outflows of Resources				
Cash and investments	\$ 212,098,816	\$ -	\$ -	\$ -
Receivables:				
Accounts (net of allowance)	7,599,179	-	-	-
Advances to other funds	9,426,659	-	-	-
Interest	627,549	-	-	-
Intergovernmental receivables	13,171,502	-	-	-
Restricted cash and investments with fiscal agent	18,373,724	-	-	-
Interfund balances	6,971,006	-	-	-
Investment in joint venture	-	-	-	-
Inventory	309,343	-	-	-
Prepaid items	978,644	-	-	-
Capital assets	-	2,548,283,728	-	-
Accumulated depreciation	-	-	(240,099,901)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 269,556,422</u>	<u>\$ 2,548,283,728</u>	<u>\$ (240,099,901)</u>	<u>\$ -</u>
Deferred Outflows of Resources:				
Deferred amount from pension plans	-	-	-	61,144,383
Deferred amount from OPEB	-	-	-	7,774,270
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,918,653</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets and deferred outflows of resources	<u>\$ 269,556,422</u>	<u>\$ 2,548,283,728</u>	<u>\$ (240,099,901)</u>	<u>\$ 68,918,653</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position				
Liabilities:				
Accounts payable	\$ 12,440,770	\$ -	\$ -	\$ -
Accrued payroll	4,943,678	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,583,151	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Unearned revenue	9,330,752	-	-	-
Due to other funds	6,618,170	-	-	-
Advance from other funds	9,426,659	-	-	-
Long-term liabilities	-	-	-	419,873,025
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>45,343,180</u>	<u>-</u>	<u>-</u>	<u>419,873,025</u>
Deferred Inflows of Resources:				
Unavailable revenue	1,911,032	-	-	-
Deferred amount from pension plans	-	-	-	688,663
Deferred amount from OPEB	-	-	-	178,645
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>1,911,032</u>	<u>-</u>	<u>-</u>	<u>867,308</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances / net position	<u>222,302,210</u>	<u>2,548,283,728</u>	<u>(240,099,901)</u>	<u>(351,821,680)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances / net position	<u>\$ 269,556,422</u>	<u>\$ 2,548,283,728</u>	<u>\$ (240,099,901)</u>	<u>\$ 68,918,653</u>

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Notes to Basic Financial Statements
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<u>Interest Payable</u>	<u>Investment in Joint Venture</u>	<u>Unavailable Revenue</u>	<u>Internal Service Funds</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Position</u>
\$ -	\$ -	\$ -	\$ 67,319,577	\$ -	\$ 279,418,393
-	-	-	1,215,359	-	8,814,538
-	-	-	-	(9,426,659)	-
-	-	-	197,242	-	824,791
-	-	-	-	-	13,171,502
-	-	-	-	-	18,373,724
-	-	-	-	(6,326,419)	644,587
-	256,862	-	-	-	256,862
-	-	-	447,455	-	756,798
-	-	-	4,369,139	-	5,347,783
-	-	-	45,965,321	-	2,594,249,049
-	-	-	(29,802,848)	-	(269,902,749)
<u>\$ -</u>	<u>\$ 256,862</u>	<u>\$ -</u>	<u>\$ 89,711,245</u>	<u>\$ (15,753,078)</u>	<u>\$ 2,651,955,278</u>
-	-	-	1,226,618	-	62,371,001
-	-	-	288,484	-	8,062,754
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,515,102</u>	<u>-</u>	<u>70,433,755</u>
<u>\$ -</u>	<u>\$ 256,862</u>	<u>\$ -</u>	<u>\$ 91,226,347</u>	<u>\$ (15,753,078)</u>	<u>\$ 2,722,389,033</u>
\$ -	\$ -	\$ -	\$ 2,448,880	\$ -	\$ 14,889,650
-	-	-	289,457	-	5,233,135
3,590,292	-	-	-	-	3,590,292
-	-	-	-	-	2,583,151
-	-	-	2,679,733	-	2,679,733
-	-	-	2,716,603	-	2,716,603
-	-	-	4,336,047	-	4,336,047
-	-	-	-	-	9,330,752
-	-	-	352,836	(6,971,006)	-
-	-	-	-	(9,426,659)	-
-	-	-	33,818,117	-	453,691,142
<u>3,590,292</u>	<u>-</u>	<u>-</u>	<u>46,641,673</u>	<u>(16,397,665)</u>	<u>499,050,505</u>
-	-	(1,911,032)	-	-	-
-	-	-	4,523	-	693,186
-	-	-	6,630	-	185,275
<u>-</u>	<u>-</u>	<u>(1,911,032)</u>	<u>11,153</u>	<u>-</u>	<u>878,461</u>
<u>(3,590,292)</u>	<u>256,862</u>	<u>1,911,032</u>	<u>44,573,521</u>	<u>644,587</u>	<u>2,222,460,067</u>
<u>\$ -</u>	<u>\$ 256,862</u>	<u>\$ -</u>	<u>\$ 91,226,347</u>	<u>\$ (15,753,078)</u>	<u>\$ 2,722,389,033</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

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

The net position of the City's Enterprise Funds of \$152,459,858 differs from the net position of the business-type activities of \$151,815,271 as reported in the government-wide statement of net position. The difference of \$644,587 results from consolidating 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	\$ 34,052,547	\$ -	\$ 34,052,547
Receivables:			
Accounts (net of allowance)	6,663,749	-	6,663,749
Interest	99,552	-	99,552
Intergovernmental receivables	99,863	-	99,863
Interfund balances	-	(644,587)	(644,587)
Capital assets, net	<u>126,028,450</u>	<u>-</u>	<u>126,028,450</u>
Total assets	<u>166,944,161</u>	<u>(644,587)</u>	<u>166,299,574</u>
Deferred outflows of resources:			
Deferred amount from pension plans	1,864,920	-	1,864,920
Deferred amount from OPEB	<u>438,601</u>	<u>-</u>	<u>438,601</u>
Total deferred outflows of resources	<u>2,303,521</u>	<u>-</u>	<u>2,303,521</u>
Total assets and deferred outflows of resources	<u>\$ 169,247,682</u>	<u>\$ (644,587)</u>	<u>\$ 168,603,095</u>
Liabilities and Deferred Inflows of Resources			
Liabilities:			
Accounts payable	\$ 5,886,750	\$ -	\$ 5,886,750
Accrued payroll	182,887	-	182,887
Deposits payable	29,940	-	29,940
Net pension liability	9,622,652	-	9,622,652
Net OPEB liability	<u>1,048,642</u>	<u>-</u>	<u>1,048,642</u>
Total liabilities	<u>16,770,871</u>	<u>-</u>	<u>16,770,871</u>
Deferred inflows of resources:			
Deferred amount from pension plans	6,875	-	6,875
Deferred amount from OPEB	<u>10,078</u>	<u>-</u>	<u>10,078</u>
Total deferred inflows of resources	<u>16,953</u>	<u>-</u>	<u>16,953</u>
Total liabilities and deferred inflows of resources	<u>\$ 16,787,824</u>	<u>\$ -</u>	<u>\$ 16,787,824</u>
Net Position			
Net investment in capital assets	\$ 124,775,772	\$ -	\$ 124,775,772
Unrestricted	<u>27,684,086</u>	<u>(644,587)</u>	<u>27,039,499</u>
Total net position	<u>\$ 152,459,858</u>	<u>\$ (644,587)</u>	<u>\$ 151,815,271</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

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

The “net change in fund balances” for governmental funds \$17,562,069 differs from the “change in net position” for governmental activities \$27,113,268 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	\$ 24,611,910
Transfers out of WIP	<u>(4,833,875)</u>
Capital outlays, net	<u>19,778,035</u>
Governmental funds - asset deletions	<u>(3,147,591)</u>
Net change in capital related items	<u>16,630,444</u>
Depreciation expense	(13,516,221)
Deletions in governmental funds accumulated depreciation	<u>2,122,804</u>
Net change in accumulated depreciation	<u>(11,393,417)</u>
Total	<u><u>\$ 5,237,027</u></u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

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.

Certificates of participation – Series 2010B	\$3,065,000
CDBG loan	182,000
Certificates of participation – Series 2020A	(7,860,000)
Bond premium – Series 2020A	(1,373,936)
Amortization of bond premium – Series 2020A	<u>82,910</u>
Total debt proceeds	<u>(\$5,904,026)</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>(\$98,379)</u>
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Investment in Joint Venture

The City's investment in a joint venture creates an explicit, measurable equity interest reported only in the statement of activities.

Net change in investment in joint venture	<u>\$10,392</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 expenditures. This amount is reported as unavailable revenue in the governmental funds.

Net change in unavailable revenue	<u>(\$867,071)</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

Pension Expense

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

Pension expense	<u>\$4,872,162</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>\$3,292,279</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>\$2,743,371</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>\$265,444</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

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

	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Revenues:				
Taxes and assessments	\$ 188,351,057	\$ -	\$ -	\$ -
Intergovernmental	22,233,872	-	-	-
Licenses and permits	6,566,555	-	-	-
Charges for services	18,434,439	-	-	-
Fines and forfeitures	3,923,726	-	-	-
Investment income	3,201,376	-	-	-
Net decrease in fair value of investments	(2,634,682)	-	-	-
Property income	28,842,374	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	5,491,871	-	-	-
Gain on sale of capital assets	-	-	-	-
Other	3,504,103	-	-	-
Total revenues	277,914,691	-	-	-
Expenditures:				
Current:				
General government	17,371,303	-	2,556,843	(1,024,795)
Public safety	126,006,313	354,973	548,594	(4,622,339)
Public works	46,817,293	2,736,716	5,895,566	(1,160,858)
Community development	12,996,840	-	5,082	(615,607)
Community services	26,745,189	55,902	2,387,332	(740,842)
Capital outlay	33,728,085	(19,778,035)	-	-
Debt service:				
Principal retirement	3,247,000	-	-	(3,247,000)
Interest and fiscal charges	7,089,347	-	-	-
Amortization of debt premium	-	-	-	(82,910)
Total expenses	274,001,370	(16,630,444)	11,393,417	(11,494,351)
Other financing sources (uses):				
Transfers in	70,379,824	-	-	-
Transfers out	(65,965,012)	-	-	-
Certificates of participation issued	7,860,000	-	-	(7,860,000)
Premium on certificates of participation issued	1,373,936	-	-	(1,373,936)
Total other financing sources (uses)	13,648,748	-	-	(9,233,936)
Net change in fund balances / net position	17,562,069	16,630,444	(11,393,417)	2,260,415
Fund balances / net position, beginning of year as restated	204,740,141	2,531,653,284	(228,706,484)	(354,082,095)
Fund balances / net position, end of year	\$ 222,302,210	\$ 2,548,283,728	\$ (240,099,901)	\$ (351,821,680)

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,351,057
-	-	(867,071)	-	-	21,366,801
-	-	-	-	-	6,566,555
-	-	-	-	265,444	18,699,883
-	-	-	-	-	3,923,726
-	-	-	957,868	-	4,159,244
-	-	-	(865,084)	-	(3,499,766)
-	-	-	-	-	28,842,374
-	10,392	-	-	-	10,392
-	-	-	-	-	5,491,871
-	-	-	441,666	-	441,666
-	-	-	-	-	3,504,103
-	10,392	(867,071)	534,450	265,444	277,857,906
-	-	-	(1,225,833)	2,716,760	20,394,278
-	-	-	(3,524,382)	421,799	119,184,958
-	-	-	(720,552)	10,120,990	63,689,155
-	-	-	(392,774)	163,685	12,157,226
-	-	-	(760,192)	526,816	28,214,205
-	-	-	-	(13,950,050)	-
-	-	-	-	-	-
98,379	-	-	-	-	7,187,726
-	-	-	-	-	(82,910)
98,379	-	-	(6,623,733)	-	250,744,638
-	-	-	531,764	(70,911,588)	-
-	-	-	(4,946,576)	70,911,588	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(4,414,812)	-	-
(98,379)	10,392	(867,071)	2,743,371	265,444	27,113,268
(3,491,913)	246,470	2,778,103	41,830,150	379,143	2,195,346,799
<u>\$ (3,590,292)</u>	<u>\$ 256,862</u>	<u>\$ 1,911,032</u>	<u>\$ 44,573,521</u>	<u>\$ 644,587</u>	<u>\$ 2,222,460,067</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

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 of \$1,512,364 differs from the change in net position of the business-type activities of \$1,246,920 as reported in the government-wide statement of activities. The difference of \$265,444, results from consolidating internal service fund activities related to the enterprise funds.

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

	Total Enterprise Funds	Internal Service Fund	Business-type activities Statement of Activities
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 30,413,190	\$ -	\$ 30,413,190
Sewer service and connection fees	4,586,512	-	4,586,512
Other	358,210	-	358,210
Total operating revenues	<u>35,357,912</u>	<u>-</u>	<u>35,357,912</u>
Operating expenses:			
Purchase of water	11,156,173	-	11,156,173
Salaries and wages	6,768,070	-	6,768,070
Depreciation	2,299,660	-	2,299,660
Professional services	3,263,481	-	3,263,481
Maintenance and supplies	3,422,768	265,444	3,688,212
System maintenance	3,013,725	-	3,013,725
Utilities	2,045,350	-	2,045,350
Other	1,931,817	-	1,931,817
Total operating expenses	<u>33,901,044</u>	<u>265,444</u>	<u>34,166,488</u>
Operating income	1,456,868	(265,444)	1,191,424
Nonoperating revenues (expenses):			
Investment income	525,295	-	525,295
Net decrease in fair value of investments	<u>(469,799)</u>	<u>-</u>	<u>(469,799)</u>
Total nonoperating revenues (expenses)	<u>55,496</u>	<u>-</u>	<u>55,496</u>
Change in net position	1,512,364	(265,444)	1,246,920
Net position, beginning of year	<u>150,947,494</u>	<u>(379,143)</u>	<u>150,568,351</u>
Net position, end of year	<u>\$ 152,459,858</u>	<u>\$ (644,587)</u>	<u>\$ 151,815,271</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

(3) **Budgetary Control and Compliance**

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

- During May, 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 citizen comments. Prior to July 1, the budget is legally adopted through passage of an appropriation resolution.
- Budgets are adopted on an annual basis consistent with generally accepted accounting principles for General and Special Revenue Funds.
- The City of Newport Beach does not present budget information on Capital Projects Funds since the City approves project-length budgets. These project-length budgets authorize total expenditures over the duration of a construction project rather than through 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. No budget was adopted for the American Rescue Plan Act Fund because neither revenues or expenditures were recognized during the fiscal year.
- 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 the City Council.
- At fiscal year-end, budget appropriations lapse. Budget appropriations for incomplete capital projects are re-budgeted in the following fiscal year by City 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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

Encumbrances and their related budgets are honored in the subsequent year to fulfill these commitments and are presented in the original adopted budget.

Expenditures exceeded appropriations in the following governmental funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Supplemental Law Enforcement	\$ 200,000	\$ 205,263	\$ (5,263)

The following funds reported deficit fund balances:

<u>Other Governmental Funds</u>	
Junior Lifeguards	\$ 136,299
 <u>Internal Service Funds</u>	
Compensated Absences	\$ 8,212,322

The City's intention for the Junior Lifeguards Fund is to eliminate the deficit fund balance through an interfund transfer.

For the Compensated Absences Fund, the City's Reserve Policy sets the maximum cash reserve at 50% of the long-term compensated absences liability and targets a lesser amount that is the median between that amount and a three-year average of the actual payments made for the cash-out of accumulated leave balances. Accordingly, this deficit fund balance is intentional and in compliance with the City Council-approved Reserve Policy.

(4) Cash and Investments

Cash and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 313,470,940
Restricted cash and investments with fiscal agent	18,373,724
Fiduciary funds:	
Cash and investments	1,224,273
Restricted cash and investments with fiscal agent	1,333,345
Total cash and investments	\$ 334,402,282

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

Cash and investments as of June 30, 2021, consist of the following:

Cash on hand	\$	24,235
Deposits with financial institutions		13,700,479
Investments		320,677,568
Total cash and investments	\$	334,402,282

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	\$75 million	\$75 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, 2021

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 – 1 Year	0% - 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	0% - No Limit	No Limit
Forward Purchase Agreement	6 months – No Limit	0% - 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	0% - 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, 2021

Investment Type	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 108,586	\$ 108,586	\$ -	\$ -	\$ -	\$ 108,586
U.S. Treasuries	71,239,771	13,214,614	43,017,409	15,007,748	-	71,239,771
U.S. Agency Bonds	100,225,493	15,808,544	84,416,949	-	-	100,225,493
Asset Backed Securities	13,071,449	42,765	7,205,066	5,823,617	-	13,071,449
Corporate Bonds	44,211,043	9,907,119	28,097,609	6,206,316	-	44,211,043
Municipal Bonds	2,077,600	-	2,077,600	-	-	2,077,600
LAIF	64,004,389	64,004,389	-	-	-	64,004,389
Supranationals	6,032,212	-	6,032,212	-	-	6,032,212
Investments with Fiscal Agent:						
Money Market Funds	10,645,891	10,645,891	-	-	-	10,645,891
LAIF	9,061,135	9,061,135	-	-	-	9,061,135
	<u>\$ 320,677,568</u>	<u>\$ 122,793,042</u>	<u>\$ 170,846,845</u>	<u>\$ 27,037,681</u>	<u>\$ -</u>	<u>\$ 320,677,568</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, 2021, the City held asset backed securities of \$13,071,449.

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, 2021, the City held corporate and municipal bonds with make whole call provisions as summarized below:

Maturity	Value
July 2021	\$ 2,000,880
January 2023	1,036,110
May 2023	1,037,500
January 2024	1,607,610
February 2024	2,077,600
May 2024	4,735,831
	<u>\$ 12,495,531</u>

Investments with call dates may be called anytime on or after the call date. As of June 30, 2021, the City held corporate bonds with call dates as summarized below:

Maturity	Value	Call Date
December 2021	\$ 1,008,370	November 2021
January 2022	1,011,650	December 2021
February 2022	1,758,214	January 2022
August 2023	1,035,480	June 2023
February 2024	2,141,980	January 2024
	<u>\$ 6,955,694</u>	

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

Investments may have both a make whole call provision and a regular call date. As of June 30, 2021, the City held corporate bonds with both a make whole call provision and a regular call date as summarized below:

Maturity	Value	Call Date
February 2022	\$ 2,016,500	November 2021
December 2022	1,033,190	October 2022
March 2023	1,037,680	January 2023
June 2023	2,116,540	May 2023
March 2024	2,242,488	February 2024
March 2024	1,644,205	March 2023
June 2024	999,400	June 2023
July 2024	470,316	July 2022
March 2025	2,123,920	March 2024
June 2025	998,080	June 2024
	<u>\$ 14,682,319</u>	

About \$5.8 million of the investments with both a make whole call provision and a regular call date, also have interest rate reset dates. If these securities are not called by their call date, then these securities will revert to floating rate securities tied to a benchmark index. Prior to their call date, these securities pay a fixed rate of interest.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2021, 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, 2021 for each investment type.

Investment Type	Fair Value	Minimum Legal										
		Rating	AAA	AAAm	AA+	AA	AA-	A+	A	A-	Not Rated	
Money Market Funds	\$ 108,586	AAAm	-	108,586	-	-	-	-	-	-	-	-
U.S. Treasuries	71,239,771	None	-	-	71,239,771	-	-	-	-	-	-	-
U.S. Agency Bonds	100,225,493	None	-	-	100,225,493	-	-	-	-	-	-	-
Asset Backed Securities	13,071,449	AAA	8,529,718	-	-	-	-	-	-	-	-	4,541,731
Corporate Bonds	44,211,043	A-	-	-	1,037,500	4,986,890	1,033,190	9,282,716	19,096,417	8,304,015	-	470,316
Municipal Bonds	2,077,600	A-	-	-	2,077,600	-	-	-	-	-	-	-
LAIF	64,004,389	N/A	-	-	-	-	-	-	-	-	-	64,004,389
Supranationals	6,032,212	AA-	6,032,212	-	-	-	-	-	-	-	-	-
Investments with Fiscal Agent:												
Money Market Funds	10,645,891	AAm	-	10,645,891	-	-	-	-	-	-	-	-
LAIF	9,061,135	N/A	-	-	-	-	-	-	-	-	-	9,061,135
	<u>\$ 320,677,568</u>		<u>\$ 14,561,930</u>	<u>\$ 10,754,477</u>	<u>\$ 174,580,363</u>	<u>\$ 4,986,890</u>	<u>\$ 1,033,190</u>	<u>\$ 9,282,716</u>	<u>\$ 19,096,417</u>	<u>\$ 8,304,015</u>	<u>\$ -</u>	<u>\$ 78,077,571</u>

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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	\$34,883,840
FFCB	Federal agency securities	\$29,375,069
FNMA	Federal agency securities	\$19,492,225
FHLMC	Federal agency securities	\$16,474,358

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, 2021, none of the City's deposits with financial institutions in excess of federal depository amounts were held in uncollateralized accounts.

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

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting

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records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

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

Fair Value Measurements

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

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

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

Following are the City's recurring fair value measurements as of June 30, 2021:

	Fair Value	Investments That Are Not Subject to Fair Value Hierarchy	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices for Similar Assets in Active Markets (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 108,586	\$ 108,586	\$ -	\$ -	\$ -
U.S. Treasuries	71,239,771	-	-	71,239,771	-
U.S. Agency Bonds	100,225,493	-	-	100,225,493	-
Asset Backed Securities	13,071,449	-	-	13,071,449	-
Corporate Bonds	44,211,043	-	-	44,211,043	-
Municipal Bonds	2,077,600	-	-	2,077,600	-
LAIF	64,004,389	64,004,389	-	-	-
Supranationals	6,032,212	-	-	6,032,212	-
Investments with Fiscal Agent:					
Money Market Funds	10,645,891	10,645,891	-	-	-
LAIF	9,061,135	9,061,135	-	-	-
	<u>\$ 320,677,568</u>	<u>\$ 83,820,001</u>	<u>\$ -</u>	<u>\$ 236,857,568</u>	<u>\$ -</u>

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(5) Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2021
Non-depreciable:				
Land and rights of way	\$ 1,897,520,485	\$ -	\$ -	\$ 1,897,520,485
Work in progress	6,012,710	10,196,174	(4,833,875)	11,375,009
	<u>1,903,533,195</u>	<u>10,196,174</u>	<u>(4,833,875)</u>	<u>1,908,895,494</u>
Depreciable:				
Structures	239,878,560	873,519	(279,570)	240,472,509
Equipment	53,837,634	4,015,989	(2,674,669)	55,178,954
Infrastructure	379,083,520	13,355,288	(2,736,716)	389,702,092
	<u>672,799,714</u>	<u>18,244,796</u>	<u>(5,690,955)</u>	<u>685,353,555</u>
Less accumulated depreciation for:				
Structures	(49,397,226)	(5,173,158)	175,192	(54,395,192)
Equipment	(35,063,735)	(4,271,342)	2,584,244	(36,750,833)
Infrastructure	(173,044,871)	(7,571,928)	1,860,075	(178,756,724)
	<u>(257,505,832)</u>	<u>(17,016,428)</u>	<u>4,619,511</u>	<u>(269,902,749)</u>
Net Depreciable	<u>415,293,882</u>	<u>1,228,368</u>	<u>(1,071,444)</u>	<u>415,450,806</u>
Net Capital Assets	<u>\$ 2,318,827,077</u>	<u>\$ 11,424,542</u>	<u>\$ (5,905,319)</u>	<u>\$ 2,324,346,300</u>

Governmental Activities capital assets net of accumulated depreciation at June 30, 2021 are comprised of the following:

General Capital Assets, net	\$ 2,308,183,827
Internal Service Fund Capital Assets, net	<u>16,162,473</u>
	<u>\$ 2,324,346,300</u>

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Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2021
Non-depreciable:				
Land and rights of way	\$ 2,219,450	\$ -	\$ -	\$ 2,219,450
Work in progress	2,855,174	414,590	(2,855,174)	414,590
	<u>5,074,624</u>	<u>414,590</u>	<u>(2,855,174)</u>	<u>2,634,040</u>
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	325,174	12,007	-	337,181
Infrastructure	186,551,195	10,311,610	(678,126)	196,184,679
	<u>187,564,765</u>	<u>10,323,617</u>	<u>(678,126)</u>	<u>197,210,256</u>
Less accumulated depreciation for:				
Structures	(264,141)	(15,357)	-	(279,498)
Equipment	(158,310)	(24,690)	-	(183,000)
Infrastructure	(71,447,591)	(2,259,613)	353,856	(73,353,348)
	<u>(71,870,042)</u>	<u>(2,299,660)</u>	<u>353,856</u>	<u>(73,815,846)</u>
Net Depreciable	<u>115,694,723</u>	<u>8,023,957</u>	<u>(324,270)</u>	<u>123,394,410</u>
Net Capital Assets	<u>\$ 120,769,347</u>	<u>\$ 8,438,547</u>	<u>\$ (3,179,444)</u>	<u>\$ 126,028,450</u>

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

	Governmental Activities*	Business-type Activities
General government	\$ 5,206,070	\$ -
Public safety	1,463,225	-
Public works	174,848	-
Community development	513,094	-
Community service	9,659,191	-
Water	-	1,648,246
Wastewater	-	651,414
	<u>\$ 17,016,428</u>	<u>\$ 2,299,660</u>

*Internal Service Fund depreciation of \$3,500,207 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, 2021, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Other debt:					
Certificates of participation payable - Series 2010B	\$ 100,695,000	\$ -	\$ (3,065,000)	\$ 97,630,000	\$ 3,165,000
Certificates of participation payable - Series 2020A	-	7,860,000	-	7,860,000	775,000
Bond premium - Series 2020A	-	1,373,936	(82,910)	1,291,026	-
Direct borrowing:					
CDBG loan	585,000	-	(182,000)	403,000	195,000
Other long-term liabilities:					
Workers' compensation payable	15,521,000	1,917,334	(2,685,334)	14,753,000	2,716,603
Claims and judgments payable	7,960,948	5,604,723	(5,300,036)	8,265,635	2,679,733
Compensated absences	13,093,319	2,866,959	(2,447,271)	13,513,007	4,336,047
Total governmental activities	\$ 137,855,267	\$ 19,622,952	\$ (13,762,551)	\$ 143,715,668	\$ 13,867,383

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

- 2010 Certificates of Participation

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

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The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began January 1, 2011, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2010A Certificates have been defeased and are no longer outstanding. The 2010B Certificates interest rates range from 4.45% to 7.17%. The City has designated the Series 2010B Certificates as “Build America Bonds” (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009. Thus, the City receives refundable credits from the United States Treasury on the interest paid on the 2010B Certificates. As of June 30, 2021, the City has received \$25,127,584 of BABs Subsidy from the United States Treasury and expects to receive subsidy equal to about 33% on future interest payable on the 2010B Certificates. Principal payments are payable annually on July 1 of each year. The remaining principal payments for the Series 2010B Certificates, which are payable through July 1, 2040, range from \$3,165,000 to \$7,245,000. The total outstanding balance at June 30, 2021 amounted to \$97,630,000. The use of the following assets has been pledged as security for the outstanding balance: the Central Library and the Civic Center.

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 3,165,000	\$ 6,733,265	\$ 9,898,265
2023	3,275,000	6,556,869	9,831,869
2024	3,390,000	6,365,978	9,755,978
2025	3,510,000	6,142,971	9,652,971
2026	3,675,000	5,889,360	9,564,360
2027-2031	21,090,000	25,200,799	46,290,799
2032-2036	26,390,000	16,776,346	43,166,346
2037-2041	33,135,000	6,154,266	39,289,266
	<u>\$ 97,630,000</u>	<u>\$ 79,819,854</u>	<u>\$ 177,449,854</u>

- 2020 Certificates of Participation

In Fiscal Year 2020-21, the City issued \$7,860,000 of Series 2020A Certificates of Participation. The 2020A Certificates were issued to finance the acquisition, improvement, and equipping of the Fire Station 2 Project. The proceeds of the Certificates also 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 June 15, 2021, 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 1st and July 1st of each year. The 2020A Certificates’ interest rate is 4.00%. Principal

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payments are payable annually on July 1st of each year. The remaining principal payments of the Series 2020A Certificates, which are payable through July 1, 2030, range from \$665,000 to \$915,000. The total outstanding balance at June 30, 2021 amounted to \$7,860,000. The use of the following assets has been pledged as security for the outstanding balance: Fire Station 5 and Fire Station 7.

The annual amortization requirements of the outstanding Series 2020A Certificates of Participation are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 775,000	\$ 318,987	\$ 1,093,987
2023	665,000	270,100	935,100
2024	695,000	242,900	937,900
2025	725,000	214,500	939,500
2026	755,000	184,900	939,900
2027-2031	4,245,000	437,500	4,682,500
	<u>\$ 7,860,000</u>	<u>\$ 1,668,887</u>	<u>\$ 9,528,887</u>

- 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 \$195,000 to \$208,000 through June 30, 2023. The outstanding balance at June 30, 2021, amounts to \$403,000.

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 195,000	\$ 7,387	\$ 202,387
2023	208,000	2,548	210,548
	<u>\$ 403,000</u>	<u>\$ 9,935</u>	<u>\$ 412,935</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, 2021, is dependent on future developments based upon information from the City's attorney, the City's claims administrators, and others involved with the

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administration of the programs, City management believes the accrual is adequate to cover such losses. The estimated liability at June 30, 2021, for general liability amounted to \$8,265,635 and for workers' compensation was \$14,753,000.

- **Compensated Absences**

The City's policies relating to compensated absences are described in Note (1). This liability at June 30, 2021, is \$13,513,007. Compensated absences are liquidated from the Compensated Absences internal service fund.

- **Unused Credit**

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

(7) Limited Obligation Bonds

Special Assessment Districts Bonds

The City has issued certain Assessment District and Community Facilities District Bonds. Although the City collects and disburses funds for these districts, the City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds, and therefore the bonded indebtedness is not shown in the financial statements of the City. The City holds reserve funds on behalf of bondholders, and the assets are recorded in the Special Assessment Agency Fund. Bonds outstanding at June 30, 2021, for each district under the Bond Acts of 1911 and 1915 are as follows:

<u>Assessment District</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2021</u>
Reassessment District 2012	\$13,583,436	\$2,582,521
Assessment District No. 117	\$ 2,955,000	\$2,620,000
Assessment District No. 116	\$ 1,575,000	\$1,510,000
Assessment District No. 116B	\$ 665,000	\$ 640,000
Assessment District No. 111	\$ 2,412,000	\$2,412,000

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

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

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

<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

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

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

Fund liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The total liability claims payable was \$23,018,635 at June 30, 2021, which represents the discounted present value of all outstanding claims. The claims are discounted using an interest rate of 3%.

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2020</u>
Unpaid claims, beginning of fiscal year	\$ 6,951,907	\$ 7,960,948	\$ 16,270,000	\$ 15,521,000
Incurred claims (including IBNR)	6,559,117	5,604,723	1,646,315	1,917,334
Claim payments	(5,550,076)	(5,300,036)	(2,395,315)	(2,685,334)
Unpaid claims, end of fiscal year	<u>\$ 7,960,948</u>	<u>\$ 8,265,635</u>	<u>\$ 15,521,000</u>	<u>\$ 14,753,000</u>

(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 set aside a portion of their salary and defer taxation on the contributions and any investment earnings until future years.

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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 \$151,034,783 at June 30, 2021.

(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, 2020 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	32.57% - 33.22%	29.15% - 29.80%	28.65% - 29.30%
	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	68.58% - 71.18%	68.58% - 71.18%	71.08% - 73.68%

Employees Covered – At the measurement date of June 30, 2020, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	688	447
Inactive employees entitled to but not yet receiving benefits	607	93
Active employees	526	268
Total	<u>1,821</u>	<u>808</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 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

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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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The General Fund, Tidelands Funds, Water Fund, and Wastewater Fund 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, 2019 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.625%	2.625%
Payroll growth	2.875%	2.875%
Projected salary increase	Varies by Entry Age and Service	
Investment Rate of Return	7.25% ⁽¹⁾	7.25% ⁽¹⁾
Mortality Rate Table ⁽²⁾	Derived using CalPERS' Membership Date for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter	

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

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

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including

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

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

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.

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Subsequent Events

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

c. Changes in the Net Pension Liability

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

<u>Miscellaneous Plan:</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019	\$ 434,210,401	\$ 322,592,679	\$ 111,617,722
Changes in the year:			
Service cost	7,347,708	-	7,347,708
Interest on the total pension liability	30,565,919	-	30,565,919
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	369,351	-	369,351
Net Plan to Plan Resource Movement	-	-	-
Contribution – employer	-	16,346,284	(16,346,284)
Contribution – employee	-	4,067,751	(4,067,751)
Net investment income	-	16,074,793	(16,074,793)
Benefit payments, including refunds of employee contributions	(21,516,515)	(21,516,515)	-
Administrative Expense	-	(454,777)	454,777
Other Miscellaneous Income/(Expense)	-	-	-
Net changes	16,766,463	14,517,536	2,248,927
Balance at June 30, 2020	\$ 450,976,864	\$ 337,110,215	\$ 113,866,649

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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, 2019	\$ 590,087,083	\$ 394,985,375	\$ 195,101,708
Changes in the year:			
Service cost	9,622,985	-	9,622,985
Interest on the total pension liability	41,449,511	-	41,449,511
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	957,686	-	957,686
Net Plan to Plan Resource Movement	-	-	-
Contribution – employer	-	28,539,301	(28,539,301)
Contribution – employee	-	3,249,005	(3,249,005)
Net investment income	-	19,685,354	(19,685,354)
Benefit payments, including refunds of employee contributions	(32,285,653)	(32,285,653)	-
Administrative Expense	-	(556,832)	556,832
Other Miscellaneous Income/(Expense)	-	-	-
Net changes	19,744,529	18,631,175	1,113,354
Balance at June 30, 2020	\$ 609,831,612	\$ 413,616,550	\$ 196,215,062

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	\$173,337,179	\$275,078,734
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$113,866,649	\$196,215,062
1% Increase	8.15%	8.15%
Net Pension Liability	\$64,708,268	\$130,938,202

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

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

For the year ended June 30, 2021, the City recognized pension expense of \$45,448,494 (\$13,983,368 Miscellaneous Plan and \$31,465,126 Safety Plan). At June 30, 2021, 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	\$ 18,730,840	\$ -
Differences between expected and actual experience	453,174	-
Changes in assumptions	-	(81,359)
Net differences between projected and actual earnings on plan investments	2,883,943	-
Total Miscellaneous Plan	\$ 22,067,957	\$ (81,359)
	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 32,251,903	\$ -
Differences between expected and actual experience	4,118,233	(152,975)
Changes in assumptions	2,100,724	(465,727)
Net differences between projected and actual earnings on plan investments	3,697,104	-
Total Safety Plan	\$ 42,167,964	\$ (618,702)
Grand Total	\$ 64,235,921	\$ (700,061)

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\$50,982,743 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Misc.	Safety	Total Amount
2022	\$ (895,669)	\$ 2,405,425	\$ 1,509,756
2023	1,053,890	2,681,277	3,735,167
2024	1,720,348	2,488,566	4,208,914
2025	1,377,189	1,722,091	3,099,280
Thereafter	-	-	-

e. Payable to the Pension Plan

At June 30, 2021, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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, 2021, the City's covered payroll for employees participating in the plan was \$3,309,541. Employees made contributions of \$124,108 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,735,070 at June 30, 2021.

(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

In January 2006, the City and employee associations agreed to major changes in the Post-Employment Health Care Plan. All employees hired after January 1, 2006, and certain employees hired prior to this date, as well as employees who elected to fully convert to a defined contribution formula (hereafter fully converted employees), 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. These employees and eligible retirees participate in a Retiree Health Savings ("RHS") Plan sponsored by the City, the single employer of the plan. Plan assets are held in trust and managed by MissionSquare Retirement (Trustee), under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

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 participate in a program requiring mandatory defined contributions by employees and the City, 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. 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 made 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 up to a maximum of 15 years. For employees who elected to retain a hybrid plan, the City made a one-time contribution into their individual RHS account of \$75 per month for every month the employee contributed to the previous defined plan up to a maximum of 15 years. In order to receive these contributions, the employee must retire from the City. At June 30, 2021, the liability for the conversion part of the RHS Plan was \$1,432,500. This amount is not included in the Net OPEB Liability, but is included in the compensated absences liability. See Note (6).

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.

The City has elected to participate in the California Employers' Retiree Benefit Trust ("CERBT") Fund to prefund its OPEB liability. CERBT is managed by CalPERS and invests in global equity, global debt securities, inflation assets, commodities, and REITs. By placing funds in trust to fund future City contributions before those future contributions are due, the City earns investment income that will help pay those future contributions and thereby reduce the City's long-term OPEB budgetary requirements.

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Employees Covered

As of the measurement date June 30, 2020, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees, spouses, or beneficiaries currently receiving benefits	605
Inactive employees or beneficiaries entitled to but not yet receiving benefits	53
Active employees	790
Total	<u>1,448</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. For the year ended June 30, 2021, the City's cash contributions were \$5,665,649 to the trust in premium payments and \$845,896 for the estimated implicit subsidy, resulting in a total payment of \$6,511,545.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019. The General Fund, Tidelands Funds, Water Fund, and Wastewater Fund have typically been used in prior years to liquidate the net OPEB liability. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Projected Salary Increase	2.75% per annum, in aggregate
Expected long term investment rate of return	6.50%
Healthcare Cost Trend Rates	6.00% HMO/6.00% 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, 2019, valuation were based on a standard set of assumptions the actuary has used for similar valuations, modified as appropriate for the City.

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

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

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	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2019	\$ 46,635,812	\$ 24,021,071	\$ 22,614,741
Changes in the year:			
Service cost	521,285	-	521,285
Interest on the total OPEB liability	2,944,050	-	2,944,050
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(219,772)	-	(219,772)
Contributions - employer	-	4,674,814	(4,674,814)
Contributions - employees	-	-	-
Net investment income	-	900,087	(900,087)
Benefit payments, including refunds of employee contributions	(3,787,663)	(3,787,663)	-
Administrative expenses	-	(12,037)	12,037
Other expense	-	-	-
Net changes	(542,100)	1,775,201	(2,317,301)
Balance at June 30, 2020	<u>\$ 46,093,712</u>	<u>\$ 25,796,272</u>	<u>\$ 20,297,440</u>

Change of Assumptions

There was no change of assumption.

Change of Benefit Terms

There was no change of benefit terms.

Subsequent Events

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

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

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

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	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	\$ 24,892,589	\$ 20,297,440	\$ 16,395,020

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 (5.0% HMO/5.0% PPO) or 1-percentage point higher (7.0% HMO/7.0% PPO) than current healthcare cost trend rates:

	1% Decrease (5.0%HMO/5.0%PPO decreasing to 3.5%HMO/3.5%PPO)	Current Healthcare Cost Trend Rates (6.0%HMO/6.0%PPO decreasing to 4.5%HMO/4.5%PPO)	1% Increase (7.0%HMO/7.0%PPO decreasing to 5.5%HMO/5.5%PPO)
Net OPEB Liability	\$ 18,386,736	\$ 20,297,440	\$ 22,939,327

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$2,206,286. At June 30, 2021, 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	\$ 6,511,545	\$ -
Differences between expected and actual experience	1,688,213	(195,353)
Changes of assumptions	76,207	-
Net difference between projected and actual earnings on OPEB plan investments	225,390	-
Total	\$ 8,501,355	\$ (195,353)

The differences between expected and actual experience are amortized over a six-year period or a nine-year period, depending on the fiscal year the difference occurred. Changes of assumptions are amortized over a six-year period. The net difference between projected and actual earnings on plan investment is amortized over a five-year period.

An amount of \$6,511,545, 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, 2022.

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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
2022	\$ 318,279
2023	476,501
2024	542,812
2025	554,541
2026	(24,419)
Thereafter	(73,258)

Payable to the OPEB Plan

At June 30, 2021, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2021.

(12) Interfund Receivables and Payables

At June 30, 2021, interfund advances receivable and payable were as follows:

	Advance from	Advance to
General Fund	\$ 9,426,659	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	9,426,659
Total	\$ 9,426,659	\$ 9,426,659

The General Fund advance to the Tide and Submerged Land – Harbor Capital Fund was utilized for dredging within the City’s Tidelands. Repayment of the advance to the General Fund is funded 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
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	\$ 4,926,659	\$ 4,500,000	\$ 9,426,659

At June 30, 2021, interfund receivables and payable were as follows:

	Due from	Due to
General Fund	\$ 439,194	\$ -
Facilities Financial Planning Reserve Fund	6,531,812	-
Civic Center COP	-	6,395,513
Internal Service Funds	-	352,836
Other Governmental Funds	-	222,657
Total	\$ 6,971,006	\$ 6,971,006

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, 2021, consisted of the following:

		Transfers In							
		General Fund	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	\$ -	\$ 8,711,959	\$ 4,500,000	\$ 8,500,000	\$ -	\$ 531,764	\$ 12,411,489	\$ 34,655,212
	Tide and Submerged Land - Harbor Capital	-	-	-	-	-	-	4,184	4,184
	Facilities Financial Planning Reserve	-	-	-	-	7,646,138	-	6,901,299	14,547,437
	Internal Service Funds	4,946,576	-	-	-	-	-	-	4,946,576
	Other Governmental Funds	5,388,535	-	-	11,344,644	-	-	25,000	16,758,179
	Total	\$ 10,335,111	\$ 8,711,959	\$ 4,500,000	\$ 19,844,644	\$ 7,646,138	\$ 531,764	\$ 19,341,972	\$ 70,911,588

The City typically uses transfers to fund ongoing subsidies and to set aside resources for long-term needs such as capital facilities replacement and major maintenance. The General Fund transferred:

- \$8,711,959 to subsidize the maintenance and operation of the Tide and Submerged Land – Operating Fund;
- \$4,500,000 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;
- \$531,764 to internal service funds, of which \$500,000 was to the Equipment Maintenance Fund for vehicle replacement and \$31,764 was to the Information Technology Fund for a wireless phone system;
- and \$12,411,489 to Other Governmental Funds, which includes \$2,508,176 to the Neighborhood Enhancement Fund to fund construction projects and acquire Rule 20A credits, \$1,366,254 to the Facilities Maintenance Fund, \$8,137,059 to the Unrestricted Capital Improvements Fund to cash fund General Fund capital improvements, and \$400,000 to the Assessment District Fund for assessment district expenditures.

Tide and Submerged Land – Harbor Capital transferred \$4,184 to Other Governmental Funds for costs associated with the removal of abandoned or surrendered vessels from the waters of Newport Harbor.

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The Facilities Financial Planning Reserve Fund transferred \$7,646,138 to the Civic Center COP Fund for the debt service payments related to the Civic Center Certificates of Participation and \$6,901,299 to Other Governmental Funds to cash fund construction projects related to parks and community centers.

Internal Service Funds transferred \$4,500,000 of excess reserve funds on hand to the General Fund, which were identified during the budget balancing strategy in response to the COVID-19 pandemic. The transfers include \$2,000,000 from the Insurance Reserve Fund; \$500,000 from the Equipment Maintenance Fund; and \$2,000,000 from the Information Technology Fund. The Equipment Maintenance Fund transferred an additional \$446,576 to the General Fund as expected equipment replacement was deemed unnecessary.

Other Governmental Funds transferred \$5,388,535 of unappropriated fund balances to the General Fund, which includes \$2,765,286 from the Capital Projects Fund and \$2,623,249 from the Neighborhood Enhancement Fund related to capital projects that were either postponed or eliminated. These transfers were also related to the budget balancing strategy in response to the pandemic. Other Governmental Funds also transferred \$11,344,644 of unappropriated fund balances to the Facilities Financial Planning Reserve, which includes \$1,222,853 from the Civic Center and Park Fund; \$14,983 from the Miscellaneous Facilities Financing Fund; \$343,884 from the West Newport Community Center Fund; \$105,858 from the Sunset Ridge Park Fund; \$157,066 from the Strategic Planning Fund; and \$9,500,000 from the Fire Stations Fund. The funds returned from the Fire Stations Fund resulted from the City deciding to finance the construction of a fire station in lieu of cash funding the project, while the remainder of the funds were excess funds on hand related to completed projects that had originally been funded from the Facilities Financial Planning Reserve.

(14) Joint Venture Agreements

Bonita Canyon Public Facilities Financing Authority

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint powers authority comprised of the City of Newport Beach and the Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within the District's boundaries. In 1998, the Authority issued \$45,000,000 of special tax bonds to be repaid by special assessments. \$30,577,712 (81.7%) of the proceeds were used to pay for the costs of the City acquiring and constructing public facilities including parks and road improvements. In Fiscal Year 2011-12, the Authority issued \$38,330,000 of special tax refunding bonds to refinance the 1998 Series. In Fiscal Year 2017-18, the Authority issued \$28,245,000 of special tax refunding bonds to refinance the 2012 series; the City is not obligated in any manner to repay the bonds. As of June 30, 2021, the contributions from property owners have been fully spent and no funds are held in trust by the fiscal agent. The City does not make any

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

annual contributions to the Authority and 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 the Authority 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 participant in a joint venture consisting of the cities of Anaheim, Brea, Fountain Valley, Fullerton, Huntington Beach, and Orange for the operation of a communication network utilized by fire suppression, emergency medical assistance, and rescue services. The oversight board consists of one voting member and one alternate appointed by the governing body of each member agency. The City of Newport Beach's costs are based each fiscal year upon the number of recorded incidents attributable to the City divided by the recorded incidents attributable to all members during the year, and are recorded in the General Fund as an expenditure for service. Upon termination of the agreement, the proceeds from the sale of the property and assets of the joint venture will be paid to each member agency pursuant to their fair share percentage. Annually, the amounts paid by the City to this joint venture are approximately \$750,051. The City's 11.26% interest in the net equity of this joint venture at June 30, 2021, amounts to \$256,862. 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 with several other public agencies in Orange County for the operation of the Integrated Law and Justice Agency of Orange County (ILJAOC). The ILJAOC was established in fiscal year 2006-07 and consists of 23 member agencies, with an oversight board consisting of 12 members from the participating agencies. Annually, each member agency pays a percentage of the operating and replacement costs for the ILJAOC. The City's annual contribution and interest in the net equity of this joint venture was immaterial as of June 30, 2021. The City of Newport Beach acted as the Treasurer/Controller of the ILJAOC from inception through the end of fiscal year 2010-11. Beginning July 1, 2011, the City of Brea, another member agency, was appointed to serve as Treasurer/Controller, and assumed responsibility for all operating activities of the ILJAOC. Complete separate financial statements can be obtained from the City of Brea, 1 Civic Center Circle, Brea, California 92821.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

(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 VNB is to attract additional visitor business by promoting the City as the premier tourist and business destination in Orange County. 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, 2021, the City paid VNB \$3,654,036.

The City of Newport Beach entered into an agreement with the City of Costa Mesa to share a homeless shelter that would enable both agencies to provide services to their respective homeless populations without duplicating efforts. The current agreement was entered into on December 15, 2020 and has a five-year term until December 15, 2025, with two optional extension terms of five years each. The agreement provides the City of Newport Beach exclusive use of 20 temporary shelter beds in exchange for one-time funding of \$1,600,000 towards capital improvements and furniture, fixtures and equipment for the new shelter; and an initial annual contribution of \$1,000,000 towards shelter operational costs upon project completion. The annual operational contribution is subject to increases in relation to the consumer price index, however, it shall increase by a minimum of 2.0% and a maximum of 4.0% annually. For the fiscal year ending June 30, 2021, the City paid the City of Costa Mesa \$1,600,000.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
Lido Fire Station 2	\$ 9,548,841	\$ 2,864,779	\$ 5,497,891
Advanced Metering Infrastructure	6,377,973	3,620,612	2,757,360
Transmission Main Valves Replace	3,205,537	86,300	3,090,557
UUD 22 Phase 2	5,195,420	2,397,555	2,797,865
Bay Crossing Water Main Replc	1,403,186	-	1,222,533
WCH Hwy Intersection Imp Ped Bridge	1,199,237	70,717	1,127,104
General Plan Update	1,762,569	671,855	938,198
Balboa Island Drainage Master Plan	2,254,600	73,585	760,859

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	-	Special Revenue Funds	Capital Project Funds	Permanent Funds	
Drainage	-	-	-	-	-	923,452	-	923,452
Streets	6,971	3,743	37,500	-	2,061,693	2,060,804	-	4,170,711
Facilities	57,100	-	-	-	-	227,731	-	284,831
Miscellaneous and studies	-	-	-	-	-	1,073,123	-	1,073,123
Parks	200,384	32,730	-	-	-	1,325,581	-	1,558,695
Contract services	1,627,377	-	-	-	-	-	-	1,627,377
Supplies and materials	323,368	-	-	-	-	-	-	323,368
Maintenance and repairs	688,168	-	-	-	-	641,393	-	1,329,561
General	169,299	-	-	-	-	270	-	169,569
Beaches	-	141,776	425,111	-	-	-	-	566,887
Equipment	-	185,375	29,450	-	196,393	-	-	411,218
Total encumbrances	\$ 3,072,667	\$ 363,624	\$ 492,061	-	\$ 2,258,086	\$ 6,252,354	-	\$ 12,438,792

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

(16) Fund Balance

Governmental Fund Balance at June 30, 2021, is classified as follows:

							Other Governmental Funds			Totals
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	American Rescue Plan Act	Facilities Financial Planning Reserve	Civic Center COP	Special Revenue Funds	Capital Project Funds	Permanent Funds	
Nonspendable:										
Prepaid items (legally restricted)	\$ 901,095	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,549	\$ -	\$ -	\$ 978,644
Inventories (legally restricted)	309,343	-	-	-	-	-	-	-	-	309,343
Long-term loan receivable (form restricted)	9,426,659	-	-	-	-	-	-	-	-	9,426,659
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:										
Affordable housing	212,877	-	-	-	-	-	-	-	-	212,877
Oceanfront encroachment	1,707,188	-	-	-	-	-	-	-	-	1,707,188
Upper Newport bay restoration	-	1,161,905	-	-	-	-	-	-	-	1,161,905
Cable franchise reserve	2,436,995	-	-	-	-	-	-	-	-	2,436,995
Community development	518,965	-	-	-	-	-	-	3,307	-	522,272
Streets and highways	-	-	-	-	-	-	1,369,670	-	-	1,369,670
Public safety	-	-	-	-	-	-	369,519	-	-	369,519
Parks	-	-	-	-	-	-	44,213	-	-	44,213
Facilities	-	-	-	-	-	-	44,212	7,875,501	-	7,919,713
Transportation	-	-	-	-	-	-	2,674,161	-	-	2,674,161
Air quality improvement	-	-	-	-	-	-	947,783	-	-	947,783
Environmental liability mitigation	-	-	-	-	-	-	8,496,962	-	-	8,496,962
Dredging	-	-	13,283,824	-	-	-	-	-	1,602,911	14,886,735
Libraries	-	-	-	-	-	-	-	-	216,872	216,872
Scholarships	-	-	-	-	-	-	-	-	223,875	223,875
Fiin	-	-	-	-	-	-	1,335,109	-	-	1,335,109
Debt service	-	-	-	-	-	2,255,795	-	-	-	2,255,795
Capital re-appropriations	-	2,027,228	9,832,111	-	-	-	4,181,210	2,854,688	-	18,895,237
Encumbrance reserve:										
Beaches	-	141,776	425,111	-	-	-	-	-	-	566,887
Streets	-	3,743	37,500	-	-	-	2,061,693	-	-	2,102,936
Equipment	-	185,375	29,450	-	-	-	196,393	-	-	411,218
Parks	-	32,730	-	-	-	-	-	-	-	32,730
Committed:										
Strategic planning	-	-	-	-	-	-	-	-	-	-
Facilities replacement	-	-	-	-	28,092,597	-	-	-	-	28,092,597
Facilities maintenance	-	-	-	-	-	-	-	3,837,544	-	3,837,544
Civic center and park	-	-	-	-	-	-	-	497,985	-	497,985
Fire station	-	-	-	-	-	-	-	-	-	-
Oil and gas liabilities	-	760,000	-	-	-	-	-	-	-	760,000
Parks and community centers	-	-	-	-	-	-	-	31,819	-	31,819
Parking management	163,079	-	-	-	-	-	-	962,271	-	1,125,350
Neighborhood enhancement	-	-	-	-	-	-	-	2,141,506	-	2,141,506
Capital re-appropriations	-	-	-	-	-	-	-	5,287,078	-	5,287,078
Encumbrance reserve:										
Drainage	-	-	-	-	-	-	-	923,452	-	923,452
Streets	6,971	-	-	-	-	-	-	2,060,804	-	2,067,775
Facilities	57,100	-	-	-	-	-	-	227,731	-	284,831
Miscellaneous and studies	-	-	-	-	-	-	-	1,073,123	-	1,073,123
Parks	200,384	-	-	-	-	-	-	1,325,581	-	1,525,965
Contract services	1,627,377	-	-	-	-	-	-	-	-	1,627,377
Supplies and materials	323,368	-	-	-	-	-	-	-	-	323,368
Maintenance and repairs	688,168	-	-	-	-	-	-	641,393	-	1,329,561
General	169,299	-	-	-	-	-	-	270	-	169,569
Assigned:										
Recreation and senior services	710,250	-	-	-	-	-	-	-	-	710,250
Fair value adjustment reserve	779,100	-	-	-	-	-	-	-	-	779,100
Unassigned:										
	85,715,180	-	-	-	-	-	-	(136,299)	-	85,578,881
Total fund balances	\$ 105,953,398	\$ 4,312,757	\$ 23,807,996	\$ -	\$ 28,092,597	\$ 2,255,795	\$ 21,798,474	\$ 29,607,754	\$ 6,673,439	\$ 222,302,210

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

(17) Tax Abatements

The City may enter into sales tax abatement agreements with automobile dealerships under City Council Resolution 99-64. Under that Resolution, the City may rebate sales taxes “for the sole purpose of reimbursing [automobile dealerships] for costs incurred for a project necessary to make the project financially feasible”. Automobile dealerships must covenant “to complete the project, to remain and operate the project for a specified period of time... [, and] to maximize the City as the point-of-sale...”. Automobile dealership sales tax rebates are based on negotiations that require City Council approval. On an accrual basis, for the fiscal year ended June 30, 2021, the City rebated sales taxes to automobile dealerships totaling \$619,315 under this program.

(18) Net Position / Fund Balance Restatement

Governmental fund revenue that is not available soon enough after the end of a fiscal year should be recorded as a deferred inflow of resources called unavailable revenue. Unavailable revenue is not included in fund balance. July 1, 2020’s fund balance has been restated for an amount that should have been recorded as unavailable revenue.

Governmental Accounting Standards Board Statement No. 84 "Fiduciary Activities" changed the accounting and reporting standards of fiduciary activities. Consistent with Statement No. 84, the beginning net position of the City's fiduciary funds has been restated as of July 1, 2020 to summarize Statement No. 84's effect on fiduciary net position as if Statement No. 84 had been applied retroactively.

Governmental Funds:

	Other Governmental Funds
Fund balance at June 30, 2020, as previously reported	\$ 68,462,889
Deferral of prior period revenue	(282,500)
Fund balance at July 1, 2020, as restated	\$ 68,180,389

Fiduciary Funds:

	Custodial Funds
Net position at June 30, 2020, as previously reported	\$ -
Adjustment for implementation of GASB Statement No. 84	2,271,600
Net position at July 1, 2020, as restated	\$ 2,271,600

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2021

(19) Subsequent Events

Limited Obligation Bond Issue for Assessment District No. 113

On July 20, 2021 the City issued \$4,565,000 of Assessment District No. 113 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 1.75% 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.



FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

FINANCIAL SECTION

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2021
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees
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SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years*

Measurement Period	2021 June 30, 2020	2020 June 30, 2019
Total Pension Liability		
Service cost	\$ 7,347,708	\$ 7,084,444
Interest on total pension liability	30,565,919	29,409,624
Differences between expected and actual experience	369,351	403,676
Changes in assumptions	-	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(21,516,515)	(20,129,701)
Net Change in Total Pension Liability	16,766,463	16,768,043
Total Pension Liability - beginning	434,210,401	417,442,358
Total Pension Liability - ending (a)	\$ 450,976,864	\$ 434,210,401
Plan Fiduciary Net Position		
Contributions - employer	\$ 16,346,284	\$ 15,700,833
Contributions - employee	4,067,751	3,955,144
Net investment income	16,074,793	19,895,019
Administrative expense	(454,777)	(216,502)
Other miscellaneous income/(expense)	-	700
Plan to plan resource movement	-	1,570
Benefit payments	(21,516,515)	(20,129,701)
Net change in Plan Fiduciary Net Position	14,517,536	19,207,063
Plan Fiduciary Net Position - beginning	322,592,679	303,385,616
Plan Fiduciary Net Position - ending (b)	\$ 337,110,215	\$ 322,592,679
Net pension liability - ending (a)-(b)	\$ 113,866,649	\$ 111,617,722
Plan fiduciary net position as a percentage of the total pension liability	74.75%	74.29%
Covered payroll	\$ 43,902,594	\$ 42,153,383
Net pension liability as percentage of covered payroll	259.36%	264.79%

Notes to Schedule:

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

Benefit Changes:

The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Change in Assumptions:

None in 2019 or 2020. 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, 2021
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees
Page 2 of 2

2019 June 30, 2018	2018 June 30, 2017	2017 June 30, 2016	2016 June 30, 2015	2015 June 30, 2014
\$ 7,334,861	\$ 7,151,754	\$ 6,303,642	\$ 6,087,960	\$ 6,523,874
28,226,598	27,069,673	26,375,073	25,427,094	24,624,559
2,243,854	(4,912,853)	(2,686,814)	(4,736,006)	-
(2,522,093)	22,616,424	-	(6,309,248)	-
-	-	-	-	-
(18,458,539)	(17,249,398)	(16,714,022)	(16,374,370)	(15,290,340)
<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>
400,617,677	365,942,077	352,664,198	348,568,768	332,710,674
<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>
\$ 15,797,595	\$ 10,509,243	\$ 9,904,636	\$ 6,615,920	\$ 5,793,768
3,979,337	4,134,130	4,206,942	4,321,646	4,319,336
23,855,196	28,349,491	1,241,432	5,687,908	38,237,161
(435,499)	(375,172)	(155,791)	(287,862)	-
(827,021)	-	-	-	-
(700)	-	(2,387)	26,981	-
(18,458,539)	(17,249,398)	(16,714,022)	(16,374,370)	(15,290,340)
<u>23,910,369</u>	<u>25,368,294</u>	<u>(1,519,190)</u>	<u>(9,777)</u>	<u>33,059,925</u>
279,475,247	254,106,953	255,626,143	255,635,920	222,575,995
<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>
<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>
72.68%	69.76%	69.44%	72.48%	73.34%
\$ 41,468,634	\$ 41,727,563	\$ 40,031,404	\$ 38,512,011	\$ 37,775,051
275.04%	290.32%	279.37%	251.97%	246.02%

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2021
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees
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SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2021	2020
Actuarially determined contribution	\$ 14,600,178	\$ 13,080,630
Contributions in relation to the actuarially determined contributions	(18,730,840)	(16,351,592)
Contribution deficiency (excess)	\$ (4,130,662)	\$ (3,270,962)
 Covered payroll	 \$ 44,809,856	 \$ 43,902,594
 Contributions as a percentage of covered payroll	 41.80%	 37.25%

Notes to Schedule:

Valuation date:	06/30/2018	06/30/2017
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age
Amortization method	(1)	(1)
Asset valuation method	Market Value	Market Value
Inflation	2.50%	2.625%
Salary increases	(2)	(2)
Investment rate of return	7.00% (3)	7.25% (3)
Retirement age	(4)	(4)
Mortality	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment and administrative expense; includes inflation
- (4) Retirement assumptions are based on retirement rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board

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

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2021
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees
Page 2 of 2

2019	2018	2017	2016	2015
\$ 12,374,026	\$ 11,924,053	\$ 10,412,963	\$ 9,943,342	\$ 7,117,065
(15,713,898)	(15,742,587)	(10,412,963)	(9,943,342)	(7,117,065)
<u>\$ (3,339,872)</u>	<u>\$ (3,818,534)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 42,153,383	\$ 41,468,634	\$ 41,727,563	\$ 40,031,404	\$ 38,512,011
37.28%	37.96%	24.95%	24.84%	18.48%
06/30/2016	06/30/2015	06/30/2014	06/30/2013	06/30/2012
Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)
Market Value 2.75%	Market Value 2.75%	Market Value 2.75%	Market Value 2.75%	Market Value 2.75%
(2)	(2)	(2)	(2)	(2)
7.375% (3)	7.5% (3)	7.5% (3)	7.5% (3)	7.5% (3)
(4)	(4)	(4)	(4)	(4)
(5)	(5)	(5)	(5)	(5)

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2021
Last 10 Years *

Defined Benefit Plan for Safety Employees
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SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years*

Measurement Period	2021	2020
	June 30, 2020	June 30, 2019
Total Pension Liability		
Service cost	\$ 9,622,985	\$ 9,292,715
Interest on total pension liability	41,449,511	40,081,524
Differences between expected and actual experience	957,686	4,798,077
Changes in assumptions	-	-
Changes in benefits	-	-
Benefit payments, including refunds of employee contributions	(32,285,653)	(30,443,097)
Net Change in Total Pension Liability	19,744,529	23,729,219
Total Pension Liability - beginning	590,087,083	566,357,864
Total Pension Liability - ending (a)	\$ 609,831,612	\$ 590,087,083
Plan Fiduciary Net Position		
Contributions - employer	\$ 28,539,301	\$ 28,344,445
Contributions - employee	3,249,005	3,162,044
Net investment income	19,685,354	24,254,890
Administrative expense	(556,832)	(263,991)
Plan to plan resource movement	-	(1,570)
Benefit payments	(32,285,653)	(30,443,097)
Other miscellaneous income/(expense)	-	855
Net change in Plan Fiduciary Net Position	18,631,175	25,053,576
Plan Fiduciary Net Position - beginning	394,985,375	369,931,799
Plan Fiduciary Net Position - ending (b)	\$ 413,616,550	\$ 394,985,375
Net pension liability - ending (a)-(b)	\$ 196,215,062	\$ 195,101,708
Plan fiduciary net position as a percentage of the total pension liability	67.82%	66.94%
Covered payroll	\$ 34,279,062	\$ 33,935,043
Net pension liability as percentage of covered payroll	572.40%	574.93%

Notes to Schedule:

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

Benefit Changes:

The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Change in Assumptions:

None in 2019 or 2020. 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, 2021
Last 10 Years *

Defined Benefit Plan for Safety Employees
Page 2 of 2

2019 June 30, 2018	2018 June 30, 2017	2017 June 30, 2016	2016 June 30, 2015	2015 June 30, 2014
\$ 9,223,465	\$ 9,015,985	\$ 8,075,553	\$ 8,077,826	\$ 8,091,585
38,458,387	37,083,966	36,239,226	35,098,055	33,807,462
3,278,018	(2,192,667)	(1,613,985)	(316,827)	-
(1,630,045)	30,110,384	-	(8,359,009)	-
-	-	-	-	-
<u>(29,183,598)</u>	<u>(28,074,414)</u>	<u>(27,447,982)</u>	<u>(25,838,982)</u>	<u>(24,529,802)</u>
20,146,227	45,943,254	15,252,812	8,661,063	17,369,245
546,211,637	500,268,383	485,015,571	476,354,508	458,985,263
<u>\$ 566,357,864</u>	<u>\$ 546,211,637</u>	<u>\$ 500,268,383</u>	<u>\$ 485,015,571</u>	<u>\$ 476,354,508</u>
\$ 26,779,897	\$ 19,260,537	\$ 18,496,776	\$ 21,529,513	\$ 12,089,637
3,104,318	2,967,318	2,826,831	2,969,503	3,122,237
29,064,749	34,814,011	1,561,480	7,049,577	47,151,493
(532,480)	(462,427)	(193,780)	(357,866)	-
(855)	-	2,387	-	-
(29,183,598)	(28,074,414)	(27,447,982)	(25,838,982)	(24,529,802)
(1,011,188)	-	-	-	-
28,220,843	28,505,025	(4,754,288)	5,351,745	37,833,565
341,710,956	313,205,931	317,960,219	312,608,474	274,774,909
<u>\$ 369,931,799</u>	<u>\$ 341,710,956</u>	<u>\$ 313,205,931</u>	<u>\$ 317,960,219</u>	<u>\$ 312,608,474</u>
<u>\$ 196,426,065</u>	<u>\$ 204,500,681</u>	<u>\$ 187,062,452</u>	<u>\$ 167,055,352</u>	<u>\$ 163,746,034</u>
65.32%	62.56%	62.61%	65.56%	65.63%
\$ 32,866,620	\$ 32,450,020	\$ 30,816,246	\$ 30,189,633	\$ 29,944,665
597.65%	630.20%	607.03%	553.35%	546.83%

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2021
Last 10 Years *

Defined Benefit Plan for Safety Employees
Page 1 of 2

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2021	2020
Actuarially determined contribution	\$ 25,341,788	\$ 22,980,289
Contributions in relation to the actuarially determined contributions	(32,251,903)	(28,531,744)
Contribution deficiency (excess)	\$ (6,910,115)	\$ (5,551,455)
 Covered payroll	 \$ 34,863,204	 \$ 34,279,062
 Contributions as a percentage of covered payroll	 92.51%	 83.23%

Notes to Schedule:

Valuation date:	06/30/2018	06/30/2017
-----------------	------------	------------

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age
Amortization method	(1)	(1)
Asset valuation method	Market Value	Market Value
Inflation	2.50%	2.625%
Salary increases	(2)	(2)
Investment rate of return	7.00% (3)	7.25% (3)
Retirement age	(4)	(4)
Mortality	(5)	(5)

- (1) Level percentage of payroll, closed
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment and administrative expense; includes inflation
- (4) Retirement assumptions are based on retirement rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board

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

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2021
Last 10 Years *

Defined Benefit Plan for Safety Employees
Page 2 of 2

2019	2018	2017	2016	2015
\$ 22,227,698	\$ 21,524,636	\$ 19,338,360	\$ 18,466,207	\$ 13,393,374
(28,346,069)	(26,620,697)	(19,338,360)	(18,466,207)	(20,993,374)
<u>\$ (6,118,371)</u>	<u>\$ (5,096,061)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,600,000)</u>
\$ 33,935,043	\$ 32,866,620	\$ 32,450,020	\$ 30,816,246	\$ 30,189,633
83.53%	81.00%	59.59%	59.92%	69.54%
06/30/2016	06/30/2015	06/30/2014	06/30/2013	06/30/2012
Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)	Entry age (1)
Market Value 2.75%	Market Value 2.75%	Market Value 2.75%	Market Value 2.75%	Market Value 2.75%
(2)	(2)	(2)	(2)	(2)
7.375% (3)	7.5% (3)	7.5% (3)	7.5% (3)	7.5% (3)
(4)	(4)	(4)	(4)	(4)
(5)	(5)	(5)	(5)	(5)

CITY OF NEWPORT BEACH
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2021
Last 10 Years *

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

Measurement Period	2021	2020	2019	2018
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability				
Service cost	\$ 521,285	\$ 524,717	\$ 509,434	\$ 478,341
Interest	2,944,050	2,795,490	2,814,685	2,830,153
Differences between expected and actual experience	(219,772)	2,532,319	-	-
Changes in assumptions	-	114,311	-	-
Changes in benefits terms	-	-	-	-
Benefit payments, including refunds of member contributions	(3,787,663)	(3,627,695)	(3,641,715)	(3,513,406)
Net change in Total OPEB Liability	(542,100)	2,339,142	(317,596)	(204,912)
Total OPEB Liability - beginning	46,635,812	44,296,670	44,614,266	44,819,178
Total OPEB Liability - ending (a)	\$ 46,093,712	\$ 46,635,812	\$ 44,296,670	\$ 44,614,266
Plan fiduciary net position				
Contributions - employer	\$ 4,674,814	\$ 4,460,937	\$ 4,675,193	\$ 4,594,772
Contributions - member	-	-	-	-
Net investment income	900,087	1,495,861	1,605,114	1,875,536
Benefit payments, including refunds of member contributions	(3,787,663)	(3,627,695)	(3,641,715)	(3,513,406)
Administrative expense	(12,037)	(4,980)	(11,076)	(9,452)
Other expense	-	-	(25,258)	-
Net change in plan fiduciary net position	1,775,201	2,324,123	2,602,258	2,947,450
Plan fiduciary net position - beginning	24,021,071	21,696,948	19,094,690	16,147,240
Plan fiduciary net position - ending (b)	\$ 25,796,272	\$ 24,021,071	\$ 21,696,948	\$ 19,094,690
City's Net OPEB liability - ending (a)-(b)	\$ 20,297,440	\$ 22,614,741	\$ 22,599,722	\$ 25,519,576
Plan fiduciary net position as a percentage of the total OPEB liability	55.96%	51.51%	48.98%	42.80%
Covered- employee payroll ⁽¹⁾	\$ 77,637,171	\$ 75,814,626	\$ 73,999,059	\$ 74,484,613
City's Net OPEB liability as percentage of covered-employee payroll	26.14%	29.83%	30.54%	34.26%

Notes to Schedule:

(1) Covered-employee payroll is used because contributions are not entirely based on a measure of pay.

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

CITY OF NEWPORT BEACH
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2021
Last 10 Years *

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2021	2020	2019	2018
Actuarially determined contribution	\$ 4,108,719	\$ 3,834,916	\$ 3,827,337	\$ 3,925,087
Contributions in relation to the actuarially determined contributions	<u>(6,511,545)</u>	<u>(5,379,799)</u>	<u>(5,133,062)</u>	<u>(5,309,626)</u>
Contribution deficiency (excess)	<u><u>\$ (2,402,826)</u></u>	<u><u>\$ (1,544,883)</u></u>	<u><u>\$ (1,305,725)</u></u>	<u><u>\$ (1,384,539)</u></u>
Covered-employee payroll ⁽¹⁾	\$ 78,621,426	\$ 77,637,171	\$ 75,814,626	\$ 73,999,059
Contributions as a percentage of covered-employee payroll	-8.28%	-6.93%	-6.77%	-7.18%

Notes to Schedule:

Valuation date: June 30, 2019 June 30, 2017 June 30, 2017 June 30, 2015

(1) Covered-employee payroll is used because contributions are not entirely based on a measure of pay.

* Fiscal year 2018 was the first year of implementation, therefore only four 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) in which judicial proceedings have been completed. All such funds are property of the City, and it is the City's policy that these funds shall be used for enhancement of law enforcement programs.

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

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

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

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

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

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

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

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

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

The ***Small Business Grant Fund*** is used to account for funding received from the County of Orange for the use of economic support to small businesses in connection with the COVID-19 pandemic.

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.

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

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

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

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

Other Permanent Funds

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

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

The ***Ackerman Fund*** is used to account for the receipt of permanent endowments intended as follows: 75% of the fund's investment proceeds will be used for the purchase of high-tech library equipment while the remaining 25% will be used for scholarships for needy students.

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2021
Page 1 of 8

	Special Revenue			
	State Gas Tax	SB1 Gas Tax RMRA	Asset Forfeiture	OTS DUI Grant
Assets				
Cash and investments	\$ 2,990,838	\$ 127,001	\$ 538,488	\$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	8,935	379	922	-
Intergovernmental receivables	-	289,786	-	46,358
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
	\$ 2,999,773	\$ 417,166	\$ 539,410	\$ 46,358
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 83,994	\$ -	\$ 1,733	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	46,358
	83,994	-	1,733	46,358
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	2,915,779	417,166	537,677	-
Committed	-	-	-	-
Unassigned	-	-	-	-
	2,915,779	417,166	537,677	-
Total fund balances (deficits)	2,915,779	417,166	537,677	-
Total liabilities, deferred inflows of resources and fund balances	\$ 2,999,773	\$ 417,166	\$ 539,410	\$ 46,358

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2021
Page 2 of 8

	Special Revenue			
	Circulation and Transportation	Building Excise Tax	Community Development Block Grant	Air Quality Management District
Assets				
Cash and investments	\$ 3,024,625	\$ 392,848	\$ -	\$ 1,294,984
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	9,035	1,175	-	3,868
Intergovernmental receivables	-	-	93,210	28,481
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 3,033,660</u>	<u>\$ 394,023</u>	<u>\$ 93,210</u>	<u>\$ 1,327,333</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 53,210	\$ 44,453
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	40,000	-
Total liabilities	<u>-</u>	<u>-</u>	<u>93,210</u>	<u>44,453</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	28,481
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	3,033,660	394,023	-	1,254,399
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	<u>3,033,660</u>	<u>394,023</u>	<u>-</u>	<u>1,254,399</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,033,660</u>	<u>\$ 394,023</u>	<u>\$ 93,210</u>	<u>\$ 1,327,333</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2021
Page 3 of 8

	Special Revenue			
	Environmental Liability	Supplemental Law Enforcement	Contributions	FIIN
Assets				
Cash and investments	\$ 8,567,846	\$ -	\$ 1,362,917	\$ 1,331,133
Receivables:				
Accounts (net of allowance)	2,342	-	983,781	-
Interest	25,576	-	4,349	3,976
Intergovernmental receivables	-	-	739,186	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	77,549	-	-	-
	<u>\$ 8,673,313</u>	<u>\$ -</u>	<u>\$ 3,090,233</u>	<u>\$ 1,335,109</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 88,850	\$ -	\$ 854,865	\$ -
Accrued payroll	3,342	-	-	-
Unearned revenue	-	-	450,000	-
Due to other funds	-	-	-	-
	<u>92,192</u>	<u>-</u>	<u>1,304,865</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	1,044,034	-
	<u>-</u>	<u>-</u>	<u>1,044,034</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	77,549	-	-	-
Permanent endowment	-	-	-	-
Restricted	8,503,572	-	741,334	1,335,109
Committed	-	-	-	-
Unassigned	-	-	-	-
	<u>8,581,121</u>	<u>-</u>	<u>741,334</u>	<u>1,335,109</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,673,313</u>	<u>\$ -</u>	<u>\$ 3,090,233</u>	<u>\$ 1,335,109</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2021
Page 4 of 8

	Special Revenue		Capital Projects	
	Small Business Grant	Measure M	Assessment District	Fire Station
Assets				
Cash and investments	\$ -	\$ 2,742,957	\$ 2,643,011	\$ 120,973
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	-	8,541	7,660	361
Intergovernmental receivables	-	1,002,747	-	-
Restricted cash and investments with fiscal agent	-	-	651,138	9,071,163
Prepaid items	-	-	-	-
Total assets	\$ -	\$ 3,754,245	\$ 3,301,809	\$ 9,192,497
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 56,495	\$ 447,121	\$ 1,195,662
Accrued payroll	-	-	-	-
Unearned revenue	-	537,972	-	-
Due to other funds	-	-	-	-
Total liabilities	-	594,467	447,121	1,195,662
Deferred inflows of resources:				
Unavailable revenue	-	571,572	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	-	2,588,206	2,854,688	7,875,501
Committed	-	-	-	121,334
Unassigned	-	-	-	-
Total fund balances (deficits)	-	2,588,206	2,854,688	7,996,835
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 3,754,245	\$ 3,301,809	\$ 9,192,497

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2021
Page 5 of 8

	Capital Projects			
	Civic Center and Park	Sunset Ridge Park	Strategic Planning	Newport Uptown Undergrounding
Assets				
Cash and investments	\$ 497,092	\$ -	\$ -	\$ 3,297
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	1,336	-	-	10
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ 498,428	\$ -	\$ -	\$ 3,307
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 443	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	443	-	-	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	-	-	-	3,307
Committed	497,985	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	497,985	-	-	3,307
Total liabilities, deferred inflows of resources and fund balances	\$ 498,428	\$ -	\$ -	\$ 3,307

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2021
Page 6 of 8

	Capital Projects			
	Misc Facilities Financing	Parks and Community Centers	West Newport Community Center	Balboa Village Parking Management District
Assets				
Cash and investments	\$ -	\$ 4,975,484	\$ -	\$ 1,419,579
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	-	14,863	-	4,014
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	\$ -	\$ 4,990,347	\$ -	\$ 1,423,593
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 318,441	\$ -	\$ 37,321
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	318,441	-	37,321
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	-	-	-	-
Committed	-	4,671,906	-	1,386,272
Unassigned	-	-	-	-
Total fund balances (deficits)	-	4,671,906	-	1,386,272
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 4,990,347	\$ -	\$ 1,423,593

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2021
Page 7 of 8

	Capital Projects			
	Facilities Maintenance	Neighborhood Enhancement	Junior Lifeguards	Unrestricted Capital Improvements
Assets				
Cash and investments	\$ 2,547,249	\$ 3,637,739	\$ -	\$ 8,500,299
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	7,611	3,374	-	-
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
	<u>\$ 2,554,860</u>	<u>\$ 3,641,113</u>	<u>\$ -</u>	<u>\$ 8,500,299</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 332,754	\$ 530,119	\$ -	\$ 1,500,339
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	136,299	-
	<u>332,754</u>	<u>530,119</u>	<u>136,299</u>	<u>1,500,339</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	-	-	-	-
Committed	2,222,106	3,110,994	-	6,999,960
Unassigned	-	-	(136,299)	-
	<u>2,222,106</u>	<u>3,110,994</u>	<u>(136,299)</u>	<u>6,999,960</u>
Total fund balances (deficits)	<u>2,222,106</u>	<u>3,110,994</u>	<u>(136,299)</u>	<u>6,999,960</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,554,860</u>	<u>\$ 3,641,113</u>	<u>\$ -</u>	<u>\$ 8,500,299</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2021
Page 8 of 8

	<u>Permanent Fund</u>		Total Other Governmental Funds
	<u>Bay Dredging</u>	<u>Ackerman Donation</u>	
Assets			
Cash and investments	\$ 5,443,649	\$ 1,214,798	\$ 53,376,807
Receivables:			
Accounts (net of allowance)	-	-	986,123
Interest	16,262	3,629	125,876
Intergovernmental receivables	-	-	2,199,768
Restricted cash and investments with fiscal agent	-	-	9,722,301
Prepaid items	-	-	77,549
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,459,911</u>	<u>\$ 1,218,427</u>	<u>\$ 66,488,424</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 4,899	\$ 5,550,699
Accrued payroll	-	-	3,342
Unearned revenue	-	-	987,972
Due to other funds	-	-	222,657
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>4,899</u>	<u>6,764,670</u>
Deferred inflows of resources:			
Unavailable revenue	-	-	1,644,087
	<u> </u>	<u> </u>	<u> </u>
Fund balances (deficits):			
Nonspendable:			
Prepaid items	-	-	77,549
Permanent endowment	3,857,000	772,781	4,629,781
Restricted	1,602,911	440,747	34,498,079
Committed	-	-	19,010,557
Unassigned	-	-	(136,299)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>5,459,911</u>	<u>1,213,528</u>	<u>58,079,667</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,459,911</u>	<u>\$ 1,218,427</u>	<u>\$ 66,488,424</u>

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021
Page 1 of 8

	Special Revenue			
	State Gas Tax	SB1 Gas Tax RMRA	Asset Forfeiture	OTS DUI Grant
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,878,891	1,590,236	45,133	246,826
Licenses, permits and fees	-	-	-	-
Investment income	41,006	5,128	12,536	-
Net decrease in fair value of investments	(37,296)	(5,128)	(10,973)	-
Donations	-	-	-	-
Other	-	-	1,748	-
	1,882,601	1,590,236	48,444	246,826
Total revenues	1,882,601	1,590,236	48,444	246,826
Expenditures:				
Current:				
Public safety	-	-	373,421	246,826
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	1,689,543	2,781,222	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	1,689,543	2,781,222	373,421	246,826
Total expenditures	1,689,543	2,781,222	373,421	246,826
Excess (deficiency) of revenues over expenditures	193,058	(1,190,986)	(324,977)	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	193,058	(1,190,986)	(324,977)	-
Fund balances (deficits), beginning, as restated	2,722,721	1,608,152	862,654	-
Fund balances (deficits), ending	\$ 2,915,779	\$ 417,166	\$ 537,677	\$ -

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021
Page 2 of 8

	Special Revenue			
	Circulation and Transportation	Building Excise Tax	Community Development Block Grant	Air Quality Management District
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	455,836	110,813
Licenses, permits and fees	398,284	196,039	-	-
Investment income	43,353	6,031	-	19,203
Net decrease in fair value of investments	(38,647)	(5,405)	-	(17,089)
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	402,990	196,665	455,836	112,927
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	262,356	-
Community services	-	-	-	-
Capital outlay	6,292	299,847	-	81,013
Debt service:				
Principal	-	-	182,000	-
Interest and fiscal charges	-	-	11,480	-
Total expenditures	6,292	299,847	455,836	81,013
Excess (deficiency) of revenues over expenditures	396,698	(103,182)	-	31,914
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	396,698	(103,182)	-	31,914
Fund balances (deficits), beginning, as restated	2,636,962	497,205	-	1,222,485
Fund balances (deficits), ending	<u>\$ 3,033,660</u>	<u>\$ 394,023</u>	<u>\$ -</u>	<u>\$ 1,254,399</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, 2021
Page 3 of 8

	Special Revenue			
	Environmental Liability	Supplemental Law Enforcement	Contributions	FIIN
Revenues:				
Other taxes	\$ 499,406	\$ -	\$ -	\$ -
Intergovernmental	-	205,263	4,592,469	-
Licenses, permits and fees	-	-	-	-
Investment income	132,208	-	25,686	20,397
Net decrease in fair value of investments	(117,600)	-	(22,747)	(18,220)
Donations	-	-	100,000	-
Other	68,575	-	1,043,991	-
Total revenues	582,589	205,263	5,739,399	2,177
Expenditures:				
Current:				
Public safety	-	205,263	-	-
Public works	606,652	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	6,829,350	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	606,652	205,263	6,829,350	-
Excess (deficiency) of revenues over expenditures	(24,063)	-	(1,089,951)	2,177
Other financing sources (uses):				
Transfers in	-	-	4,184	-
Transfers out	-	-	-	-
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
Total other financing sources (uses)	-	-	4,184	-
Net change in fund balances	(24,063)	-	(1,085,767)	2,177
Fund balances (deficits), beginning, as restated	8,605,184	-	1,827,101	1,332,932
Fund balances (deficits), ending	<u>\$ 8,581,121</u>	<u>\$ -</u>	<u>\$ 741,334</u>	<u>\$ 1,335,109</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, 2021
Page 4 of 8

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Small Business Grant</u>	<u>Measure M</u>	<u>Assessment District</u>	<u>Fire Station</u>
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,413,427	2,138,388	-	-
Licenses, permits and fees	-	-	-	-
Investment income	5,585	37,980	35,731	29,757
Net decrease in fair value of investments	(3,294)	(33,877)	(32,507)	(27,824)
Donations	-	-	-	-
Other	-	-	973,870	-
Total revenues	<u>2,415,718</u>	<u>2,142,491</u>	<u>977,094</u>	<u>1,933</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	2,597,023	-
Community development	-	-	-	-
Community services	2,419,337	-	-	-
Capital outlay	-	1,033,307	-	2,884,521
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	173,965
Total expenditures	<u>2,419,337</u>	<u>1,033,307</u>	<u>2,597,023</u>	<u>3,058,486</u>
Excess (deficiency) of revenues over expenditures	<u>(3,619)</u>	<u>1,109,184</u>	<u>(1,619,929)</u>	<u>(3,056,553)</u>
Other financing sources (uses):				
Transfers in	-	25,000	400,000	-
Transfers out	-	-	-	(9,500,000)
Certificates of participation issued	-	-	-	7,860,000
Premium on certificates of participation issued	-	-	-	1,373,936
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>400,000</u>	<u>(266,064)</u>
Net change in fund balances	<u>(3,619)</u>	<u>1,134,184</u>	<u>(1,219,929)</u>	<u>(3,322,617)</u>
Fund balances (deficits), beginning, as restated	<u>3,619</u>	<u>1,454,022</u>	<u>4,074,617</u>	<u>11,319,452</u>
Fund balances (deficits), ending	<u>\$ -</u>	<u>\$ 2,588,206</u>	<u>\$ 2,854,688</u>	<u>\$ 7,996,835</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, 2021
Page 5 of 8

	Capital Projects			
	Civic Center and Park	Sunset Ridge Park	Strategic Planning	Newport Uptown Undergrounding
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	7,188	106	50	50
Net decrease in fair value of investments	(7,866)	(199)	(223)	(45)
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	(678)	(93)	(173)	5
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	53,973	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	2,023	-	-	-
Total expenditures	55,996	-	-	-
Excess (deficiency) of revenues over expenditures	(56,674)	(93)	(173)	5
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(1,222,853)	(105,858)	(157,066)	-
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
Total other financing sources (uses)	(1,222,853)	(105,858)	(157,066)	-
Net change in fund balances	(1,279,527)	(105,951)	(157,239)	5
Fund balances (deficits), beginning, as restated	1,777,512	105,951	157,239	3,302
Fund balances (deficits), ending	<u>\$ 497,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,307</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, 2021
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	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	-	-	-	403,733
Investment income	31	128,422	29	18,951
Net decrease in fair value of investments	(44)	(104,627)	(426)	(16,810)
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	(13)	23,795	(397)	405,874
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	6,092,871	-	63,929
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	6,092,871	-	63,929
Excess (deficiency) of revenues over expenditures	(13)	(6,069,076)	(397)	341,945
Other financing sources (uses):				
Transfers in	-	6,901,299	-	-
Transfers out	(14,983)	-	(343,884)	-
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
Total other financing sources (uses)	(14,983)	6,901,299	(343,884)	-
Net change in fund balances	(14,996)	832,223	(344,281)	341,945
Fund balances (deficits), beginning, as restated	14,996	3,839,683	344,281	1,044,327
Fund balances (deficits), ending	<u>\$ -</u>	<u>\$ 4,671,906</u>	<u>\$ -</u>	<u>\$ 1,386,272</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, 2021
Page 7 of 8

	Capital Projects			
	Facilities Maintenance	Neighborhood Enhancement	Junior Lifeguards	Unrestricted Capital Improvements
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	51,403	28,442	-	-
Net decrease in fair value of investments	(45,260)	(29,465)	(12)	-
Donations	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Total revenues	6,143	(1,023)	(12)	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	1,707,838	1,734,183	86,150	6,936,819
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	-	-	-	-
Total expenditures	1,707,838	1,734,183	86,150	6,936,819
Excess (deficiency) of revenues over expenditures	(1,701,695)	(1,735,206)	(86,162)	(6,936,819)
Other financing sources (uses):				
Transfers in	1,366,254	2,508,176	-	8,137,059
Transfers out	-	(2,623,249)	-	(2,790,286)
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
	-	-	-	-
Total other financing sources (uses)	1,366,254	(115,073)	-	5,346,773
Net change in fund balances	(335,441)	(1,850,279)	(86,162)	(1,590,046)
Fund balances (deficits), beginning, as restated	2,557,547	4,961,273	(50,137)	8,590,006
Fund balances (deficits), ending	\$ 2,222,106	\$ 3,110,994	\$ (136,299)	\$ 6,999,960

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021
Page 8 of 8

	<u>Permanent Funds</u>		Total Other Governmental Funds
	<u>Bay Dredging</u>	<u>Ackerman Donation</u>	
Revenues:			
Other taxes	\$ -	\$ -	\$ 499,406
Intergovernmental	-	-	13,677,282
Licenses, permits and fees	-	-	998,056
Investment income	83,415	18,616	751,304
Net decrease in fair value of investments	(74,385)	(16,610)	(666,579)
Donations	-	-	100,000
Other	-	-	2,088,184
	<hr/>	<hr/>	<hr/>
Total revenues	9,030	2,006	17,447,653
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Public safety	-	-	825,510
Public works	-	-	3,203,675
Community development	-	4,900	267,256
Community services	-	-	2,419,337
Capital outlay	-	-	32,280,858
Debt service:			
Principal	-	-	182,000
Interest and fiscal charges	-	-	187,468
	<hr/>	<hr/>	<hr/>
Total expenditures	-	4,900	39,366,104
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	9,030	(2,894)	(21,918,451)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Transfers in	-	-	19,341,972
Transfers out	-	-	(16,758,179)
Certificates of participation issued	-	-	7,860,000
Premium on certificates of participation issued	-	-	1,373,936
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	11,817,729
	<hr/>	<hr/>	<hr/>
Net change in fund balances	9,030	(2,894)	(10,100,722)
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), beginning, as restated	5,450,881	1,216,422	68,180,389
	<hr/>	<hr/>	<hr/>
Fund balances (deficits), ending	<u>\$ 5,459,911</u>	<u>\$ 1,213,528</u>	<u>\$ 58,079,667</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 1,863,809	\$ 1,863,809	\$ 1,878,891	\$ 15,082
Investment income	21,669	21,669	41,006	19,337
Net decrease in fair value of investments	-	-	(37,296)	(37,296)
Total revenues	<u>1,885,478</u>	<u>1,885,478</u>	<u>1,882,601</u>	<u>(2,877)</u>
Expenditures:				
Capital outlay	<u>1,980,995</u>	<u>4,533,068</u>	<u>1,689,543</u>	<u>2,843,525</u>
Net change in fund balance	(95,517)	(2,647,590)	193,058	2,840,648
Fund balance, beginning	<u>2,722,721</u>	<u>2,722,721</u>	<u>2,722,721</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,627,204</u>	<u>\$ 75,131</u>	<u>\$ 2,915,779</u>	<u>\$ 2,840,648</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
SB1 Gas Tax RMRA Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,481,900	\$ 1,481,900	\$ 1,590,236	\$ 108,336
Investment income	3,321	3,321	5,128	1,807
Net decrease in fair value of investments	-	-	(5,128)	(5,128)
Total revenues	<u>1,485,221</u>	<u>1,485,221</u>	<u>1,590,236</u>	<u>105,015</u>
Expenditures:				
Capital outlay	-	2,781,222	2,781,222	-
Net change in fund balance	1,485,221	(1,296,001)	(1,190,986)	105,015
Fund balance, beginning	<u>1,608,152</u>	<u>1,608,152</u>	<u>1,608,152</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 3,093,373</u></u>	<u><u>\$ 312,151</u></u>	<u><u>\$ 417,166</u></u>	<u><u>\$ 105,015</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,438	\$ 1,438	\$ 45,133	\$ 43,695
Investment income	14,333	14,333	12,536	(1,797)
Net decrease in fair value of investments	-	-	(10,973)	(10,973)
Other	-	-	1,748	
Total revenues	<u>15,771</u>	<u>15,771</u>	<u>48,444</u>	<u>32,673</u>
Expenditures:				
Public safety	<u>40,000</u>	<u>555,218</u>	<u>373,421</u>	<u>181,797</u>
Net change in fund balance	(24,229)	(539,447)	(324,977)	214,470
Fund balance, beginning	<u>862,654</u>	<u>862,654</u>	<u>862,654</u>	-
Fund balance, ending	<u><u>\$ 838,425</u></u>	<u><u>\$ 323,207</u></u>	<u><u>\$ 537,677</u></u>	<u><u>\$ 214,470</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
OTS DUI Grant Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 280,346	\$ 246,826	\$ (33,520)
Expenditures:				
Public safety	-	280,346	246,826	33,520
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Circulation and Transportation Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 150,989	\$ 150,989	\$ 398,284	\$ 247,295
Investment income	43,015	43,015	43,353	338
Net decrease in fair value of investments	-	-	(38,647)	(38,647)
Total revenues	<u>194,004</u>	<u>194,004</u>	<u>402,990</u>	<u>208,986</u>
Expenditures:				
Capital outlay	<u>365,790</u>	<u>365,790</u>	<u>6,292</u>	<u>359,498</u>
Net change in fund balance	(171,786)	(171,786)	396,698	568,484
Fund balance, beginning	<u>2,636,962</u>	<u>2,636,962</u>	<u>2,636,962</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 2,465,176</u></u>	<u><u>\$ 2,465,176</u></u>	<u><u>\$ 3,033,660</u></u>	<u><u>\$ 568,484</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses, permits and fees	\$ 202,950	\$ 202,950	\$ 196,039	\$ (6,911)
Investment income	3,006	3,006	6,031	3,025
Net decrease in fair value of investments	-	-	(5,405)	(5,405)
Total revenues	<u>205,956</u>	<u>205,956</u>	<u>196,665</u>	<u>(9,291)</u>
Expenditures:				
Capital outlay	<u>300,000</u>	<u>628,361</u>	<u>299,847</u>	<u>328,514</u>
Net change in fund balance	(94,044)	(422,405)	(103,182)	319,223
Fund balance, beginning	<u>497,205</u>	<u>497,205</u>	<u>497,205</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 403,161</u></u>	<u><u>\$ 74,800</u></u>	<u><u>\$ 394,023</u></u>	<u><u>\$ 319,223</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2021

	<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	\$ 793,610	\$ 455,836	\$ (337,774)
Total revenues	<u>359,743</u>	<u>793,610</u>	<u>455,836</u>	<u>(337,774)</u>
Expenditures:				
Community development	117,311	600,128	262,356	337,772
Capital outlay	-	52,942	-	52,942
Debt service:				
Principal	182,000	182,000	182,000	-
Interest and fiscal charges	<u>11,480</u>	<u>11,480</u>	<u>11,480</u>	<u>-</u>
Total expenditures	<u>310,791</u>	<u>846,550</u>	<u>455,836</u>	<u>390,714</u>
Net change in fund balance	48,952	(52,940)	-	52,940
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 48,952</u>	<u>\$ (52,940)</u>	<u>\$ -</u>	<u>\$ 52,940</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 110,813	\$ 10,813
Investment income	16,734	16,734	19,203	2,469
Net decrease in fair value of investments	-	-	(17,089)	(17,089)
Total revenues	<u>116,734</u>	<u>116,734</u>	<u>112,927</u>	<u>(3,807)</u>
Expenditures:				
Capital outlay	-	342,998	81,013	261,985
Net change in fund balance	116,734	(226,264)	31,914	258,178
Fund balance, beginning	<u>1,222,485</u>	<u>1,222,485</u>	<u>1,222,485</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,339,219</u>	<u>\$ 996,221</u>	<u>\$ 1,254,399</u>	<u>\$ 258,178</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 600,000	\$ 600,000	\$ 499,406	\$ (100,594)
Investment income	153,829	153,829	132,208	(21,621)
Net decrease in fair value of investments	-	-	(117,600)	(117,600)
Other revenue	40,000	40,000	68,575	28,575
Total revenues	<u>793,829</u>	<u>793,829</u>	<u>582,589</u>	<u>(211,240)</u>
Expenditures:				
Public works	657,762	657,762	606,652	51,110
Capital outlay	-	6,610	-	6,610
Total expenditures	<u>657,762</u>	<u>664,372</u>	<u>606,652</u>	<u>57,720</u>
Net change in fund balance	136,067	129,457	(24,063)	(153,520)
Fund balance, beginning	<u>8,605,184</u>	<u>8,605,184</u>	<u>8,605,184</u>	<u>-</u>
Fund balance, ending	<u>\$ 8,741,251</u>	<u>\$ 8,734,641</u>	<u>\$ 8,581,121</u>	<u>\$ (153,520)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 205,263	\$ 5,263
Expenditures:				
Public safety	200,000	200,000	205,263	(5,263)
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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 431,000	\$ 12,563,188	\$ 4,592,469	\$ (7,970,719)
Investment income	36,533	36,533	25,686	(10,847)
Net decrease in fair value of investments	-	-	(22,747)	(22,747)
Donations	106,500	556,500	100,000	(456,500)
Other	-	1,688,731	1,043,991	(644,740)
Total revenues	<u>574,033</u>	<u>14,844,952</u>	<u>5,739,399</u>	<u>(9,105,553)</u>
Expenditures:				
Capital outlay	<u>2,369,740</u>	<u>16,440,767</u>	<u>6,829,350</u>	<u>9,611,417</u>
Excess (deficiency) of revenues over expenditures	<u>(1,795,707)</u>	<u>(1,595,815)</u>	<u>(1,089,951)</u>	<u>505,864</u>
Other financing sources:				
Transfers in	<u>-</u>	<u>4,184</u>	<u>4,184</u>	<u>-</u>
Net change in fund balance	<u>(1,795,707)</u>	<u>(1,591,631)</u>	<u>(1,085,767)</u>	<u>505,864</u>
Fund balance, beginning	<u>1,827,101</u>	<u>1,827,101</u>	<u>1,827,101</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 31,394</u></u>	<u><u>\$ 235,470</u></u>	<u><u>\$ 741,334</u></u>	<u><u>\$ 505,864</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
FIIN Special Revenue Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ 23,910	\$ 23,910	\$ 20,397	\$ (3,513)
Net decrease in fair value of investments	-	-	(18,220)	(18,220)
Total revenues	<u>23,910</u>	<u>23,910</u>	<u>2,177</u>	<u>(21,733)</u>
Expenditures:				
Community services	<u>147,000</u>	<u>147,000</u>	-	<u>147,000</u>
Net change in fund balance	(123,090)	(123,090)	2,177	125,267
Fund balance, beginning	<u>1,332,932</u>	<u>1,332,932</u>	<u>1,332,932</u>	-
Fund balance, ending	<u><u>\$ 1,209,842</u></u>	<u><u>\$ 1,209,842</u></u>	<u><u>\$ 1,335,109</u></u>	<u><u>\$ 125,267</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Small Business Grant Special Revenue Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ -	\$ 2,413,427	\$ 2,413,427	\$ -
Investment income	-	-	5,585	5,585
Net decrease in fair value of investments	-	-	(3,294)	(3,294)
Total revenues	-	2,413,427	2,415,718	2,291
Expenditures:				
Community services	-	2,413,427	2,419,337	-
Net change in fund balance	-	-	(3,619)	(3,619)
Fund balance, beginning	3,619	3,619	3,619	-
Fund balance, ending	\$ 3,619	\$ 3,619	\$ -	\$ (3,619)

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Measure M
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 5,806,189	\$ 3,456,589	\$ 2,138,388	\$ (1,318,201)
Investment income	7,123	7,123	37,980	30,857
Net decrease in fair value of investments	-	-	(33,877)	(33,877)
	<u>5,813,312</u>	<u>3,463,712</u>	<u>2,142,491</u>	<u>(1,321,221)</u>
Expenditures:				
Capital outlay	<u>3,038,500</u>	<u>4,641,614</u>	<u>1,033,307</u>	<u>3,608,307</u>
Excess (deficiency) of revenues over expenditures	2,774,812	(1,177,902)	1,109,184	2,287,086
Other financing sources:				
Transfers in	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	2,774,812	(1,152,902)	1,134,184	2,287,086
Fund balance, beginning, as restated	<u>1,454,022</u>	<u>1,454,022</u>	<u>1,454,022</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,228,834</u>	<u>\$ 301,120</u>	<u>\$ 2,588,206</u>	<u>\$ 2,287,086</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, 2021

Assets	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Current assets:						
Cash and investments	\$ 38,784,627	\$ 5,758,686	\$ 773,824	\$ 12,911,483	\$ 9,090,957	\$ 67,319,577
Receivables:						
Accounts (net of allowance)	1,019,942	-	6,376	189,041	-	1,215,359
Interest	114,381	15,731	1,825	38,437	26,868	197,242
Inventories	-	-	-	447,455	-	447,455
Prepaid items	64,464	-	253,195	3,593,783	457,697	4,369,139
Total current assets	39,983,414	5,774,417	1,035,220	17,180,199	9,575,522	73,548,772
Noncurrent assets:						
Capital assets:						
Equipment	-	-	-	38,538,452	3,320,888	41,859,340
Structures	-	-	-	39,581	-	39,581
Software	-	-	-	-	3,603,419	3,603,419
Work in progress	-	-	-	-	462,981	462,981
Less accumulated depreciation	-	-	-	(24,091,486)	(5,711,362)	(29,802,848)
Total capital assets (net of accumulated depreciation)	-	-	-	14,486,547	1,675,926	16,162,473
Total assets	39,983,414	5,774,417	1,035,220	31,666,746	11,251,448	89,711,245
Deferred outflows of resources:						
Deferred amount from pension plans	-	-	-	408,277	818,341	1,226,618
Deferred amount from OPEB	-	-	-	96,021	192,463	288,484
Total deferred outflows of resources	-	-	-	504,298	1,010,804	1,515,102
Liabilities						
Current liabilities:						
Accounts payable	1,524,756	473,732	-	383,100	67,292	2,448,880
Accrued payroll	28,959	-	162,853	28,092	69,553	289,457
Due to other funds	-	-	352,836	-	-	352,836
Workers' compensation - current	2,716,603	-	-	-	-	2,716,603
General liability - current	2,679,733	-	-	-	-	2,679,733
Compensated absences - current	-	4,336,047	-	-	-	4,336,047
Total current liabilities	6,950,051	4,809,779	515,689	411,192	136,845	12,823,556
Noncurrent liabilities:						
Workers' compensation	12,036,397	-	-	-	-	12,036,397
General liability	5,585,902	-	-	-	-	5,585,902
Compensated absences	-	9,176,960	-	-	-	9,176,960
Net pension liability	-	-	-	2,106,617	4,222,510	6,329,127
Net OPEB liability	-	-	-	229,572	460,159	689,731
Total noncurrent liabilities	17,622,299	9,176,960	-	2,336,189	4,682,669	33,818,117
Total liabilities	24,572,350	13,986,739	515,689	2,747,381	4,819,514	46,641,673
Deferred inflows of resources:						
Deferred amount from pension plans	-	-	-	1,506	3,017	4,523
Deferred amount from OPEB	-	-	-	2,206	4,424	6,630
Total deferred inflows of resources	-	-	-	3,712	7,441	11,153
Net Position						
Invested in capital assets	-	-	-	17,951,114	1,675,926	19,627,040
Unrestricted	15,411,064	(8,212,322)	519,531	11,468,837	5,759,371	24,946,481
Total net position	\$ 15,411,064	\$ (8,212,322)	\$ 519,531	\$ 29,419,951	\$ 7,435,297	\$ 44,573,521

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2021

	<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	\$ 11,225,000	\$ 2,669,045	\$ 4,924,163	\$ 6,772,157	\$ 7,232,902	\$ 32,823,267
Retiree reimbursements	-	-	141,862	-	-	141,862
Employee contributions	-	-	59,084	-	-	59,084
Other	<u>321,505</u>	<u>-</u>	<u>652,306</u>	<u>72,208</u>	<u>39</u>	<u>1,046,058</u>
Total operating revenues	<u>11,546,505</u>	<u>2,669,045</u>	<u>5,777,415</u>	<u>6,844,365</u>	<u>7,232,941</u>	<u>34,070,271</u>
Operating expenses:						
Salaries and wages	-	-	-	920,461	2,524,011	3,444,472
Depreciation	-	-	-	2,940,381	559,826	3,500,207
Professional services	-	-	-	19,246	262,346	281,592
Maintenance and supplies	-	-	-	1,539,242	1,345,038	2,884,280
Fleet parts and supplies	-	-	-	299,837	-	299,837
Telecommunication	-	-	-	-	153,434	153,434
Hardware	-	-	-	-	436,613	436,613
Software	-	-	-	-	237,204	237,204
Workers' compensation	1,917,334	-	-	-	-	1,917,334
Claims and judgments	5,604,723	-	-	-	-	5,604,723
Compensated absences	-	2,866,959	-	-	-	2,866,959
OPEB	-	-	5,819,883	-	-	5,819,883
Total operating expenses	<u>7,522,057</u>	<u>2,866,959</u>	<u>5,819,883</u>	<u>5,719,167</u>	<u>5,518,472</u>	<u>27,446,538</u>
Operating income (loss)	<u>4,024,448</u>	<u>(197,914)</u>	<u>(42,468)</u>	<u>1,125,198</u>	<u>1,714,469</u>	<u>6,623,733</u>
Nonoperating revenues:						
Investment income	519,187	83,765	19,214	206,762	128,940	957,868
Net decrease in fair value of investments	(470,668)	(74,032)	(16,319)	(186,805)	(117,260)	(865,084)
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>441,666</u>	<u>-</u>	<u>441,666</u>
Total nonoperating revenues	<u>48,519</u>	<u>9,733</u>	<u>2,895</u>	<u>461,623</u>	<u>11,680</u>	<u>534,450</u>
Income (loss) before transfers	<u>4,072,967</u>	<u>(188,181)</u>	<u>(39,573)</u>	<u>1,586,821</u>	<u>1,726,149</u>	<u>7,158,183</u>
Transfers in	-	-	-	500,000	31,764	531,764
Transfer out	(2,000,000)	-	-	(946,576)	(2,000,000)	(4,946,576)
Total transfers	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>(446,576)</u>	<u>(1,968,236)</u>	<u>(4,414,812)</u>
Change in net position	2,072,967	(188,181)	(39,573)	1,140,245	(242,087)	2,743,371
Net position, beginning	<u>13,338,097</u>	<u>(8,024,141)</u>	<u>559,104</u>	<u>28,279,706</u>	<u>7,677,384</u>	<u>41,830,150</u>
Net position, ending	<u>\$ 15,411,064</u>	<u>\$ (8,212,322)</u>	<u>\$ 519,531</u>	<u>\$ 29,419,951</u>	<u>\$ 7,435,297</u>	<u>\$ 44,573,521</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2021

	<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>
Cash flows from operating activities						
Receipts from user departments	\$ 11,955,935	\$ 2,669,045	\$ 5,095,412	\$ 6,592,542	\$ 7,232,902	\$ 33,545,836
Payments to employees	(2,665,003)	(2,281,270)	-	(1,046,358)	(2,781,239)	(8,773,870)
Payments to suppliers	(3,844,693)	-	(5,811,065)	(4,786,556)	(2,946,801)	(17,389,115)
Other operating cash receipts	321,505	-	711,390	597,343	39	1,630,277
Net cash provided (used) by operating activities	<u>5,767,744</u>	<u>387,775</u>	<u>(4,263)</u>	<u>1,356,971</u>	<u>1,504,901</u>	<u>9,013,128</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	-	1,466,089	500,000	31,764	1,997,853
Cash paid to other funds	(2,000,000)	-	(1,480,965)	(946,576)	(2,000,000)	(6,427,541)
Net cash (used) by noncapital financing activities	<u>(2,000,000)</u>	<u>-</u>	<u>(14,876)</u>	<u>(446,576)</u>	<u>(1,968,236)</u>	<u>(4,429,688)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(3,618,719)	(163,684)	(3,782,403)
Proceeds from sale of capital assets	-	-	-	441,666	-	441,666
Net cash (used) for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,177,053)</u>	<u>(163,684)</u>	<u>(3,340,737)</u>
Cash flows from investing activities:						
Investment income (loss)	(65,862)	(5,998)	1,070	(18,480)	(15,188)	(104,458)
Net cash (used) by investing activities	<u>(65,862)</u>	<u>(5,998)</u>	<u>1,070</u>	<u>(18,480)</u>	<u>(15,188)</u>	<u>(104,458)</u>
Net increase (decrease) in cash and cash equivalents	3,701,882	381,777	(18,069)	(2,285,138)	(642,207)	1,138,245
Cash and cash equivalents, beginning	35,082,745	5,376,909	791,893	15,196,621	9,733,164	66,181,332
Cash and cash equivalents, ending	<u>\$ 38,784,627</u>	<u>\$ 5,758,686</u>	<u>\$ 773,824</u>	<u>\$ 12,911,483</u>	<u>\$ 9,090,957</u>	<u>\$ 67,319,577</u>
Reconciliation to the statement of net position:						
Cash and investments reported on statement of net position	\$ 38,784,627	\$ 5,758,686	\$ 773,824	\$ 12,911,483	\$ 9,090,957	\$ 67,319,577
Cash and cash equivalents	<u>\$ 38,784,627</u>	<u>\$ 5,758,686</u>	<u>\$ 773,824</u>	<u>\$ 12,911,483</u>	<u>\$ 9,090,957</u>	<u>\$ 67,319,577</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 4,024,448	\$ (197,914)	\$ (42,468)	\$ 1,125,198	\$ 1,714,469	\$ 6,623,733
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	-	-	2,940,381	559,826	3,500,207
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	730,935	-	29,387	(179,615)	-	580,707
Decrease in intergovernmental receivable	-	-	-	525,135	-	525,135
(Increase) in inventories	-	-	-	(34,440)	-	(34,440)
(Increase) decrease in prepaid items	(21,194)	-	1,729	(3,083,881)	(281,413)	(3,384,759)
Increase (decrease) in accounts payable and accrued payroll	1,496,868	166,001	7,089	192,602	(230,604)	1,631,956
(Decrease) in workers' compensation	(768,000)	-	-	-	-	(768,000)
Increase in general liability	304,687	-	-	-	-	304,687
Increase in compensated absences	-	419,688	-	-	-	419,688
(Decrease) in net pension liability and deferred cash flows	-	-	-	(87,734)	(175,851)	(263,585)
(Decrease) in net OPEB liability and deferred cash flows	-	-	-	(40,675)	(81,526)	(122,201)
Total adjustments	<u>1,743,296</u>	<u>585,689</u>	<u>38,205</u>	<u>231,773</u>	<u>(209,568)</u>	<u>2,389,395</u>
Net cash provided by operating activities	<u>\$ 5,767,744</u>	<u>\$ 387,775</u>	<u>\$ (4,263)</u>	<u>\$ 1,356,971</u>	<u>\$ 1,504,901</u>	<u>\$ 9,013,128</u>
Noncash investing, capital, and financing activities:						
Net (decrease) in fair value of investments	\$ (470,668)	\$ (74,032)	\$ (16,319)	\$ (186,805)	\$ (117,260)	\$ (865,084)
Total of noncash activities	<u>\$ (470,668)</u>	<u>\$ (74,032)</u>	<u>\$ (16,319)</u>	<u>\$ (186,805)</u>	<u>\$ (117,260)</u>	<u>\$ (865,084)</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 and 1915 Act special assessment bonds.

The ***Tourism Business Improvement Fund*** is used to account for the Newport Beach Tourism Business Improvement District's special assessment on short term room rental revenue collected by the City for Visit Newport Beach Inc.

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

The ***Police Custodial Fund*** is used to account for monies received by the City's police department in a custodial capacity, such as warrants and items pending adjudication.

CITY OF NEWPORT BEACH
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2021

	Custodial Funds				Total Custodial Funds
	Special Assessment District	Tourism Business Improvement	Other Business Improvement	Police Custodial	
Assets					
Cash and investments	\$ 514,653	\$ 269,601	\$ 168,615	\$ 271,404	\$ 1,224,273
Restricted cash and investments with fiscal agent	1,333,345	-	-	-	1,333,345
Receivable:					
Accounts (net of allowance)	-	336,687	-	-	336,687
Interest	1,490	-	-	-	1,490
Intergovernmental receivable	18,283	-	-	-	18,283
Total assets	<u>1,867,771</u>	<u>606,288</u>	<u>168,615</u>	<u>271,404</u>	<u>2,914,078</u>
Liabilities					
Due to others	962	606,288	168,615	646	776,511
Total liabilities	<u>962</u>	<u>606,288</u>	<u>168,615</u>	<u>646</u>	<u>776,511</u>
Net Position					
Restricted for:					
Individuals, organizations, and other governments	1,866,809	-	-	270,758	2,137,567
Total net position	<u>\$ 1,866,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,758</u>	<u>\$ 2,137,567</u>

CITY OF NEWPORT BEACH
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
June 30, 2021

	Custodial Funds				Total Custodial Funds
	Special Assessment District	Tourism Business Improvement	Other Business Improvement	Police Custodial	
Additions					
Special assessments	\$ 1,283,969	\$ -	\$ -	\$ -	\$ 1,283,969
Investment earnings	1,214	-	-	22	1,236
Other	-	-	-	70,395	70,395
Total additions	<u>1,285,183</u>	<u>-</u>	<u>-</u>	<u>70,417</u>	<u>1,355,600</u>
Deductions					
Debt service	1,130,047	-	-	-	1,130,047
Unclaimed property	281,611	-	-	-	281,611
Administrative	59,767	-	-	-	59,767
Other	-	-	-	18,208	18,208
Total deductions	<u>1,471,425</u>	<u>-</u>	<u>-</u>	<u>18,208</u>	<u>1,489,633</u>
Net (decrease) in fiduciary net position	(186,242)	-	-	52,209	(134,033)
Net position, beginning of year as restated	<u>2,053,051</u>	<u>-</u>	<u>-</u>	<u>218,549</u>	<u>2,271,600</u>
Net position, end of year	<u>\$ 1,866,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,758</u>	<u>\$ 2,137,567</u>

STATISTICAL SECTION

STATISTICAL SECTION

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FINANCIAL TRENDS

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) 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 Annual Comprehensive 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			
	2012 ¹	2013	2014 ²	2015 ³
Governmental activities:				
Net investment in capital assets	\$ 2,098,349,998	\$ 2,124,797,794	\$ 2,148,942,928	\$ 2,176,644,408
Restricted	61,923,719	72,119,674	59,998,344	45,689,702
Unrestricted	82,515,232	77,966,414	(184,990,765)	(150,532,773)
Total governmental activities	<u>\$ 2,242,788,949</u>	<u>\$ 2,274,883,882</u>	<u>\$ 2,023,950,507</u>	<u>\$ 2,071,801,337</u>
Business-type activities:				
Net investment in capital assets	\$ 108,981,237	\$ 111,177,135	\$ 115,948,522	\$ 113,914,514
Restricted	-	-	-	-
Unrestricted	15,089,798	19,172,398	13,160,611	21,756,124
Total business-type activities	<u>\$ 124,071,035</u>	<u>\$ 130,349,533</u>	<u>\$ 129,109,133</u>	<u>\$ 135,670,638</u>
Primary government:				
Net investment in capital assets	\$ 2,207,331,235	\$ 2,235,974,929	\$ 2,264,891,450	\$ 2,290,558,922
Restricted	61,923,719	72,119,674	59,998,344	45,689,702
Unrestricted	97,605,030	97,138,812	(171,830,154)	(128,776,649)
Total primary government	<u>\$ 2,366,859,984</u>	<u>\$ 2,405,233,415</u>	<u>\$ 2,153,059,640</u>	<u>\$ 2,207,471,975</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					
2016 ⁴	2017 ⁵	2018 ⁶	2019	2020	2021
\$ 2,193,773,102	\$ 2,201,552,683	\$ 2,208,832,391	\$ 2,218,040,304	\$ 2,217,852,660	\$ 2,227,572,605
44,033,677	45,753,736	49,791,908	56,426,811	67,708,225	67,189,020
(130,468,268)	(133,461,197)	(122,024,754)	(102,035,181)	(90,214,086)	(72,301,558)
<u>\$ 2,107,338,511</u>	<u>\$ 2,113,845,222</u>	<u>\$ 2,136,599,545</u>	<u>\$ 2,172,431,934</u>	<u>\$ 2,195,346,799</u>	<u>\$ 2,222,460,067</u>
\$ 117,055,576	\$ 116,238,944	\$ 119,375,596	\$ 119,346,350	\$ 120,291,689	\$ 124,775,772
-	-	-	-	-	-
23,430,189	28,890,311	29,183,382	30,331,669	30,276,662	27,039,499
<u>\$ 140,485,765</u>	<u>\$ 145,129,255</u>	<u>\$ 148,558,978</u>	<u>\$ 149,678,019</u>	<u>\$ 150,568,351</u>	<u>\$ 151,815,271</u>
\$ 2,310,828,678	\$ 2,317,791,627	\$ 2,328,207,987	\$ 2,337,386,654	\$ 2,338,144,349	\$ 2,352,348,377
44,033,677	45,753,736	49,791,908	56,426,811	67,708,225	67,189,020
(107,038,079)	(104,570,886)	(92,841,372)	(71,703,512)	(59,937,424)	(45,262,059)
<u>\$ 2,247,824,276</u>	<u>\$ 2,258,974,477</u>	<u>\$ 2,285,158,523</u>	<u>\$ 2,322,109,953</u>	<u>\$ 2,345,915,150</u>	<u>\$ 2,374,275,338</u>

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

	Fiscal Year			
	2012	2013	2014	2015
Expenses:				
Governmental activities:				
General government	\$ 14,325,966	\$ 15,830,575	\$ 18,834,165	\$ 24,558,041
Public safety	75,696,570	83,235,188	87,676,062	96,945,872
Public works	48,913,412	47,794,631	42,953,118	45,774,939
Community development	9,365,676	9,223,098	10,283,481	10,073,248
Community services	21,554,696	22,244,661	21,357,271	22,418,287
Interest on long-term debt	8,204,928	7,989,339	7,888,192	7,711,334
Total governmental activities expenses	<u>178,061,248</u>	<u>186,317,492</u>	<u>188,992,289</u>	<u>207,481,721</u>
Business-type activities:				
Water	18,358,646	20,208,300	22,037,284	21,175,954
Wastewater	3,360,418	3,462,165	3,368,656	3,452,398
Total business-type activities expenses	<u>21,719,064</u>	<u>23,670,465</u>	<u>25,405,940</u>	<u>24,628,352</u>
Total primary government expenses	<u>199,780,312</u>	<u>209,987,957</u>	<u>214,398,229</u>	<u>232,110,073</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	2,593,741	2,759,306	3,046,232	3,647,210
Public safety	16,240,135	16,008,421	19,124,113	19,386,017
Public works	4,576,208	5,019,835	5,517,103	5,276,991
Community development	6,202,080	7,057,010	8,043,390	8,608,645
Community services	14,119,869	13,176,050	13,270,316	13,667,775
Operating grants and contributions:	11,418,147	11,290,989	15,196,696	10,673,286
Capital grants and contributions:	14,838,783	25,613,846 ¹	563,786	38,157,665 ²
Total governmental activities program revenues	<u>69,988,962</u>	<u>80,925,457</u>	<u>64,761,636</u>	<u>99,417,589</u>
Business-type activities:				
Charges for services:				
Water	23,877,685	26,795,767	29,397,882	27,705,129
Wastewater	3,382,905	3,450,638	3,438,670	3,326,362
Total business-type activities program revenues	<u>27,260,590</u>	<u>30,246,405</u>	<u>32,836,552</u>	<u>31,031,491</u>
Total primary government program revenues	<u>97,249,552</u>	<u>111,171,862</u>	<u>97,598,188</u>	<u>130,449,080</u>
Net revenues (expenses):				
Governmental activities	(108,072,286)	(105,392,035)	(124,230,653)	(108,064,132)
Business-type activities	5,541,526	6,575,940	7,430,612	6,403,139
Total net revenues (expenses)	<u>\$ (102,530,760)</u>	<u>\$ (98,816,095)</u>	<u>\$ (116,800,041)</u>	<u>\$ (101,660,993)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property tax	\$ 71,546,249	\$ 81,603,194	\$ 79,889,346	\$ 84,121,461
Sales tax	20,107,597	20,764,204	23,142,065	24,832,412
Sales tax in-lieu	6,523,492	7,078,517	7,727,876	8,046,424
Transient occupancy tax	14,798,191	16,500,285	18,176,369	20,369,158
Business license tax	4,073,725	4,145,666	4,156,130	4,141,282
Franchise tax	3,845,901	3,820,723	3,998,943	4,189,130
Motor vehicle license fees	42,911	-	-	-
Other taxes	278,521	286,880	216,604	354,919
Investment income	405,674	219,091	542,915	437,272
Net increase (decrease) in fair value of investments	246,119	-	53,783	61,337
Other	2,789,471	2,748,524	3,803,728	3,161,567
Change in accounting estimates	8,484,000	-	-	-
Capital contributions	7,352	319,884	-	-
Transfers	-	-	-	-
Total governmental activities	<u>133,149,203</u>	<u>137,486,968</u>	<u>141,707,759</u>	<u>149,714,962</u>
Business-type activities:				
Investment income	49,718	22,442	128,439	123,445
Net increase (decrease) in fair value of investments	67,696	-	18,199	34,921
Other	-	-	-	-
Capital contributions	(7,352)	(319,884)	-	-
Transfers	-	-	-	-
Total business-type activities	<u>110,062</u>	<u>(297,442)</u>	<u>146,638</u>	<u>158,366</u>
Total primary government	<u>133,259,265</u>	<u>137,189,526</u>	<u>141,854,397</u>	<u>149,873,328</u>
Changes in net position				
Governmental activities	25,076,917	32,094,933	17,477,106	41,650,830
Business-type activities	5,651,588	6,278,498	7,577,250	6,561,505
Total primary government	<u>\$ 30,728,505</u>	<u>\$ 38,373,431</u>	<u>\$ 25,054,356</u>	<u>\$ 48,212,335</u>

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.

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

		Fiscal Year									
		2016	2017	2018	2019	2020	2021				
\$	19,335,275	\$	20,443,569	\$	19,011,099	\$	20,549,224	\$	20,714,050	\$	20,177,482
	91,046,455		102,494,314		107,647,562		111,556,065		119,194,302		119,184,958
	45,443,988		54,039,601		47,615,000		53,339,878		60,054,860		63,689,155
	9,943,868		12,056,086		12,377,394		11,493,204		12,842,020		12,157,226
	22,700,052		26,583,440		27,307,115		27,758,097		26,668,079		28,214,205
	7,615,094		7,472,188		7,381,743		7,187,971		7,064,521		7,321,612
	<u>196,084,732</u>		<u>223,089,198</u>		<u>221,339,913</u>		<u>231,884,439</u>		<u>246,537,832</u>		<u>250,744,638</u>
	21,605,197		22,004,013		23,724,918		26,898,075		27,387,120		28,943,243
	3,818,165		4,218,926		4,158,155		4,222,228		4,291,755		5,223,245
	<u>25,423,362</u>		<u>26,222,939</u>		<u>27,883,073</u>		<u>31,120,303</u>		<u>31,678,875</u>		<u>34,166,488</u>
	<u>221,508,094</u>		<u>249,312,137</u>		<u>249,222,986</u>		<u>263,004,742</u>		<u>278,216,707</u>		<u>284,911,126</u>
	3,722,557		5,089,123		5,355,887		5,887,265		3,846,962		2,914,007
	19,108,222		19,899,242		20,733,883		21,979,376		22,232,248		22,038,904
	5,319,510		5,214,426		5,789,579		5,778,441		5,054,694		5,067,478
	8,419,588		10,838,114		9,956,226		9,902,445		9,599,848		10,491,970
	13,964,018		13,653,466		13,974,329		13,556,360		16,936,285		17,601,288
	17,826,914		11,632,188		11,943,941		14,021,506		14,659,016		20,361,620
	2,717,504		27,993,317 ²		1,815,464		6,638,356		7,352,407		7,658,387
	<u>71,078,313</u>		<u>94,319,876</u>		<u>69,569,309</u>		<u>77,763,749</u>		<u>79,681,460</u>		<u>86,133,654</u>
	24,499,952		25,371,307		26,931,193		26,843,751		27,100,429		30,739,726
	3,065,762		3,161,114		3,445,772		4,069,265		4,110,815		4,618,186
	<u>27,565,714</u>		<u>28,532,421</u>		<u>30,376,965</u>		<u>30,913,016</u>		<u>31,211,244</u>		<u>35,357,912</u>
	<u>98,644,027</u>		<u>122,852,297</u>		<u>99,946,274</u>		<u>108,676,765</u>		<u>110,892,704</u>		<u>121,491,566</u>
	(125,006,419)		(128,769,322)		(151,770,604)		(154,120,690)		(166,856,372)		(164,610,984)
	2,142,352		2,309,482		2,493,892		(207,287)		(467,631)		1,191,424
\$	<u>(122,864,067)</u>	\$	<u>(126,459,840)</u>	\$	<u>(149,276,712)</u>	\$	<u>(154,327,977)</u>	\$	<u>(167,324,003)</u>	\$	<u>(163,419,560)</u>
\$	91,516,611	\$	96,964,060	\$	101,593,290	\$	108,365,261	\$	113,313,535	\$	119,157,057
	33,937,986		33,702,895		36,373,253		37,168,063		36,232,969		38,956,275
	2,870,474		-		-		-		-		-
	21,083,199		22,382,361		22,857,737		24,697,446		21,097,384		16,886,197
	4,024,386		4,149,016		4,282,935		4,428,440		4,882,419		4,481,349
	4,047,584		4,026,005		4,228,469		4,286,496		4,394,156		4,204,224
	-		-		-		-		-		-
	327,009		358,209		3,346,987		2,633,720		2,592,369		4,166,549
	584,259		589,001		632,808		2,644,319		2,621,488		2,603,982
	376,311		-		-		2,234,249		2,520,033		(2,086,189)
	4,001,486		2,290,482		3,416,348		3,495,085		2,116,884		3,354,808
	-		-		-		-		-		-
	-		-		-		-		-		-
	-		(3,500,000)		-		-		-		-
	<u>162,769,305</u>		<u>160,962,029</u>		<u>176,731,827</u>		<u>189,953,079</u>		<u>189,771,237</u>		<u>191,724,252</u>
	216,576		77,752		184,906		713,970		732,099		525,295
	148,527		-		-		612,358		625,864		(469,799)
	2,375,000		-		-		-		-		-
	22,516		-		-		-		-		-
	-		3,500,000		-		-		-		-
	<u>2,762,619</u>		<u>3,577,752</u>		<u>184,906</u>		<u>1,326,328</u>		<u>1,357,963</u>		<u>55,496</u>
	<u>165,531,924</u>		<u>164,539,781</u>		<u>176,916,733</u>		<u>191,279,407</u>		<u>191,129,200</u>		<u>191,779,748</u>
	37,762,886		32,192,707		24,961,223		35,832,389		22,914,865		27,113,268
	4,904,971		5,887,234		2,678,798		1,119,041		890,332		1,246,920
\$	<u>42,667,857</u>	\$	<u>38,079,941</u>	\$	<u>27,640,021</u>	\$	<u>36,951,430</u>	\$	<u>23,805,197</u>	\$	<u>28,360,188</u>

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

	Fiscal Year			
	2012	2013	2014	2015
General fund:				
Nonspendable	\$ 7,854,478	\$ 9,919,486	\$ 16,316,499	\$ 15,784,396
Restricted	2,263,049	2,410,373	3,939,751	5,389,810
Committed	29,673,333	29,371,507	12,782,235 ¹	11,847,852
Assigned	19,431,475	6,843,417	1,326,170	1,421,225
Unassigned	20,570,023	32,585,375	51,015,820 ¹	55,509,258
Total general fund	<u>\$ 79,792,358</u>	<u>\$ 81,130,158</u>	<u>\$ 85,380,475</u>	<u>\$ 89,952,541</u>
All other governmental funds:				
Nonspendable	\$ 5,396,436	\$ 4,697,220	\$ 4,629,781	\$ 4,669,269
Restricted	30,957,184	27,433,342	33,243,790	29,842,384
Committed	70,500,156	33,961,163	19,513,389	26,159,261
Assigned	-	-	-	-
Unassigned	(11,339,671)	(15,723,261)	(14,291,969)	(12,495,729)
Total all other governmental funds	<u>\$ 95,514,105</u>	<u>\$ 50,368,464</u>	<u>\$ 43,094,991</u>	<u>\$ 48,175,185</u>
Total all governmental funds	<u>\$ 175,306,463</u>	<u>\$ 131,498,622</u>	<u>\$ 128,475,466</u>	<u>\$ 138,127,726</u>

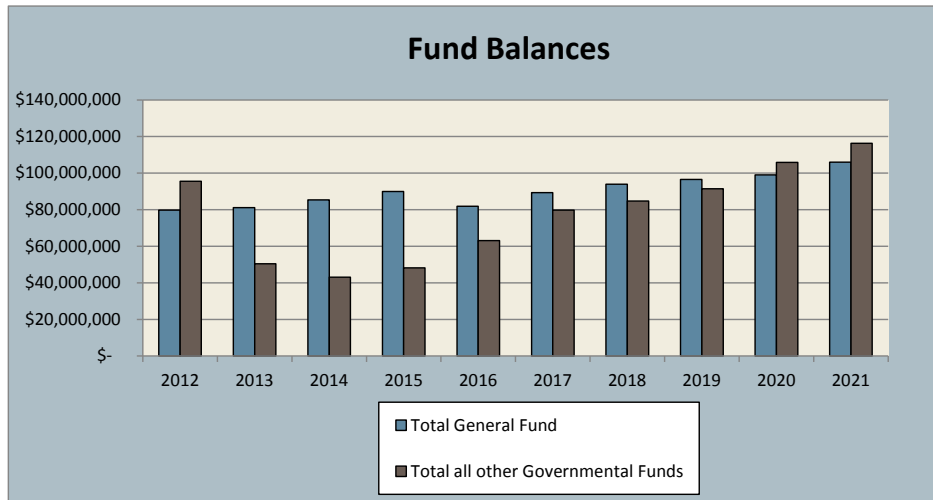
¹ Data varies from trend due to the reclassification of the contingency reserve from committed fund balance to unassigned fund balance per council approval.

² Data varies from trend due to the moving of general fund capital projects to a separate capital project fund.

³ Data varies from trend due to additional funds set aside for seawall construction and pension related items.

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

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 15,210,896	\$ 14,434,017	\$ 14,050,930	\$ 13,147,221	\$ 11,864,115	\$ 10,637,097
3,083,133	3,797,009	4,412,302	4,757,437	5,710,434	4,876,025
2,726,020 ²	10,570,638 ³	13,444,487	13,335,675	2,210,811	3,235,746
4,201,311	567,132	590,368	1,199,682	2,598,828	1,489,350
56,618,041	60,009,244	61,415,049	64,146,123	76,699,284	85,715,180
<u>\$ 81,839,401</u> ²	<u>\$ 89,378,040</u> ³	<u>\$ 93,913,136</u>	<u>\$ 96,586,138</u>	<u>\$ 99,083,472</u>	<u>\$ 105,953,398</u>
\$ 4,629,781	\$ 4,666,256	\$ 4,787,243	\$ 4,715,545	\$ 4,646,529	\$ 4,707,330
33,662,859	31,950,139	38,629,419	45,958,167	53,310,518	63,914,627
40,248,977	49,510,047	41,731,742	40,732,124	48,032,259	47,863,154
-	-	-	-	-	-
(15,422,984)	(6,308,331)	(376,162)	(253)	(50,137)	(136,299)
<u>\$ 63,118,633</u>	<u>\$ 79,818,111</u>	<u>\$ 84,772,242</u>	<u>\$ 91,405,583</u>	<u>\$ 105,939,169</u>	<u>\$ 116,348,812</u>
<u>\$ 144,958,034</u>	<u>\$ 169,196,151</u>	<u>\$ 178,685,378</u>	<u>\$ 187,991,721</u>	<u>\$ 205,022,641</u>	<u>\$ 222,302,210</u>



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

	Fiscal Year			
	2012	2013	2014	2015
Revenues:				
Taxes	\$ 121,710,955	\$ 134,733,550	\$ 137,910,879	\$ 146,664,903
Intergovernmental	12,122,963	11,393,589	16,825,839	11,813,208
Licenses, permits and fees	6,691,125	7,682,555	6,659,203	14,676,754
Charges for services	16,020,825	16,254,399	16,864,092	16,914,210
Fines and forfeitures	3,795,787	3,649,532	3,272,951	3,732,405
Investment income	1,142,935	372,514	1,136,062	928,729
Net increase (decrease) in fair value of investments	704,656	-	124,439	177,485
Property income	17,458,143	19,847,371	22,214,256	21,406,667
Donations	13,977,850	587,445	1,170,171	22,249,427
Other	691,125	3,543,894	1,400,048	6,984,418
Total revenues	<u>194,316,364</u>	<u>198,064,849</u>	<u>207,577,940</u>	<u>245,548,206</u>
Expenditures:				
Current:				
General government	12,896,492	13,671,480	14,471,167	14,060,512
Public safety	75,377,871	80,546,969	82,642,988	94,568,122
Public works	32,399,178	32,451,624	32,414,457	33,694,578
Community development	8,939,825	8,994,710	9,768,928	9,876,706
Community services	19,296,505	18,872,022	19,047,813	20,235,546
Capital outlay	80,617,948	72,133,582	33,572,193	47,169,671
Debt service:				
Principal	4,529,854	3,998,000	4,091,000	4,183,000
Interest and fiscal charges	8,320,500	8,152,488	8,052,927	7,957,811
Total expenditures	<u>242,378,173</u>	<u>238,820,875</u>	<u>204,061,473</u>	<u>231,745,946</u>
Excess (deficiency) of revenues over (under) expenditures	(48,061,809)	(40,756,026)	3,516,467	13,802,260
Other financing sources (uses):				
Transfers in	24,640,318	47,875,107	41,223,727	53,281,956
Transfers out	(24,953,767)	(50,926,922)	(47,245,283)	(57,431,956)
Proceeds from sale	-	-	-	-
Certificates of participation issued	-	-	-	-
Premium on certificates of participation issued	-	-	-	-
Proceeds from loan issuance	-	-	-	1,339,000
Payment to refunded loan escrow agent	-	-	-	(1,339,000)
Total other financing sources (uses)	<u>(313,449)</u>	<u>(3,051,815)</u>	<u>(6,021,556)</u>	<u>(4,150,000)</u>
Net change in fund balances	<u>\$ (48,375,258)</u>	<u>\$ (43,807,841)</u>	<u>\$ (2,505,089)</u>	<u>\$ 9,652,260</u>
Debt service as a percentage of noncapital expenditures				
	8.3%	15.8%	6.9%	6.6%

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

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 158,386,385	\$ 162,184,218	\$ 171,982,240	\$ 183,455,182	\$ 182,983,069	\$ 188,351,057
17,262,147	17,073,653	16,148,754	15,818,543	12,672,931	22,233,872
6,571,123	9,844,908	6,405,668	6,302,603	5,783,862	6,566,555
18,827,991	19,197,065	19,828,786	19,472,866	21,125,622	18,434,439
3,684,602	3,590,700	3,181,823	3,347,714	3,509,883	3,923,726
1,157,539	772,546	1,143,210	3,490,992	3,765,753	3,201,376
769,460	-	-	2,938,136	3,477,299	(2,634,682)
22,259,425	23,553,188	25,430,217	26,674,107	25,651,360	28,842,374
4,190,822	16,827,889	414,123	402,709	795,561	5,491,871
2,982,924	2,277,322	2,893,770	5,173,716	5,950,279	3,504,103
<u>236,092,418</u>	<u>255,321,489</u>	<u>247,428,591</u>	<u>267,076,568</u>	<u>265,715,619</u>	<u>277,914,691</u>
14,629,672	15,086,397	16,099,310	16,769,920	15,968,085	17,154,507
96,225,784	98,750,981	109,760,129	116,054,531	118,290,847	126,006,313
36,000,905	35,961,024	38,012,230	44,132,877	45,730,965	46,817,293
10,913,205	11,696,779	12,979,656	12,310,621	12,612,751	12,996,840
21,784,680	23,607,284	25,538,966	26,372,495	24,474,242	26,745,189
31,934,463	30,822,972	24,054,866	26,347,312	20,376,106	33,728,085
4,272,000	4,401,000	3,335,000	3,470,000	3,576,000	3,247,000
7,839,341	7,704,957	7,617,107	7,428,469	7,265,703	7,306,143
<u>223,600,050</u>	<u>228,031,394</u>	<u>237,397,264</u>	<u>252,886,225</u>	<u>248,294,699</u>	<u>274,001,370</u>
12,492,368	27,290,095	10,031,327	14,190,343	17,420,920	3,913,321
48,523,132	45,342,446	45,308,862	54,664,532	40,373,981	70,379,824
(54,185,192)	(49,390,226)	(45,850,962)	(59,548,532)	(40,763,981)	(65,965,012)
-	995,802	-	-	-	-
-	-	-	-	-	7,860,000
-	-	-	-	-	1,373,936
-	-	-	-	-	-
-	-	-	-	-	-
<u>(5,662,060)</u>	<u>(3,051,978)</u>	<u>(542,100)</u>	<u>(4,884,000)</u>	<u>(390,000)</u>	<u>13,648,748</u>
<u>\$ 6,830,308</u>	<u>\$ 24,238,117</u>	<u>\$ 9,489,227</u>	<u>\$ 9,306,343</u>	<u>\$ 17,030,920</u>	<u>\$ 17,562,069</u>
7.2%	6.0%	5.3%	4.8%	4.8%	4.2%

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REVENUE CAPACITY

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) 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 Annual Comprehensive 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					
2012	31,603,505,416	4,504,291,343	1,442,600,505		1,565,104,496	39,115,501,760	0.94%	1.000%
2013	32,522,843,119	4,627,463,458	1,435,546,888		1,597,277,039	40,183,130,504	2.73%	1.000%
2014	34,678,952,381	4,688,189,694	1,489,111,147		1,484,909,241	42,341,162,463	5.37%	1.000%
2015	36,814,891,583	5,007,508,388	1,348,136,131		1,581,520,801	44,752,056,903	5.69%	1.000%
2016	39,263,791,190	5,264,898,550	1,394,764,145		1,465,016,213	47,388,470,098	5.89%	1.000%
2017	41,834,060,284	5,539,551,197	1,398,481,252		1,569,593,832	50,341,686,565	6.23%	1.000%
2018	44,862,969,434	5,953,148,011	1,499,414,812		1,464,683,763	53,780,216,020	6.83%	1.000%
2019	48,246,937,786	6,466,645,074	1,474,416,367		1,513,162,553	57,701,161,781	7.29%	1.000%
2020	50,791,887,238	6,807,750,346	1,552,189,492		1,592,979,478	60,744,806,554	5.27%	1.000%
2021	53,636,707,086	6,979,031,018	1,428,005,141		1,645,923,436	63,689,666,681	4.85%	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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
City Direct Rates:										
City basic rate	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Total City Direct Rate	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Overlapping Rates:										
Water districts	0.081	0.081	0.081	0.047	0.047	0.047	0.047	0.047	0.032	0.047
School districts	0.155	0.165	0.170	0.182	0.183	0.173	0.176	0.161	0.173	0.186
Total Overlapping Rate	0.236	0.246	0.251	0.229	0.230	0.220	0.223	0.208	0.205	0.233
Total Direct & Overlapping Rate	<u>\$ 1.236</u>	<u>\$ 1.246</u>	<u>\$ 1.251</u>	<u>\$ 1.229</u>	<u>\$ 1.230</u>	<u>\$ 1.220</u>	<u>\$ 1.223</u>	<u>\$ 1.208</u>	<u>\$ 1.205</u>	<u>\$ 1.233</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	2021			2012		
	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	\$ 1,183,524,147	1	1.86%	\$ 1,869,769,413	1	4.78%
PH Finance LLC	307,523,372	2	0.48%	N/A	-	0.00%
Villas at Fashion Island	273,018,084	3	0.43%	N/A	-	0.00%
HG Newport Owner LLC	183,630,600	4	0.29%	N/A	-	0.00%
520 Newport Center Drive LLC	181,250,908	5	0.28%	N/A	-	0.00%
Newport Bluffs LLC	164,352,920	6	0.26%	138,854,048	2	0.36%
650 Newport Center Drive LLC	164,191,333	7	0.26%	N/A	-	0.00%
Balboa Bay Club Ventures LLC	150,719,813	8	0.24%	103,052,382	7	0.26%
WJ Newport LLC	144,514,518	9	0.23%	N/A	-	0.00%
UDR Newport Beach North LP	140,860,998	10	0.22%	118,405,791	3	0.30%
	<u>\$ 2,893,586,693</u>		<u>4.55%</u>	<u>\$ 2,230,081,634</u>		<u>5.70%</u>

Source: HdL, Coren & Cone

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
2012	71,157,295	69,435,794	97.58%	985,344	70,421,138	98.97%
2013	74,165,333	72,532,734	97.80%	736,983	73,269,717	98.79%
2014	79,195,727	77,758,504	98.19%	650,273	78,408,777	99.01%
2015	83,843,488	82,191,604	98.03%	642,292	82,833,896	98.80%
2016	84,166,940	81,762,526	97.14%	612,863	82,375,389	97.87%
2017	86,264,321	84,019,053	97.40%	574,124	84,593,177	98.06%
2018	92,139,181	90,279,099	97.98%	581,969	90,861,068	98.61%
2019	98,471,700	96,356,203	97.85%	646,203	97,002,406	98.51%
2020	102,636,451	100,701,002	98.11%	371,100	101,072,102	98.48%
2021	107,647,017	105,781,072	98.27%	- ³	105,781,072	98.27%

¹ Net collections reflect deductions for refunds and impoundments.

² Exclusive of penalty charges.

³ The total amount of Fiscal Year 2021 delinquent taxes collected in subsequent years was not available as of the date the information was collected for the City's Annual Comprehensive Financial Report.

Source: Orange County Auditor Controller's Office

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DEBT CAPACITY

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) 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 Annual Comprehensive 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
2012	125,884,424	-	6,000,000	1,686,000	-	-
2013	123,073,871	-	4,800,000	1,578,000	-	-
2014	120,178,318	-	3,600,000	1,462,000	-	-
2015	117,197,765	-	2,400,000	1,339,000	-	-
2016	114,137,212	-	1,200,000	1,207,000	-	-
2017	110,956,659	-	-	1,066,000	-	-
2018	107,651,106	-	-	916,000	-	-
2019	104,220,553	-	-	756,000	-	-
2020	100,695,000	-	-	585,000	-	-
2021	106,781,026	-	-	403,000	-	-

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
133,570,424	-	-	133,570,424	2.30%	1,553
129,451,871	-	-	129,451,871	1.85%	1,498
125,240,318	-	-	125,240,318	1.81%	1,442
120,936,765	-	-	120,936,765	1.77%	1,386
116,544,212	-	-	116,544,212	1.77%	1,383
112,022,659	-	-	112,022,659	1.66%	1,319
108,567,106	-	-	108,567,106	1.48%	1,245
104,976,553	-	-	104,976,553	1.36%	1,204
101,280,000	-	-	101,280,000	1.24%	1,181
107,184,026	-	-	107,184,026	1.31%	1,248

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>
2012	125,884,424	(2,532,561)	123,351,863	0.32%	1,434
2013	123,073,871	(1,157,250)	121,916,621	0.30%	1,410
2014	120,178,318	(2,352,746)	117,825,572	0.28%	1,356
2015	117,197,765	(2,350,210)	114,847,555	0.26%	1,316
2016	114,137,212	(2,362,904)	111,774,308	0.24%	1,326
2017	110,956,659	(2,364,034)	108,592,625	0.22%	1,279
2018	107,651,106	(2,384,338)	105,266,768	0.20%	1,207
2019	104,220,553	(2,362,228)	101,858,325	0.18%	1,168
2020	100,695,000	(1,159,389)	99,535,611	0.16%	1,160
2021	106,781,026	(2,255,795)	104,525,231	0.16%	1,217

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, 2021

City Net Assessed Valuation: \$ 63,689,666,681

	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/21	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.951%	\$ 26,830,000	\$ 523,453
Coast Community College District	34.407%	886,289,825	304,945,740
Rancho Santiago Community College District	2.900%	215,876,119	6,260,407
Rancho Santiago Community College District School Facilities Improvement District No. 1	5.447%	159,970,000	8,713,566
Laguna Beach Unified School District	15.038%	15,920,000	2,394,050
Laguna Beach Unified School District Community Facilities District No. 98-1	100.000%	7,460,000	7,460,000
Newport Mesa Unified School District	73.245%	240,675,638	176,282,871
Newport Mesa Unified School District Community Facilities District No. 90-1	100.000%	1,240,000	1,240,000
Santa Ana Unified School District	6.716%	351,580,064	23,612,117
Irvine Ranch Water District Improvement Districts	2.875% - 100.000%	435,837,400	50,459,189
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	21,165,000	21,165,000
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%	9,764,521	9,764,521
Orange County Newport Coast Assessment District No. 01-1	100.000%	3,826,000	3,826,000
Orange County Newport Coast Reassessment District No. 17-1R	100.000%	23,545,000	23,545,000
Orange County General Fund Obligations	9.716%	381,885,000	37,103,947
Orange County Pension Obligation Bonds	9.716%	485,318,204	47,153,517
Orange County Board of Education General Fund Obligations	9.716%	12,310,000	1,196,040
Coast Community College District General Fund Obligations	34.407%	2,240,000	770,717
Coast Community College District Pension Obligation Bonds	34.407%	2,280,000	784,480
Santa Ana Unified School District General Fund Obligations	6.716%	58,729,304	3,944,260
Overlapping Tax Increment Debt (Successor Agencies):	3.718% - 71.387%	8,850,000	4,592,190
TOTAL OVERLAPPING DEBT		\$ 3,359,892,075	\$ 744,037,065
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	\$ 106,781,026	\$ 106,781,026
Community Development Block Grant Loan	100.000%	403,000	403,000
TOTAL DIRECT DEBT		\$ 107,184,026	\$ 107,184,026
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 851,221,091
GROSS COMBINED TOTAL DEBT ⁽²⁾			\$ 851,221,091

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 2020-21 Net Assessed Valuation:

Total Overlapping Debt	1.17%
Total Direct Debt (\$107,184,026)	0.17%
Gross Combined Total Debt	1.34%

Ratios to Redevelopment Incremental Valuation (\$1,409,620,816)

Total Overlapping Tax Increment Debt	0.33%
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Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2012	2013	2014	2015
Assessed valuation	\$ 39,115,501,760	\$ 40,183,130,504	\$ 42,341,162,463	\$ 44,752,056,903
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	9,778,875,440	10,045,782,626	10,585,290,616	11,188,014,226
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,466,831,316	1,506,867,394	1,587,793,592	1,678,202,134
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 1,466,831,316</u>	<u>\$ 1,506,867,394</u>	<u>\$ 1,587,793,592</u>	<u>\$ 1,678,202,134</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					
2016	2017	2018	2019	2020	2021
\$ 47,388,470,098	\$ 50,341,686,565	\$ 53,780,216,020	\$ 57,701,161,781	\$ 60,744,806,554	\$ 63,689,666,681
25%	25%	25%	25%	25%	25%
11,847,117,525	12,585,421,641	13,445,054,005	14,425,290,445	15,186,201,639	15,922,416,670
15%	15%	15%	15%	15%	15%
1,777,067,629	1,887,813,246	2,016,758,101	2,163,793,567	2,277,930,246	2,388,362,501
-	-	-	-	-	-
<u>\$ 1,777,067,629</u>	<u>\$ 1,887,813,246</u>	<u>\$ 2,016,758,101</u>	<u>\$ 2,163,793,567</u>	<u>\$ 2,277,930,246</u>	<u>\$ 2,388,362,501</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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DEMOGRAPHIC AND ECONOMIC INFORMATION

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) 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 Annual Comprehensive 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 ²⁽³⁾
2012	85,990	5,809,828	67,564	5.1%
2013	86,436	6,995,784	80,936	4.2%
2014	86,874	6,926,725	79,733	3.6%
2015	87,249	6,848,523	78,494	4.0%
2016	84,270	6,574,071	78,012	3.4%
2017	84,915	6,736,392	79,331	3.1%
2018	87,182	7,334,970	84,134	2.9%
2019	87,180	7,704,445	88,374	2.6%
2020	85,780	8,183,755	95,404	4.6%
2021	85,865	8,175,464	95,213 ⁽⁴⁾	6.0%

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 Annual Comprehensive Financial Report.

² Unemployment rate represents an average of all monthly unemployment rates within a fiscal year.

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 - 2021.

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

⁽³⁾ State of California, Employment Development Department

⁽⁴⁾ HdL, Coren & Cone

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

Employer	2021			2012		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	5,292	1	6.43%	3,987	1	4.89%
PIMCO Advisors	1,258	2	1.53%	1,103	2	1.35%
Pacific Life Insurance	1,250	3	1.52%	1,013	4	1.24%
Glidewell Dental	1,008	4	1.23%	1,100	3	1.35%
Irvine Management Company	895	5	1.09%	N/A ²	-	N/A
Tower Semiconductor	868	6	1.05%	690	8	0.85%
Resort at Pelican Hill	798	7	0.97%	750	7	0.92%
Newport-Mesa Unified School District	780	8	0.95%	791	5	0.97%
City of Newport Beach	728	9	0.88%	763	6	0.93%
Fletcher Jones Motor Cars Inc.	465	10	0.57%	458	11	0.56%
Balboa Bay Club and Resort	427	11	0.52%	463	10	0.57%
Marriott Newport Coast Villas	371	12	0.45%	N/A ²	-	N/A

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

² Company listed was unable to provide employee data for 2012.

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

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OPERATING INFORMATION

This section of the City of Newport Beach's Annual Comprehensive Financial Report (ACFR) 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 Annual Comprehensive 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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government	95	94	79	78	77	77	79	80	78	80
Public safety	359	357	366	370	374	371	372	375	375	376
Community development	58	56	53	52	52	52	53	53	53	52
Public works	130	128	119	109	104	99	98	96	99	98
Community services	68	70	74	75	79	81	79	78	78	78
Water	38	32	32	31	32	31	33	33	33	33
Wastewater	15	15	13	13	12	13	11	11	11	11
Total	<u>763</u>	<u>752</u>	<u>736</u>	<u>728</u>	<u>730</u>	<u>724</u>	<u>725</u>	<u>726</u>	<u>727</u>	<u>728</u>

Source: City Finance Department

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

	Fiscal Year			
	2012	2013	2014	2015
Police:				
Adult Arrests	2,982	3,161	2,794	3,472
Parking Citations Issued	55,418	58,823	51,609	59,753
Fire:				
Fire Responses	201	342	356	305
Fire Inspections	4,315	4,338	3,352	1,281
General Services:				
Street Patching (tons of mix)	2,246	1,708	2,408	2,711
Sidewalk Repair (square feet)	34,000	37,607	37,607	27,175
Recreation & Senior Services:				
Co-Sponsored Youth Organization Attendance	257,322	293,938	294,000	303,152
Senior Transportation Services	15,264	13,112	13,956	13,740
Water:				
New Connections	35	54	72	187
Average Daily Consumption (hundred cubic feet)	15.15	14.02	15.96	16.39
Sewer:				
New Connections	15	14	22	20
Miles of Pipe Cleaned	248	215	245	260
Library Services:				
Library Circulation of Materials	1,582,953	1,582,914	1,689,870	1,610,818

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

² Data varies with trend due to COVID-19 restrictions in 2021.

Source: City of Newport Beach

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

Fiscal Year					
2016	2017	2018	2019	2020	2021
3,158	3,178	3,266	3,520	3,093	2,872
64,762	69,246	56,685	67,048	73,372	86,439
300	247	248	209	11,913 ¹	12,204
1,201	1,216	1,307	1,033	2,842	475 ²
1,890	1,439	1,403	1,402	913	920
27,000	20,490	22,925	14,840	11,729	7,805
305,000	425,000	437,751	469,959	439,954	455,442
14,000	13,500	13,071	13,386	9,300	6,287
194	229	210	210	256	160
11.66	13.80	14.07	13.75	13.44	14.87
17	41	137	46	10	25
250	202	211	196	221	240
1,575,000	1,464,640	1,424,594	1,376,041	1,084,206	1,043,629

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

	Fiscal Year			
	2012	2013	2014	2015
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	5,977	5,977	5,977	5,977
Traffic Signals	808	808	808	808
Recreation & Senior Services:				
Parks	63	64	64	64
Community Centers (includes leased property)	14	14	14	14
Aquatic Center	1	1	1	1
Water:				
Water Mains (miles)	303.25	303.25	298.37	299.58
Maximum Daily Capacity (thousands of gallons)	27,508	26,916	27,704	27,800
Wastewater:				
Sanitary Sewers (miles)	202.40	202.40	202.62	202.64
Storm Sewers (miles)	95.40	95.40	70.62	94.14
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					
2016	2017	2018	2019	2020	2021
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
399	400	400	400	400	400
5,978	5,978	5,978	5,971	5,972	5,973
808	808	808	808	808	808
64	64	64	65	65	65
15	15	15	15	15	15
1	1	1	1	1	1
299.77	300.64	300.30	300.88	300.82	301.23
27,800	27,800	27,800	27,800	27,800	27,800
202.75	202.72	203.56	203.99	204.10	204.13
92.08	94.74	95.12	95.35	95.89	96.18
4	4	4	4	4	4

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

Type of Customer:	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential	4,001,344	3,890,973	3,902,007	3,853,566	3,072,589	3,564,203	3,603,927	3,439,655	3,747,408	3,811,231
Commercial	2,369,492	2,389,822	2,525,169	2,560,620	1,847,372	2,142,952	2,201,254	2,075,812	2,081,860	2,231,809
Government	374,091	394,787	455,251	396,605	263,116	305,214	289,738	256,398	270,638	299,442
Total	6,744,927	6,675,582	6,882,427	6,810,791	5,183,077	6,012,369	6,094,919	5,771,865	6,099,906	6,342,482
Total direct rate per 100 cubic ft.	\$ 2.73	\$ 2.96	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.11 ¹	\$ 3.35 ²

¹ Reflects increase in commodity rate effective January 1, 2020

² Reflects increase in commodity rate effective January 1, 2021

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
2012	19.61	3.08
2013	21.13	3.31
2014	21.77	3.43
2015	21.77	3.43
2016	21.77	3.43
2017	21.77	3.43
2018	23.73	3.46
2019	24.34	3.50
2020	28.09	3.57
2021	30.25	3.85

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	2021			2012		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Irvine Company Apartment	\$ 676,580	1	2.20%	\$ 161,752	2	0.68%
Irvine Company Office	623,020	2	2.02%	150,563	4	0.63%
Big Canyon Country Club	366,871	3	1.19%	155,940	3	0.65%
Newport Beach Country Club	358,526	4	1.16%	122,674	5	0.51%
Bluffs Homeowners Association	344,392	5	1.12%	74,528	9	0.31%
Hoag Memorial Hospital	342,220	6	1.11%	174,311	1	0.73%
UDR Newport Beach	259,914	7	0.84%	85,736	6	0.36%
Park Newport Ltd	246,218	8	0.80%	82,656	7	0.35%
Newport-Mesa Unified School District	231,845	9	0.75%	75,353	8	0.31%
Pacific View - Pierce Bros.	216,726	10	0.70%	54,657	10	0.23%
Irvine Company Retail	211,309	11	0.69%	51,008	11	0.21%
Newport Dunes Resort	156,282	12	0.51%	38,096	13	0.16%
Jasmine Creek Community Association	135,509	13	0.44%	30,619	20	0.13%
Villa Balboa Community Association	125,475	14	0.41%	30,956	18	0.13%
One Ford Road Community Association	122,102	15	0.40%	24,030	26	0.10%
	<u>\$ 4,416,989</u>		<u>14.34%</u>	<u>\$ 1,312,879</u>		<u>5.49%</u>

Source: City Revenue Division



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