
**CITY OF
NEWPORT BEACH**

**ANNUAL
COMPREHENSIVE
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2022





*Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022*

*Prepared by the Finance Department
Jason Al-Imam, Finance Director/Treasurer*



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

INTRODUCTORY SECTION

INTRODUCTORY SECTION



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CITY OF NEWPORT BEACH
 Annual Comprehensive Financial Report
 Year Ended June 30, 2022

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(Unaudited)

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(Unaudited)

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February 6, 2023

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, 2022 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, 2022 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, 2022, are fairly presented in

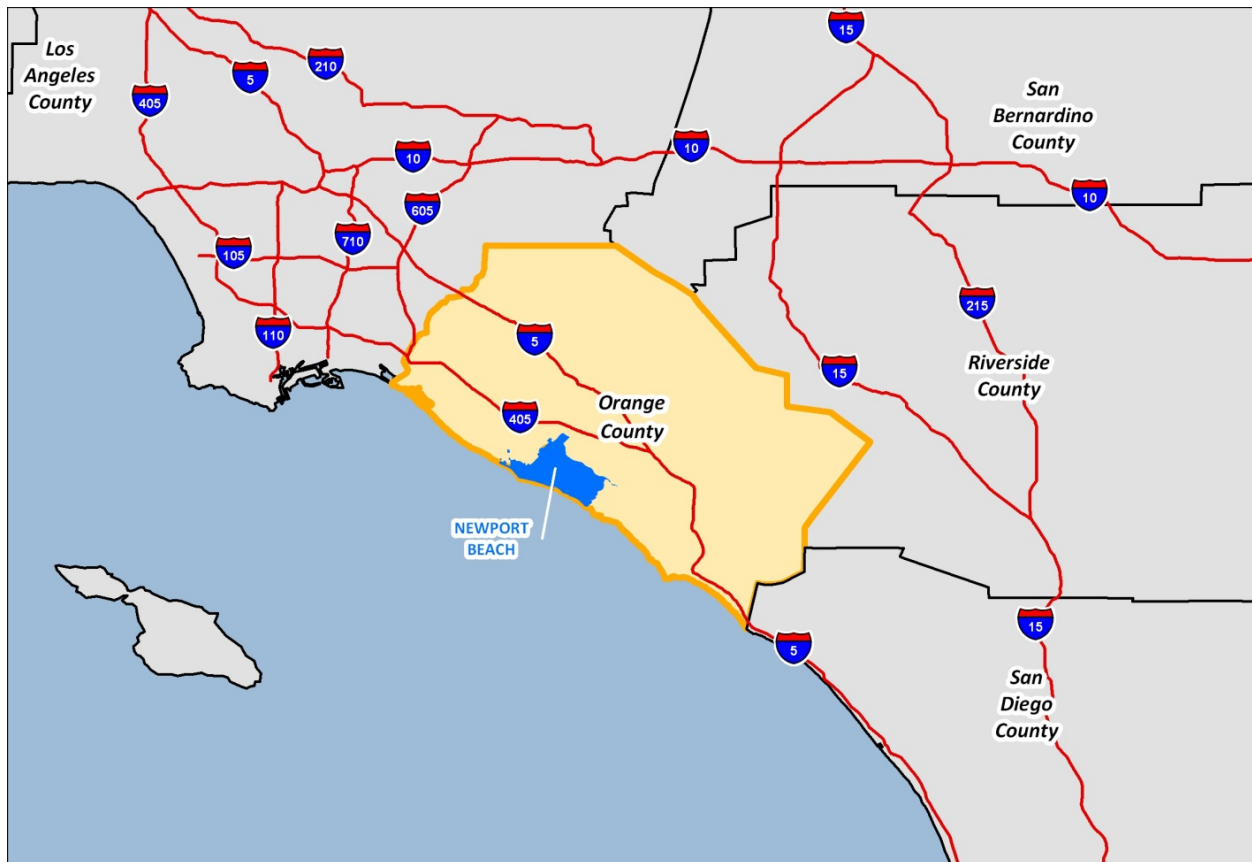
conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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 83,727, 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 is governed by seven Council Members, and 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 Mayor is selected by the City Council from among its membership and serves a one-year term. The City Council is responsible for, among

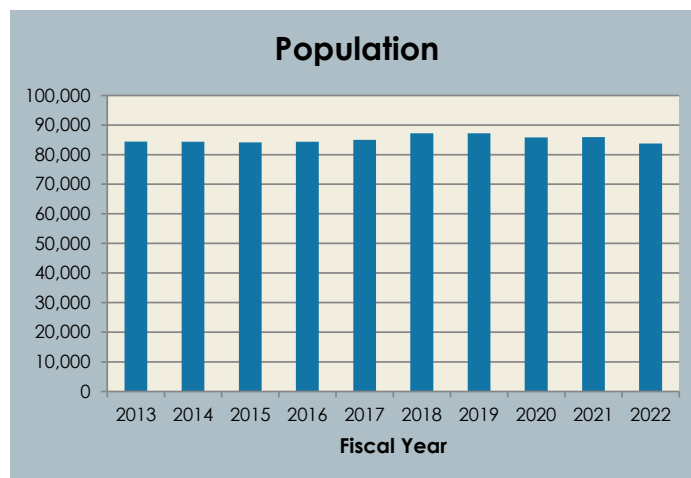
other things, policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of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

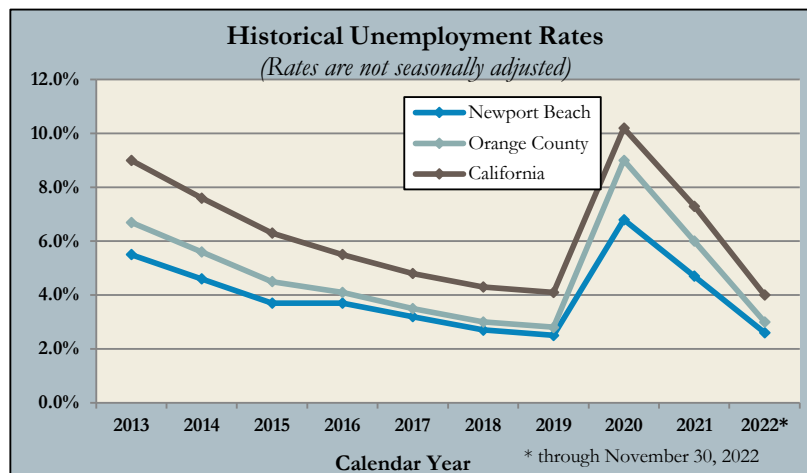
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 83,727, the population has been very stable as indicated by the following chart.



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’s median household income is nearly twice that of the U.S. median household income.

2021 Median Household Income	
City of Newport Beach	\$136,588
Orange County	100,559
California	84,907
USA	69,717

The leading industries here are professional, scientific, health care, finance, insurance, legal, and travel/tourism. Unemployment in the City declined to 2.6% as of November 2022 due to the easing of restrictions associated with the COVID-19 pandemic, and is lower compared to the state’s 4.0%, and the county’s 3.0%, 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

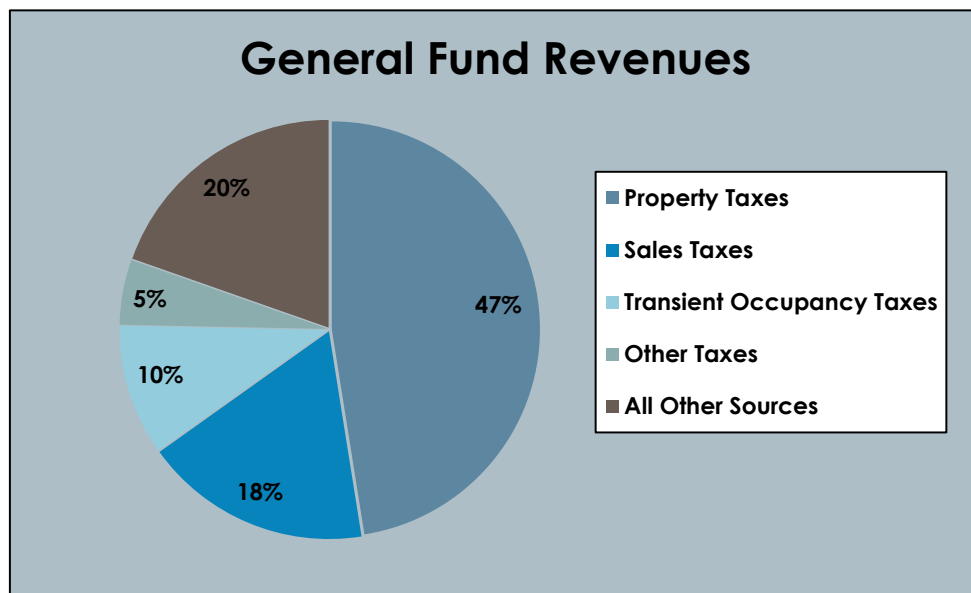
Financial results at the end of the fiscal year, along with key economic indicators such as unemployment rates, taxable sales and assessed property values, are indicative of the recent robust improvement to the local economy after emerging from the global pandemic. As COVID-19 related restrictions were significantly reduced around the beginning of the fiscal year, the City experienced a rebound in revenues much quicker than anticipated. As consumer demand increased and services returned to normal, the City ended the fiscal year in a positive financial position with the City’s General Fund revenue increasing 11.5% from the prior fiscal year.

As briefly noted in the preceding demographics section, after a sharp increase in the unemployment rate due to the pandemic, the unemployment rate has decreased a combined 4.2% over the past two years and is back to pre-pandemic levels. This is further evidence that the local economy is returning to normal levels as more people re-enter the local workforce. As such, consumer spending is expected to continue to improve which, will support additional growth in tax revenues. While recent trends in inflation provide cause for concern in the broader economy, the City is well positioned to overcome these pressures as any short-term increase in inflation would have a corresponding increase in tax revenues.

TOP THREE REVENUE SOURCES

Most General Fund revenue categories performed at or higher than their budgeted levels for the fiscal year due to more favorable economic conditions than anticipated when the budget was developed in April 2021. Actual revenues were \$22.1 million or 9.2% higher than final anticipated estimates. As discussed in more detail below, the primary positive variances were in sales tax and transient occupancy taxes.

The top three individual revenue sources, Property Taxes, Sales Taxes and Transient Occupancy Taxes (TOT), represent 75.3% of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees, and other taxes represent 80.4% of all General Fund revenues, while only 19.6% 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 almost half (47.5%) 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 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 Fiscal Year 2021-22 came in \$2.1 million or 1.7% higher than originally budgeted, which is an indication of timely property tax payments and higher valuations.

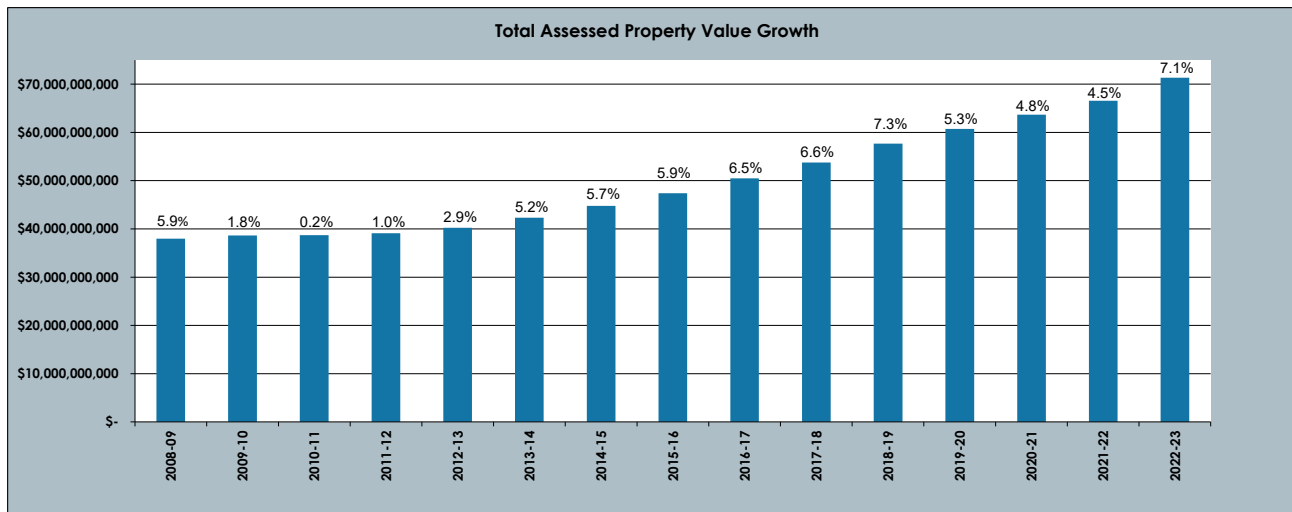
Detached single-family residential property values generally trended positively during the fiscal year. The median home sales price of detached single-family residences in Newport Beach was \$3.8 million for the quarter ending June 30, 2022, up 3.9% from the prior quarter and 18.7% higher than the quarter ending June 30, 2021. Newport Beach’s estimated median detached single-family residence price of \$3.8 million far exceeds the countywide estimated median value of \$1.2 million. With positive trends in Newport Beach home prices, this category will likely continue to improve, which bodes well for future secured property tax revenues. This positive trend is illustrated in the table below.

CITY OF NEWPORT BEACH Detached Single Family Home Values Median Price		
Calendar Year	Home Value	% Change
2013	\$1,800,000	
2014	\$1,894,500	5.25%
2015	\$1,975,000	4.25%
2016	\$2,150,000	8.86%
2017	\$2,400,000	11.63%
2018	\$2,517,000	4.88%
2019	\$2,435,000	-3.26%
2020	\$2,587,500	6.26%
2021	\$3,200,000	23.67%
2022*	\$3,700,000	15.63%

Source: HdL Coren & Cone
*Data through November 2022

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 28 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 Fiscal Year 2021-22. Over the past 10 years, assessed valuation increased an average of 5.9% per year and 6.1% over a twenty-year period. Newport Beach’s assessed property values increased 4.5%, with a local assessed value of \$66.6 billion for Fiscal Year 2021-22.

Sales Taxes

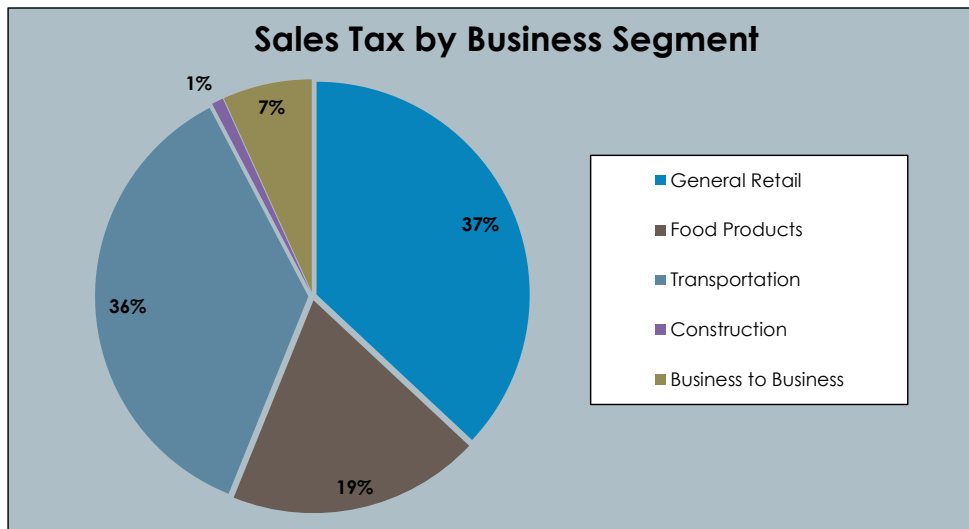
The second largest funding source for the General Fund is sales tax revenue, making up about 17.6% of General Fund revenues. The City’s sales tax base is largely generated from three industry categories – autos and transportation, general consumer goods, and restaurants/hotels. Most of these industries are also heavily impacted by tourism.

Based on the strong growth seen in the third quarter of Fiscal Year 2021-22 and the projections from the City’s sales tax consultants, staff estimated the sales tax revenue for Fiscal Year 2021-22 to finish the year at \$45.4 million in the third quarter budget update. Actual sales tax receipts came in at \$46.2 million, or \$765,000 over staff’s most recent estimate.

This increase results from two primary drivers. First, while auto sales have slowed due to inventory shortages, price increases have more than offset this decline and have resulted in strong growth in this category of sales tax revenues of 10.6% over Fiscal Year 2020-21. Second, revenues from brick-and-mortar retail establishments and restaurants & hotels have now surpassed the pre-pandemic high as consumer behavior has largely returned to normal. These revenues grew at rates of 30.3% and 37.0%, respectively, versus Fiscal Year 2020-21. Also factoring into the strong growth is revenue from fuel and service stations, with 46% growth versus the prior year due to higher fuel prices and higher demand.

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, “General Retail”, accounts

for 37.0% of total sales taxes. The next largest segments, “Transportation” and “Food Products” account for 36.2% and 19.1% of total sales taxes, respectively. The next largest sales tax segment, “Business to Business” accounts for 6.8% of total sales.



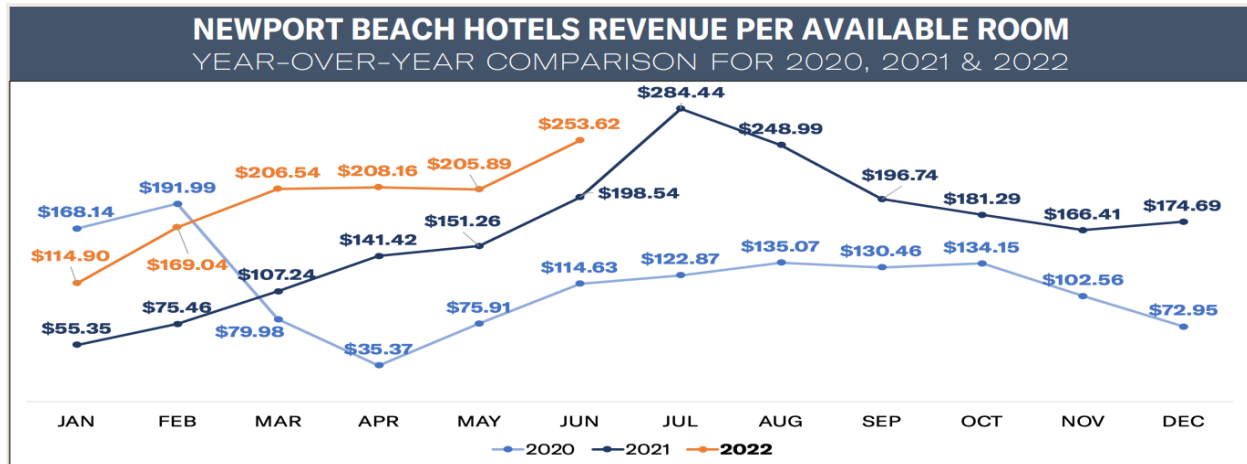
Transient Occupancy Taxes (TOT)

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 (Visit Newport Beach) 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 21 hotels and resorts and accounts for approximately 75 percent of TOT revenues. The residential category is made up of approximately 1,594 vacation rentals representing 25 percent of TOT revenue.

TOT was the City’s most severely impacted revenue source as the pandemic unfolded and most major hotels within the City were temporarily closed. The City has seen a steady rebound and comeback for TOT revenues as the effects of the pandemic have receded. Initially, the TOT budget for the Fiscal Year 2021-22 was developed in anticipation of full recovery of TOT revenues not occurring until the end of Fiscal Year 2022-23. However, staff’s revised projection in the second and third quarter budget updates estimated TOT revenues to finish at a record high level. Actual TOT revenues came in at \$26.7 million, or \$7.6 million over the Fiscal Year 2021-22 adopted budget.

Two factors caused this significant increase in TOT revenues. First, revenue from short-term lodging businesses is at a record high level. Second, many hotel properties are reporting record high TOT receipts and have been doing so for multiple consecutive months. While occupancy levels have not returned to pre-pandemic levels, they are slowly increasing. This lag in occupancy levels has been largely offset by higher daily room rates, resulting in hotel TOT revenues that are projected to approach the pre-pandemic high in Fiscal Year 2022-23. When taken together, the strong growth in residential TOT makes up for the slightly lower hotel TOT revenue and the two in total

have resulted in a record year for TOT revenues for the City. The below data provided by Visit Newport Beach illustrates these very positive trends.



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

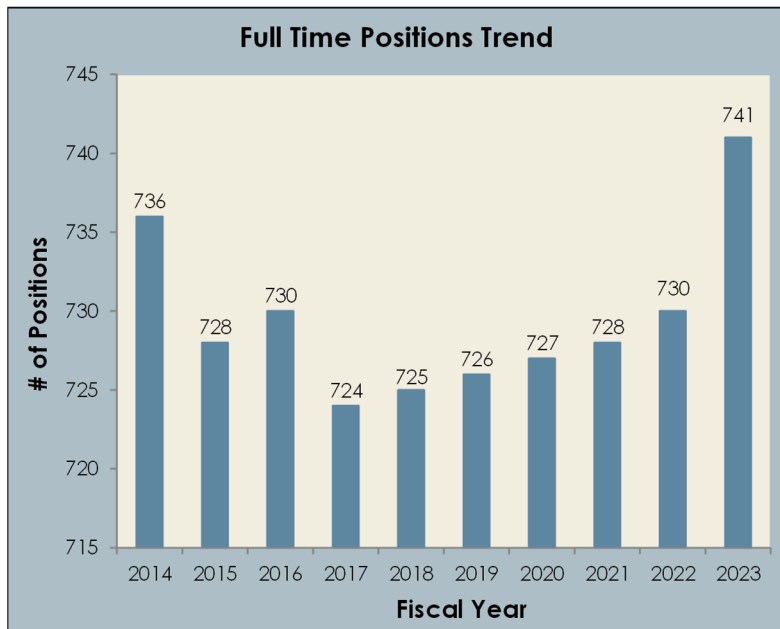
The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, revenue initiatives, competitive contracting, facility replacement planning, and more. The budget surplus utilization policy directs the use of surplus funds resulting from unrestricted General 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. 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 2021-22 by allocating resources to debt service, a junior lifeguards building and parks and community centers.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/21	\$ 28,092,597
Sources	
Licenses, Permits and Fees	382,118
Donations	863,279
Transfer In from General Fund	19,000,000
Investment Income	348,710
Net increase in fair value of investments	(1,290,437)
Total Sources	19,303,670
Uses	
Debt Service ¹	(8,741,133)
Parks and Community Centers	(4,013,862)
Junior Lifeguards	(469,637)
Total Uses	(13,224,632)
Ending Balance 6/30/22	\$ 34,171,635

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 \$6.1million from the prior fiscal year.

Pensions

As of the actuarial valuation date of June 30, 2021, the City had an Unfunded Accrued Liability (UAL) of \$223 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 59.2% of the Normal Cost of the plan, or \$10.7 million in Fiscal Year 2021-22.
- 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 and 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 fiscal year 2017-18, 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 \$40 million per year contribution toward the unfunded pension liability, which is approximately \$10 million more than is required by CalPERS. Fiscal year 2021-22 represented three years in a row the City Council appropriated an additional \$5 million toward accelerated

payment of the unfunded liability from year-end budget surplus funds. Additionally, in fiscal year 2022-23 City Council proactively appropriated an additional \$5 million toward accelerated payment of the unfunded liability from expected structural budget surplus.

AWARDS AND ACKNOWLEDGMENTS

The City has prepared an Annual Comprehensive Financial Report for the past 29 years. The City has received awards for excellence in financial reporting in each of those years.

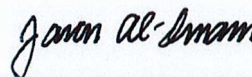
The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport Beach for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. In order to be awarded a 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



Jason Al-Imam
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, 2021

Christopher P. Morill

Executive Director/CEO

Newport Beach City Officials

City Council Members



City Executive Staff



Aaron Harp
City Attorney

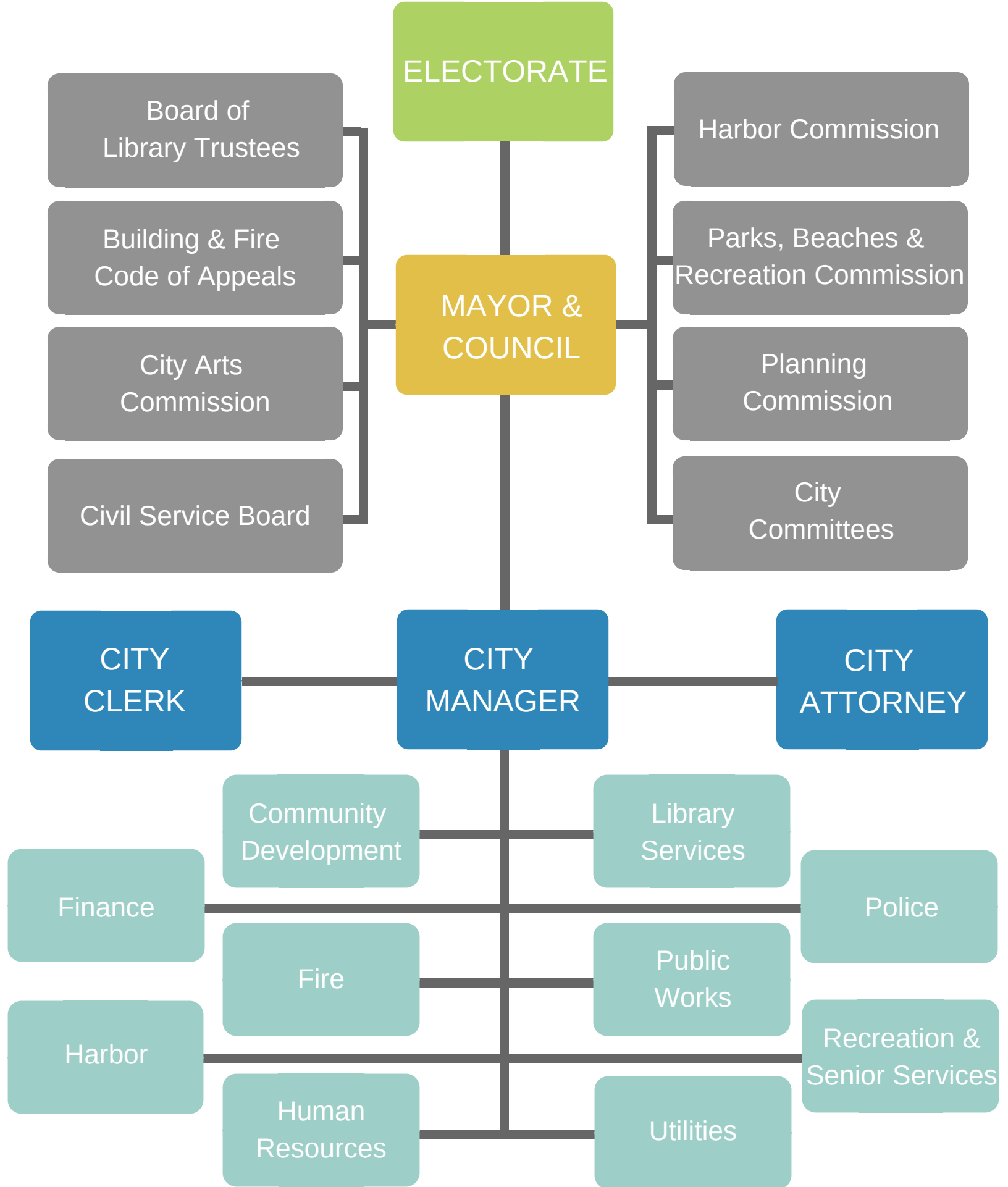


Grace K. Leung
City Manager



Leilani Brown
City Clerk

- Tara Finnigan.....Assistant City Manager
- Jason Al-Imam.....Finance Director/Treasurer
- Seimone JurjisCommunity Development Director
- Jeff Boyles.....Fire Chief
- Paul Blank.....Harbormaster
- Barbara Salvini.....Human Resources Director
- Melissa Hartson.....Library Services Director
- Joseph L. Cartwright.....Acting Police Chief
- Dave Webb.....Public Works Director
- Sean Levin.....Recreation & Senior Services Director
- Mark Vukojevic.....Utilities Director



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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 Audit of the Financial Statements

Opinion

We have audited the 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 (the "City"), as of and for the year June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Newport Beach's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of June 30, 2022, 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

As described further in note 1 to the financial statements, during the year ended June 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedules for the General Fund and each major special revenue fund, Schedules of Changes in the Net Pension Liability and Related Ratios, Schedules of Contributions, Schedule of Changes in the Net OPEB Liability and Related Ratios* and *Schedule of OPEB Contributions* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *Combining and Individual Nonmajor Fund Financial Statements* and *Budgetary Comparison Schedules* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the *Combining and Individual Nonmajor Fund Financial Statements* and *Budgetary Comparison Schedules* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *Introductory Section* and *Statistical Section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dawn Furr LLP

Irvine, California
February 6, 2023



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, 2022. 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 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 fiscal year ended June 30, 2022 was \$2.5 billion, increasing \$76.2 million or 3.2% 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 \$274.8 million. This increase is primarily due to lease receivables which are required to be reported starting with the fiscal year ending June 30, 2022 by Governmental Accounting Standards Board Statement 87 ("GASB 87"). A lease receivable is now required to be reported based on a present-value estimate of certain lease payments for leases where the City is the lessor. The remaining \$30.3 million increase is attributable to increases in cash and investments, interest receivables, and intergovernmental receivables, offset by decreases in accounts receivable (net of allowance), and prepaid items. Capital assets increased \$19.4 million, mostly due to GASB 87, which also requires intangible right to use assets to be reported based on a present-value estimate of certain lease payments for leases where the City is the lessee.

Current liabilities increased \$6.6 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 decreased \$126.2 million. The decrease is primarily due to decreases in the City's net pension liability and net and OPEB liability, offset by an increase in the City's lease liability. GASB 87 requires reporting a lease liability based on a present-value estimate of certain

lease payments for leases where the City is the lessee. See Note (10), Note (11), and Note (18) of the Notes to the Financial Statements for more information.

Figure 1
Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and other assets	\$ 327,609	\$ 603,672	\$ 40,271	\$ 38,970	\$ 367,880	\$ 642,642
Capital assets	2,324,346	2,339,355	126,028	130,464	2,450,374	2,469,819
Total assets	2,651,955	2,943,027	166,299	169,434	2,818,254	3,112,461
Deferred Outflows of Resources	70,434	63,987	2,304	2,296	72,738	66,283
Current liabilities	35,627	43,924	6,100	4,383	41,727	48,307
Long-term liabilities	463,424	340,714	10,671	7,134	474,095	347,848
Total liabilities	499,051	384,638	16,771	11,517	515,822	396,155
Deferred Inflows of Resources	878	328,685	17	3,408	895	332,093
Net Position						
Net investment in capital assets	2,227,573	2,223,774	124,776	128,245	2,352,349	2,352,019
Restricted	67,189	78,100	-	-	67,189	78,100
Unrestricted	(72,302)	(8,183)	27,039	28,560	(45,263)	20,377
Total net position	\$ 2,222,460	\$ 2,293,691	\$ 151,815	\$ 156,805	\$ 2,374,275	\$ 2,450,496

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, equipment, and intangibles) less accumulated depreciation, accumulated amortization, 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 \$78.1 million of net position, an increase of \$10.9 million from the prior fiscal year, primarily due to increased restricted net position related to public works and community services. Public works' increase is mainly from SB1 Gas Tax RMRA revenues not being spent during the fiscal year, while community services' increase is mainly from tidelands property related revenues not being spent during the fiscal year as resources are being accumulated for future large scale capital improvement projects related to the harbor.

As of June 30, 2022, unrestricted net position was \$20.4 million, an increase of \$65.6 million from the prior fiscal year, primarily due to the receipt of unrestricted revenues such as property taxes and sales taxes that were not spent or restricted by the end of the fiscal year.

GOVERNMENTAL ACTIVITIES

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

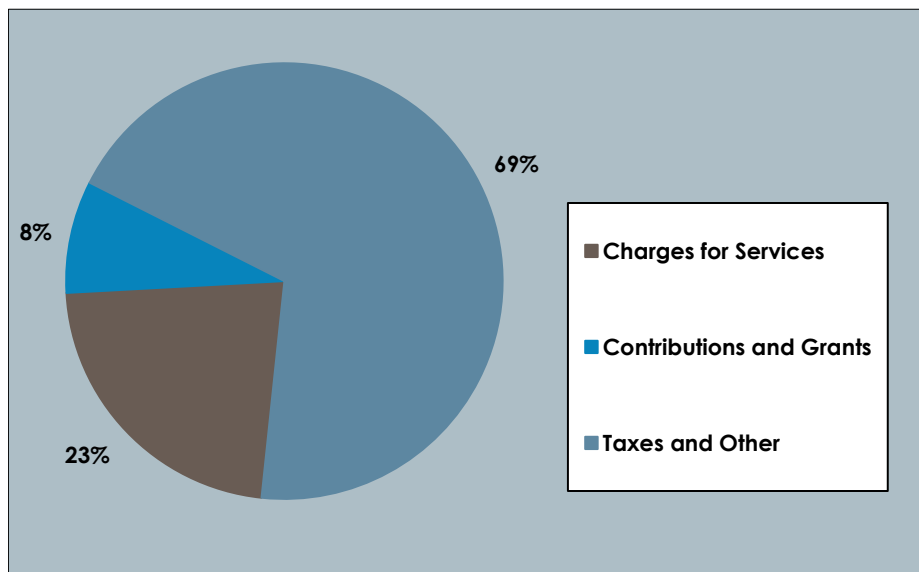
Figure 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 58,113	\$ 67,743	\$ 35,358	\$ 36,929	\$ 93,471	\$ 104,672
Operating grants and capital contributions	20,362	16,800	-	117	20,362	16,917
Capital grants and contributions	7,658	8,693	-	-	7,658	8,693
Total program revenues	86,133	93,236	35,358	37,046	121,491	130,282
General Revenues:						
Taxes:						
Property taxes	119,157	124,336	-	-	119,157	124,336
Sales tax	38,956	46,165	-	-	38,956	46,165
Transient occupancy taxes	16,886	26,677	-	-	16,886	26,677
Other taxes	12,852	13,258	-	-	12,852	13,258
Investment related income	518	(4,861)	55	(845)	573	(5,706)
Other	3,355	2,644	-	-	3,355	2,644
Total general revenues	191,724	208,219	55	(845)	191,779	207,374
Total revenues	277,857	301,455	35,413	36,201	313,270	337,656
Expenses:						
General government	20,394	19,374	-	-	20,394	19,374
Public safety	119,185	104,767	-	-	119,185	104,767
Public works	63,689	65,031	-	-	63,689	65,031
Community development	12,157	9,665	-	-	12,157	9,665
Community services	28,214	24,509	-	-	28,214	24,509
Interest	7,105	6,878	-	-	7,105	6,878
Water	-	-	28,943	27,117	28,943	27,117
Wastewater	-	-	5,223	4,094	5,223	4,094
Total expenses	250,744	230,224	34,166	31,211	284,910	261,435
Increases in net position	27,113	71,231	1,247	4,990	28,360	76,221
Net position at beginning of year	2,195,347	2,222,460	150,568	151,815	2,345,915	2,374,275
Net position at end of year	\$ 2,222,460	\$ 2,293,691	\$ 151,815	\$ 156,805	\$ 2,374,275	\$ 2,450,496

Revenues Associated with Governmental Activities Discussion

Figure 2 illustrates in detail how the \$301.4 million in Governmental Activities revenue was derived. Figure 3 summarizes this revenue by major source. As shown on Figures 2 and 3, \$67.7 million, or 22.5%, of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another \$25.5 million, or 8.4%, 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 \$208.2 million, or 69.1%, represented general revenues of the City including taxes, intergovernmental revenues, and other miscellaneous revenues.

Figure 3
Governmental Activities Revenue Sources
Year Ended June 30, 2022



As illustrated in Figure 2, program revenues related to Governmental Activities increased \$7.1 million from the prior year. This increase was primarily attributable to increases in charges for services from recreation fee-based classes, the Junior Lifeguard program, and construction related plan fees which is indicative of recovery from pandemic related restrictions. Additionally, capital grants and contributions increased due to contributions from property owners related to assessment districts. These increases were offset by a decrease in operating grants and contributions due to a decrease in Covid-19 grant revenue.

The City's general revenues related to Governmental Activities increased about \$16.5 million from the prior year primarily due to increases in property taxes, sales taxes, transient occupancy taxes, and other taxes, offset by decreases in investment and other income. Increases in virtually all tax revenue categories is indicative of a broad recovery from pandemic related restrictions. The decrease in investment income is due to fair value decreases in the City's investment portfolio as the United States' Federal Reserve raised the federal funds interest rate range in response to inflation. These fair value decreases are unrealized as the City normally holds investments to maturity and receives the full par value at the time of maturity.

Property tax is the largest revenue source for the City and collections finished the year \$5.2 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 \$46.2 million, sales taxes represent the second largest individual revenue source for the City. Sales taxes increased \$7.2 million from the previous year. This was due to strong consumer spending on luxury automobiles and the easing of pandemic related restrictions which allowed retail establishments, restaurants and hotels to surpass pre-pandemic activity.

Transient occupancy taxes (TOT), the City's third largest revenue source, finished the year at \$26.7 million, which is an increase of \$9.8 million from the previous fiscal year. Both hotel TOT

and residential TOT increased, which was mostly due to higher daily hotel room rates and increased short term residential lodging revenue.

Investment income, comprised of both interest income and unrealized gains/losses, decreased about \$5.4 million from the prior fiscal year. 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.

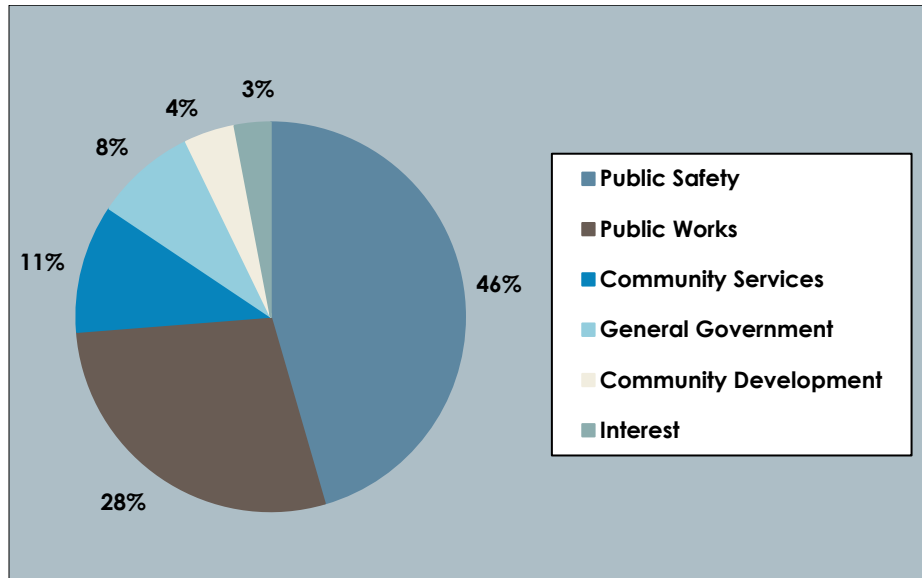
Community Services is comprised of three departments (Library Services, Recreation & Senior Services, and Harbor) providing library services, cultural and arts programs, recreation services, senior social and transportation services, and harbor programs and services.

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 \$230.2 million of Governmental Activities expense was derived. The decrease of \$20.5 million from the prior year is mostly due to a decrease in public safety related pension liabilities. See Note (10) of the Notes to the Financial Statements for more information.

Figure 4 below summarizes the Governmental Activities expenses shared across function.

Figure 4
Governmental Activities Functional Expenses
Year Ended June 30, 2022

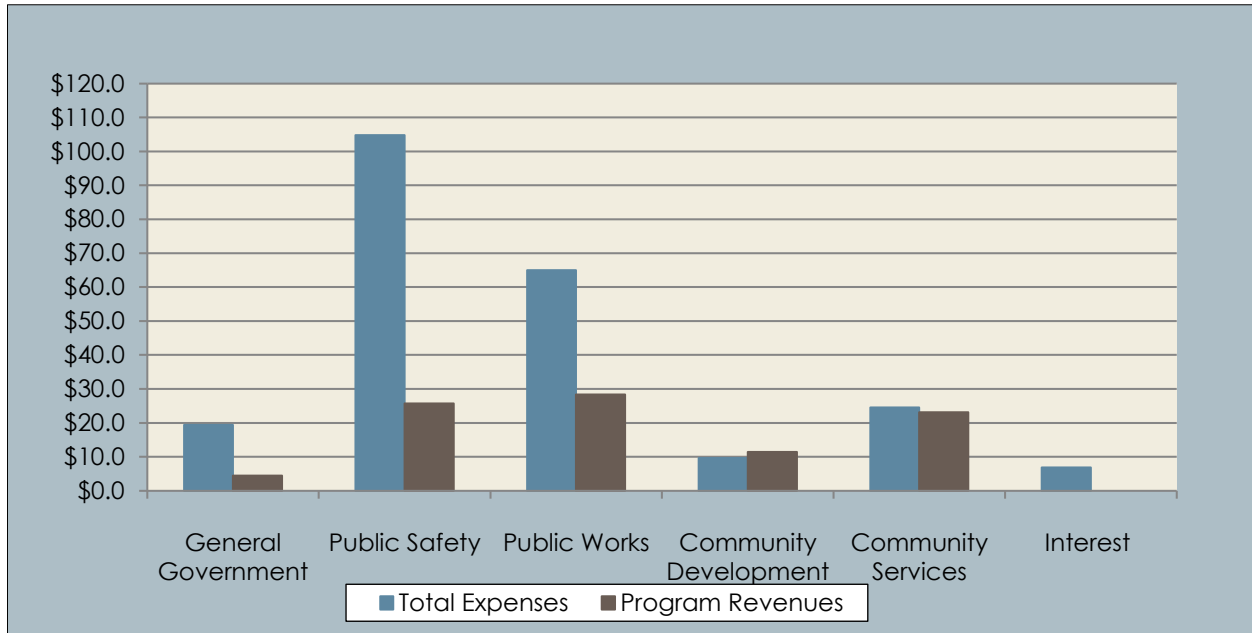


Figures 5 and 6 illustrate the net cost of each service. The net cost represents the amount that governmental activities are subsidized by taxes and other general revenues of the City.

Figure 5
Governmental Activities
(in thousands)

	2021		2022	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 20,394	\$ (16,342)	\$ 19,374	\$ (14,833)
Public safety	119,185	(93,945)	104,767	(79,083)
Public works	63,689	(38,984)	65,031	(36,627)
Community development	12,157	(1,205)	9,665	1,844
Community services	28,214	(7,029)	24,509	(1,410)
Interest	7,105	(7,105)	6,878	(6,878)
	<u>\$ 250,744</u>	<u>\$ (164,610)</u>	<u>\$ 230,224</u>	<u>\$ (136,987)</u>

Figure 6
Program Expenses and Revenues – Governmental Activities
Year Ended June 30, 2022
(in millions)



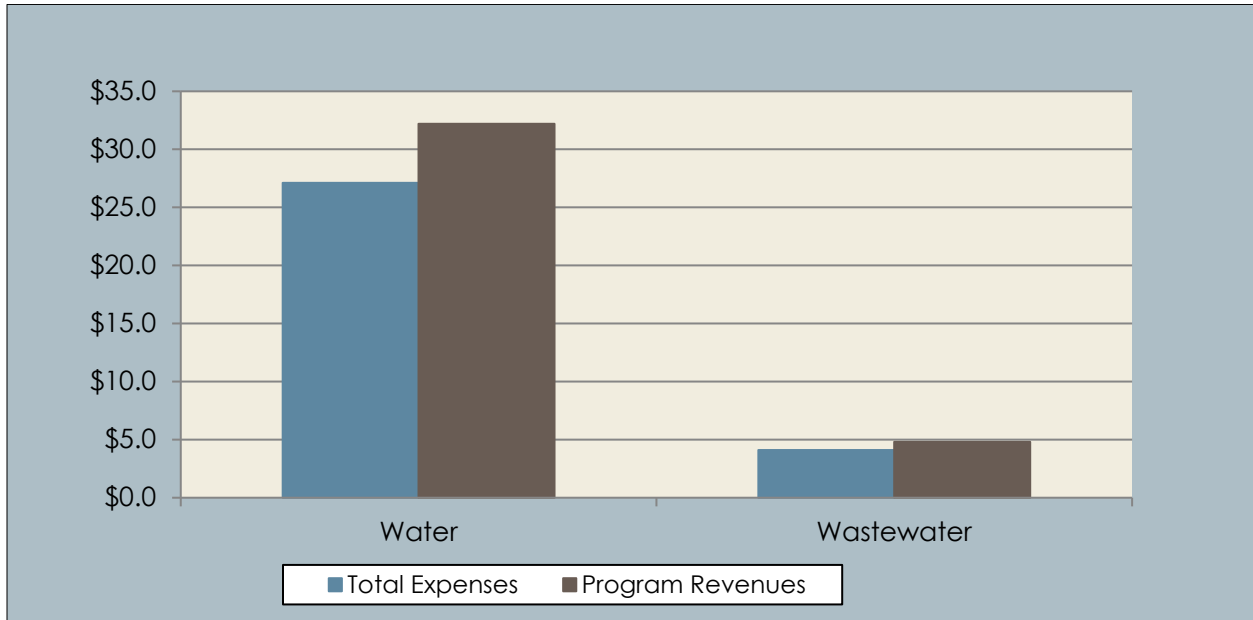
BUSINESS-TYPE ACTIVITIES

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 \$36.2 million. Program revenues totaled \$37.0 million and were offset by \$845,000 of negative general revenues related to a net decrease in the fair value of investments. As shown in Figure 7 on the following page, Water activities represents about \$32.2 million (87.0%) of program revenues, while Wastewater activities represents \$4.8 million (13.0%) of program revenues.

Figure 7
Program Expenses and Revenue – Business-type Activities
Year Ended June 30, 2022
(in millions)



Expenses Associated with Business-Type Activities Discussion

Current year expenses for Business-type Activities totaled \$31.2 million, a decrease of about \$3.0 million over prior year as shown in Figure 2. This is attributable to a decrease in salaries and benefits, system maintenance, and miscellaneous expenses.

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

Water

Of the \$27.1 million in water related expenses, \$12.3 million (45.3%) is for the purchase of water, \$4.4 million (16.3%) covers employee related costs, \$5.3 million (19.5%) is for maintenance, supplies, and depreciation of the water system, \$2.5 million (9.3%) is for professional services, \$1.7 million (6.4%) is for utility payments and the remaining \$878,008 (3.2%) is collectively attributable to other miscellaneous expenses.

Wastewater

Of the \$4.1 million in wastewater related expenses, \$2.2 million (52.7%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.2 million (30.4%) is for employee related costs, and the remaining approximately \$689,247 (16.9%) 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 \$248.0 million, an increase of \$25.7 million from the prior year. The increase is the net result of increases in fund balances in the Tide and Submerged Land – Operating Fund, Tide and Submerged Land – Harbor Capital Fund, Facilities Financial Planning Reserve Fund, other special revenue funds, and other capital projects funds in aggregate; offset by decreases in the General Fund, Debt Service Fund, and other permanent funds in aggregate. The General Fund represented \$97.1 million or 39.2% of the combined fund balances of the Governmental Funds.

Figure 8
Governmental Funds Fund Balance
(in thousands)

	2021	2022	Change
General Fund	\$ 105,953	\$ 97,139	\$ (8,814)
Tide and Submerged Land - Operating	4,313	4,548	235
Tide and Submerged Land - Harbor Capital	23,608	31,534	7,926
Facilities Financial Planning Reserve	28,093	34,172	6,079
Debt Service Fund	2,256	2,199	(57)
Non-major special revenue	21,798	27,844	6,046
Non-major capital projects	29,608	44,044	14,436
Non-major permanent	6,673	6,487	(186)
	<u>\$ 222,302</u>	<u>\$ 247,967</u>	<u>\$ 25,665</u>

The following describes the classification of fund balance as of June 30, 2022. 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 \$14.1 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$14.1 million nonspendable fund balance, \$1.0 million is for prepaid items, \$286,074 is for inventories, \$8.2 million is for long-term loan receivables, and \$4.6 million is for permanent endowments.

Restricted Fund Balance – The City has \$73.0 million in fund balance classified as restricted to indicate that it has an externally imposed restriction on how the money may be spent. Of the \$73.0 million restricted fund balance, \$3.7 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 \$1.3 million is restricted for the Upper Newport Bay restoration; \$31.5 million is restricted in the Tidelands and Submerged Land – Harbor Capital Fund for capital projects related to the harbor; and \$2.2 million is restricted for debt service. Of the remaining \$35.6 million in

restricted fund balance, \$27.9 million is restricted for various special revenue funds, \$5.1 million is restricted for the Assessment District Fund, \$721,413 is restricted for the Fire Station Fund, and \$1.9 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has \$77.7 million in fund balance classified as committed to indicate that the City Council has committed how the money will be spent. Of the \$77.7 million committed fund balance, \$4.4 million is committed in the General Fund for encumbrances; \$800,000 is committed in the Tide and Submerged Land – Operating Fund; \$34.2 million is committed in the Facilities Financial Planning Reserve Fund; \$23.5 million is committed in the Unrestricted Capital Improvements Fund; \$7.7 million is committed in the Parks and Community Center Fund; \$2.7 million is committed to the Facilities Maintenance Fund; \$1.9 million is committed in the Fire Station Fund; \$1.5 million is committed in the Neighborhood Enhancement Fund; \$484,163 is committed in the Civic Center and Park Fund; \$429,064 is committed in Balboa Village Parking Management District Fund; and \$87,734 is committed in the Junior Lifeguards Fund.

Assigned Fund Balance – The City does not have any fund balance classified as assigned. Assigned fund balance is fund balance which is not restricted or committed and is classified as assigned to indicate the City Manager’s intent to be used for specific purposes.

Unassigned Fund Balance – The remaining \$83.2 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 \$27.1 million or 11.5% higher than prior year mostly due to a combined \$22.2 million increase in the City’s top three revenues sources – property taxes, sales taxes and transient occupancy taxes – with a \$5.2 million increase in property taxes as the City’s assessed valuation continued to increase due primarily to the appreciation of home values, a \$7.2 million increase in sales taxes as consumer spending increased and pandemic related restrictions eased, and a \$9.8 million increase in transient occupancy taxes due to higher daily hotel room rates and short term lodging revenues reaching a record high level. General Fund expenditures finished \$6.9 million or 3.4% higher than the prior fiscal year mostly due to increased costs to comply with state mandates related to recycling and providing assistance to the local homeless population, increased costs for contract instructors for fee based recreation classes as Covid-19 restrictions receded, and one-time lump sum payments to employees as part of updating agreements with employee bargaining units. Though revenues exceeded expenditures by more than \$51.4 million, there were substantial transfers out of the General Fund totaling \$61.5 million mostly for capital improvement projects. In total, fund balance in the General Fund decreased \$8.8 million and ended the year at \$97.1 million.
- Fund balance for the Tide and Submerged Land – Operating Fund increased \$235,043 and ended the current year with \$4.5 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 \$7.9 million ending at \$31.5 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 \$6.1 million to end the current year at \$34.2 million in fund balance. This was mainly due to the revenue from donations and transfer in from the General Fund to ultimately cash fund construction projects related to facilities.
- Fund balance for the Debt Service Fund decreased \$56,432 ending at \$2.2 million. The decrease was due to administrative charges and debt service related to servicing certificates of participation.

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 \$4.2 million partly due to the continuing implementation of water service rate increases and reduction in capital improvement expenses for system maintenance. Additionally, salaries and benefits expenses decreased mostly due to reduced pension expenses. See Note (10) of the Notes to the Financial Statements for additional pension information.
- Net position in the Wastewater Fund increased \$568,619 mainly due to reduced allocations of administrative and other expenses, and reduced system maintenance expenses.

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

- Total net position in the Internal Service Funds increased \$1.0 million in the current fiscal year. This was mostly due to operating income of \$3.9 million, which included increases in revenue from charges for services for 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 \$2.9 million. Approximately \$1.3 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$5.6 million from the original budget during the year ended June 30, 2022. Factors contributing to this fluctuation are highlighted as follows:

- Property Tax revenue budgets were increased by \$1.6 million due to higher prior year total assessed valuation.

- Final budgeted intergovernmental revenue increased \$2.2 million primarily due to adjustments related to Fire Department mutual aid reimbursements and SB-2 Permanent Local Housing Allocation grant funds.
- Charges for services increased from the adopted budget, in the amount of \$964,120. This adjustment is related to increased revenue received from recreation fee-based classes and Junior Lifeguard program.
- Miscellaneous revenues, donations, and property income all were adjusted upward from the adopted budget by a total of \$804,251. Increases were due to increased percentage-based rent revenues from the Lido House Hotel lease due to the hotel's increased revenues and donations received for various programs.

Final budgeted expenditures for the General Fund decreased \$4.7 million from the original budget during the year ended June 30, 2022. The significant factors contributing to the decrease are as follows:

- The addition of \$7.9 million to the benefits and salary budget associated with an additional discretionary payment of \$5.0 million toward the City's unfunded pension liability and \$2.9 million related to approved city contracts with City Employee associations.
- Budgeted carryovers from Fiscal Year 2020-21 totaled \$3.1 million were added to the adopted budget.
- An amendment in the amount of \$637,000 was approved by the City Council to increase the contract instructor budgets for fee based recreation classes. These increases were fully offset by the additional revenue in the Service Fees & Charges category.
- The above additions were offset by a \$17.6 million decrease for the routine reclassification of General Fund expenditures as Tidelands expenditures. This reclassification occurs at year end once all such eligible expenditures can be properly attributed to Tidelands activity.

Variance with Final Budget

Actual General Fund revenues came in at \$22.1 million above final budgeted revenues for the year ended June 30, 2022. Significant factors contributing to this favorable variance are summarized as follows:

- Sales tax revenue came in \$5.9 million higher due to strong consumer spending in certain industries such as autos and transportation, brick-and-mortar retail establishments and restaurants & hotels, and fuel and service stations.
- Transient occupancy tax was \$7.6 million higher due to increased revenue from short-term lodging businesses and many hotel properties reporting record high TOT receipts.
- Other Taxes ended the year \$2.4 million higher than projected due primarily to strong growth in property transfer taxes related to a very active housing market.

- Charges for services came in \$2.9 million higher due primarily to receipts for paramedic service fees, plan check fees, as well as revenue received from recreation fee-based classes and the Junior Lifeguard program.
- Property Income ended the year \$3.2 million higher mainly due to both parking revenues and percentage-based rent revenues from the Lido House Hotel ending the year higher than projected.

Actual General Fund expenditures of \$210.4 million were less than final budgetary estimates of \$221.3 million. The \$10.9 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, 2022, amounts to \$2.5 billion, net of accumulated depreciation/amortization. This is comprised of a broad range of tangible 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; and, intangible capital assets including the rights to use land and rights of way, structures and equipment. The total capital assets increased \$19.4 million over the prior fiscal year, of which \$15.6 million was due to a prior period adjustment to record intangible right to use assets in accordance with GASB 87.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Land	\$ 1,897,520	\$ 1,899,966	\$ 2,219	\$ 2,219	\$ 1,899,739	\$ 1,902,185
Intangible right to use land and rights of way	-	-	-	1,509	-	1,509
Structures	186,077	183,197	409	394	186,486	183,591
Intangible right to use structures	-	13,021	-	-	-	13,021
Equipment	18,428	19,017	154	126	18,582	19,143
Intangible right to use equipment	-	310	-	-	-	310
Infrastructure	210,945	211,008	122,831	122,484	333,776	333,492
Work in progress	11,375	12,836	415	3,731	11,790	16,567
Totals	\$ 2,324,345	\$ 2,339,355	\$ 126,028	\$ 130,463	\$ 2,450,373	\$ 2,469,818

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

- Capital asset additions totaled \$34.0 million in both the Governmental and Business-type Activities in the current year. Of the \$34.0 million, \$11.6 million represents additions of infrastructure assets mostly related to the road system and water system; \$5.5 million is related to equipment and intangible right to use equipment additions; \$2.4 million is related

to structure additions at parks and a fire station. The remaining \$14.5 million is comprised of additions of non-depreciable/non-amortizable assets such as work in progress, \$12.1 million, and land and rights of way of \$2.4 million.

- Of the \$28.1 million of additions in governmental assets in the current year, additions in infrastructure contributed \$9.4 million, which was mostly due to upgrades in the road system. The remaining \$18.7 million added in the current year as governmental assets, is comprised of \$2.4 million of land additions and \$2.4 million of structure additions both related to Grant Howald Park upgrades, \$8.4 million of work in progress, mostly related to the ongoing construction of a new fire station and upgrades to the road system, and \$5.5 million of equipment and intangible right to use equipment additions mostly related to vehicle purchases and the use of communication equipment for lifeguard towers.
- The \$5.9 million of business-type asset additions in the current year is comprised of \$2.2 million in water and sewer system infrastructure additions, and \$3.7 million of work in progress additions related to water system improvements.

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

Long-term Debt

Figure 10
Outstanding Debt at Year End
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Certificates of participation	\$ 105,490	\$ 101,550	\$ -	\$ -	\$ 105,490	\$ 101,550
Bond premium	1,291	1,149	-	-	1,291	1,149
CDBG Loan	403	208	-	-	403	208
Totals	<u>\$ 107,184</u>	<u>\$ 102,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,184</u>	<u>\$ 102,907</u>

The City’s total debt decreased \$4.3 million during the current fiscal year. The decrease is the result of expected debt service payments. Additional information on the City’s long-term debt obligation can be found in Note (6) of the Notes to the Financial Statements.

FACTORS AFFECTING NEXT YEAR’S BUDGET

Economy

The local economy is currently supported by a strong labor market with the unemployment rate in Orange County at 3%. However, consumer demand in certain segments of the economy is beginning to cool as the Federal Reserve continues to aggressively raise interest rates to fight inflation. Nonetheless, the economic outlook for the City of Newport Beach is projected to remain positive for the foreseeable future. A slower rate of growth in the upcoming fiscal year is generally anticipated for revenues compared to the level of growth that we have seen in the past few years coming out of the pandemic-induced recession.

Local Revenue Trends

Property tax revenue, the City's largest source of revenue, is projected to increase approximately 7% next fiscal year, which is largely related to the inflation adjustment indexed at the 2% cap allowed by Proposition 13 and due to changes in ownership.

Sales tax revenue is the second largest source of General Fund revenue. Approximately 85% of sales tax revenue is generated from autos and transportation, restaurants and hotels, general consumer goods, and the State and County pools. Sales tax revenue is projected to increase approximately 6% next fiscal year due to continued growth across all industry groups, except for fuel and service stations. The growth in sales tax revenue next fiscal year is largely due to the following:

- Autos and Transportation – After a surge of growth in the wake of the pandemic, it is expected that the auto industry may face challenges in the years ahead due to a combination of high prices, rapidly escalating costs to finance a vehicle purchase and a slowing economy. Supply chain issues and the chip shortage are abating, which is resulting in lower prices for used cars. We may also see lower prices for new cars if demand is challenged by the factors already mentioned, which are causing growing headwinds for the industry. Therefore, modest growth in sales tax revenue from autos and transportation is projected.
- Restaurants and Hotels – Over the past two years there has been a shift in spending from tangible goods to spending on travel, dining and leisure, and entertainment. Therefore, in light of continued demand and higher menu prices, robust growth in sales tax revenue from restaurants and hotels is projected.
- General Consumer Goods – Modest growth in sales tax revenue from general consumer goods is projected as consumers are expected to continue to shift spending on tangible goods to travel, dining and leisure, and entertainment. It is also expected that high inflation may result in a decrease in consumer spending on discretionary purchases.
- State and County Pools – Continued growth in revenue from the pools is projected next year as we expect internet sales to continue to grow at a more rapid pace than traditional brick-and-mortar store sales.

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.

The City Council adopted a Fiscal Year 2022-23 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.

During the adoption of the budget for Fiscal Year 2022-23, the City Council approved funding for the continuation of an aggressive pension paydown strategy, which includes \$45 million being paid to CalPERS next fiscal year towards the unfunded liability, which is approximately \$15 million more than the amount required to be paid. If the City continues to pay \$45 million annually to CalPERS towards the City’s unfunded liability, the City projects the pension liability will be eliminated within the next decade assuming CalPERS earn 6.8% on investments on average over the next 10 years.

Overall, the City’s total debt burden is low and remains affordable. The economy benefits from the City’s mature, robust 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 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



FINANCIAL SECTION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FINANCIAL SECTION

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CITY OF NEWPORT BEACH
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 4)	\$ 322,121,389	\$ 32,172,940	\$ 354,294,329
Receivables:			
Accounts (net of allowance)	7,543,346	7,125,135	14,668,481
Interest	941,295	94,550	1,035,845
Intergovernmental receivables	13,555,871	-	13,555,871
Lease receivables	244,473,579	-	244,473,579
Restricted cash and investments with fiscal agent (note 4)	10,134,793	-	10,134,793
Internal balances	422,817	(422,817)	-
Investment in joint ventures (note 14)	241,967	-	241,967
Inventory	667,459	-	667,459
Prepaid items	3,569,781	-	3,569,781
Capital assets (note 5):			
Non-depreciable/non-amortizable	1,912,801,825	5,950,037	1,918,751,862
Depreciable/amortizable	712,497,374	200,696,840	913,194,214
Accumulated depreciation/amortization	(285,944,253)	(76,183,318)	(362,127,571)
Total assets	<u>2,943,027,243</u>	<u>169,433,367</u>	<u>3,112,460,610</u>
Deferred Outflows of Resources:			
Deferred amount from pension plans (note 10)	52,341,633	1,656,052	53,997,685
Deferred amount from OPEB (note 11)	11,645,310	640,408	12,285,718
Total deferred outflows of resources	<u>63,986,943</u>	<u>2,296,460</u>	<u>66,283,403</u>
Liabilities:			
Accounts payable	17,064,425	4,136,502	21,200,927
Accrued payroll	5,539,582	211,734	5,751,316
Accrued interest payable	3,468,116	-	3,468,116
Deposits payable	2,893,545	35,253	2,928,798
Unearned revenue	14,958,074	-	14,958,074
Noncurrent liabilities:			
Due within one year:			
Lease liability (note 18)	1,052,350	16,723	1,069,073
Other (note 6)	14,330,533	-	14,330,533
Due in more than one year:			
Net pension liability (note 10)	171,482,270	4,763,767	176,246,037
Net OPEB liability (note 11)	15,776,760	857,358	16,634,118
Lease liability (note 18)	12,268,690	1,495,851	13,764,541
Other (note 6)	125,804,238	-	125,804,238
Total liabilities	<u>384,638,583</u>	<u>11,517,188</u>	<u>396,155,771</u>
Deferred Inflows of Resources:			
Deferred amount from pension plans (note 10)	80,797,682	3,174,741	83,972,423
Deferred amount from OPEB (note 11)	4,237,778	233,341	4,471,119
Deferred amount from leases	243,649,149	-	243,649,149
Total deferred inflows of resources	<u>328,684,609</u>	<u>3,408,082</u>	<u>332,092,691</u>
Net Position:			
Net investment in capital assets	2,223,773,786	128,244,924	2,352,018,710
Restricted for:			
Public safety	680,713	-	680,713
Public works	27,363,131	-	27,363,131
Community services	40,581,786	-	40,581,786
Community development	788,229	-	788,229
Debt service	2,199,363	-	2,199,363
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,857,493	-	1,857,493
Unrestricted	(8,183,288)	28,559,633	20,376,345
Total net position	<u>\$ 2,293,690,994</u>	<u>\$ 156,804,557</u>	<u>\$ 2,450,495,551</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Program Revenues				Total Program Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 19,374,179	\$ 3,625,809	\$ 915,589	\$ -	\$ 4,541,398
Public safety	104,767,466	23,156,703	2,524,620	2,970	25,684,293
Public works	65,031,715	7,538,103	12,401,245	8,465,329	28,404,677
Community development	9,664,500	11,119,757	374,914	13,372	11,508,043
Community services	24,508,702	22,302,788	583,671	211,758	23,098,217
Interest on long-term debt	6,877,577	-	-	-	-
Total governmental activities	<u>230,224,139</u>	<u>67,743,160</u>	<u>16,800,039</u>	<u>8,693,429</u>	<u>93,236,628</u>
Business-type activities:					
Water	27,117,471	32,104,202	116,629	-	32,220,831
Wastewater	4,094,448	4,825,249	-	-	4,825,249
Total business-type activities	<u>31,211,919</u>	<u>36,929,451</u>	<u>116,629</u>	<u>-</u>	<u>37,046,080</u>
Total primary government	<u>\$ 261,436,058</u>	<u>\$ 104,672,611</u>	<u>\$ 16,916,668</u>	<u>\$ 8,693,429</u>	<u>\$ 130,282,708</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
\$ (14,832,781)	\$ -	\$ (14,832,781)
(79,083,173)	-	(79,083,173)
(36,627,038)	-	(36,627,038)
1,843,543	-	1,843,543
(1,410,485)	-	(1,410,485)
<u>(6,877,577)</u>	<u>-</u>	<u>(6,877,577)</u>
<u>(136,987,511)</u>	<u>-</u>	<u>(136,987,511)</u>
-	5,103,360	5,103,360
-	730,801	730,801
<u>-</u>	<u>5,834,161</u>	<u>5,834,161</u>
<u>(136,987,511)</u>	<u>5,834,161</u>	<u>(131,153,350)</u>
124,335,985	-	124,335,985
46,164,860	-	46,164,860
26,677,331	-	26,677,331
4,363,145	-	4,363,145
4,561,278	-	4,561,278
4,333,071	-	4,333,071
1,995,214	345,218	2,340,432
(6,856,640)	(1,190,093)	(8,046,733)
2,644,194	-	2,644,194
<u>208,218,438</u>	<u>(844,875)</u>	<u>207,373,563</u>
71,230,927	4,989,286	76,220,213
<u>2,222,460,067</u>	<u>151,815,271</u>	<u>2,374,275,338</u>
<u>\$ 2,293,690,994</u>	<u>\$ 156,804,557</u>	<u>\$ 2,450,495,551</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 **Debt Service Fund** is used to account for debt service transactions related to the Certificates of Participation issued to finance the construction of the Civic Center Complex and the construction of Fire Station No. 2.

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, 2022
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)	\$ 87,600,313	\$ 4,745,087	\$ 39,666,573	\$ 10,271,759
Receivables:				
Accounts (net of allowance)	5,337,987	1,972,271	-	-
Interest	325,667	50,387	107,649	-
Intergovernmental receivables	11,577,642	-	-	-
Lease receivables	67,674,877	176,798,702	-	-
Restricted cash and investments with fiscal agent (note 4)	-	-	-	-
Advance to other funds (note 12)	8,176,659	-	-	-
Due from other funds (note 12)	460,259	-	-	-
Prepaid items	944,410	-	-	-
Inventory	286,074	-	-	-
Total assets	<u>\$ 182,383,888</u>	<u>\$ 183,566,447</u>	<u>\$ 39,774,222</u>	<u>\$ 10,271,759</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,271,177	\$ 1,710,218	\$ 63,091	\$ 80,478
Accrued payroll	5,200,291	38,725	-	-
Deposits payable	2,700,956	192,589	-	-
Unearned revenue	2,722,111	757,105	-	10,191,281
Advance from other funds (note 12)	-	-	8,176,659	-
Due to other funds (note 12)	-	-	-	-
Total liabilities	<u>17,894,535</u>	<u>2,698,637</u>	<u>8,239,750</u>	<u>10,271,759</u>
Deferred Inflows of Resources:				
Unavailable revenue	20,833	-	-	-
Deferred amount from leases	67,329,139	176,320,010	-	-
Total deferred inflows of resources	<u>67,349,972</u>	<u>176,320,010</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	944,410	-	-	-
Inventories	286,074	-	-	-
Long-term loan receivable	8,176,659	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Upper Newport Bay restoration	-	1,318,126	-	-
Other	-	2,429,674	31,534,472	-
Committed:				
Oil and gas	-	800,000	-	-
Other	4,429,573	-	-	-
Unassigned	83,302,665	-	-	-
Total fund balances	<u>97,139,381</u>	<u>4,547,800</u>	<u>31,534,472</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 182,383,888</u>	<u>\$ 183,566,447</u>	<u>\$ 39,774,222</u>	<u>\$ 10,271,759</u>

(continued)

CITY OF NEWPORT BEACH
Governmental Funds
Balance Sheet
June 30, 2022
Page 2 of 2

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
	<u>Facilities Financial Planning Reserve</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Assets				
Cash and investments (note 4)	\$ 27,784,144	\$ -	\$ 82,853,560	\$ 252,921,436
Receivables:				
Accounts (net of allowance)	-	-	215,849	7,526,107
Interest	102,239	-	151,830	737,772
Intergovernmental receivables	-	-	1,978,229	13,555,871
Lease receivables	-	-	-	244,473,579
Restricted cash and investments with fiscal agent (note 4)	-	8,507,568	1,627,225	10,134,793
Advance to other funds (note 12)	-	-	-	8,176,659
Due from other funds (note 12)	6,308,136	-	-	6,768,395
Prepaid items	-	-	60,649	1,005,059
Inventory	-	-	-	286,074
Total assets	<u>\$ 34,194,519</u>	<u>\$ 8,507,568</u>	<u>\$ 86,887,342</u>	<u>\$ 545,585,745</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 69	\$ 5,971,727	\$ 15,096,760
Accrued payroll	-	-	1,513	5,240,529
Deposits payable	-	-	-	2,893,545
Unearned revenue	22,884	-	1,264,693	14,958,074
Advance from other funds (note 12)	-	-	-	8,176,659
Due to other funds (note 12)	-	6,308,136	107,258	6,415,394
Total liabilities	<u>22,884</u>	<u>6,308,205</u>	<u>7,345,191</u>	<u>52,780,961</u>
Deferred Inflows of Resources:				
Unavailable revenue	-	-	1,167,620	1,188,453
Deferred amount from leases	-	-	-	243,649,149
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,167,620</u>	<u>244,837,602</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	60,649	1,005,059
Inventories	-	-	-	286,074
Long-term loan receivable	-	-	-	8,176,659
Permanent endowment	-	-	4,629,781	4,629,781
Restricted:				
Upper Newport Bay restoration	-	-	-	1,318,126
Other	-	2,199,363	35,531,573	71,695,082
Committed:				
Oil and gas	-	-	-	800,000
Other	34,171,635	-	38,271,899	76,873,107
Unassigned	-	-	(119,371)	83,183,294
Total fund balances	<u>34,171,635</u>	<u>2,199,363</u>	<u>78,374,531</u>	<u>247,967,182</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,194,519</u>	<u>\$ 8,507,568</u>	<u>\$ 86,887,342</u>	<u>\$ 545,585,745</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, 2022

Fund balances of governmental funds	\$	247,967,182
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets net of accumulated depreciation have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.</p>		2,321,566,334
<p>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. Amounts exclude long-term debt activity from internal service funds which have been added below:</p>		
Certificates of participation payable - Series 2010B		(94,465,000)
Certificates of participation payable - Series 2020A		(7,085,000)
Bond premium - Series 2020A		(1,148,895)
CDBG loan		(208,000)
Lease liability		(13,057,605)
<p>Pension related debt applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension are only reported in the Statement of Net Position as the changes in these amounts affect only the government-wide statements for governmental activities. Amounts exclude internal service fund activity which has been added below:</p>		
Deferred outflows of resources		51,252,394
Deferred inflows of resources		(78,709,554)
Pension liability		(168,348,987)
<p>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:</p>		
Deferred outflows of resources		11,224,090
Deferred inflows of resources		(4,084,301)
OPEB liability		(15,212,842)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(3,468,116)
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.		1,188,453
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.		45,616,057
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.		241,967
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.		422,817
Net position of governmental activities	\$	2,293,690,994

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, 2022
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	\$ 124,335,985	\$ -	\$ -	\$ -
Sales tax	46,164,860	-	-	-
Transient occupancy tax	26,677,331	-	-	-
Other taxes	13,257,494	-	-	-
Intergovernmental	4,450,372	-	-	122,543
Licenses, permits and fees	6,058,428	121,046	-	-
Charges for services	22,867,045	30,430	-	-
Fines and forfeitures	4,154,153	37,365	-	-
Investment income	1,237,762	127,362	416,225	-
Net decrease in fair value of investments	(3,853,265)	(515,127)	(1,434,907)	-
Property income	14,377,859	14,249,864	5,143,027	-
Donations	874,978	-	-	-
Special assessments	-	-	-	-
Other	1,169,064	-	-	-
Total revenues	261,772,066	14,050,940	4,124,345	122,543
Expenditures:				
Current:				
General government	15,693,078	1,582,165	-	122,543
Public safety	114,336,303	12,654,288	-	-
Public works	41,829,359	5,190,652	-	-
Community development	12,804,328	3,543	-	-
Community services	24,646,728	1,774,413	-	-
Capital outlay	-	1,279,777	697,869	-
Debt service (note 6):				
Principal	1,003,250	-	-	-
Interest and fiscal charges	75,177	-	-	-
Total expenditures	210,388,223	22,484,838	697,869	122,543
Excess (deficiency) of revenues over expenditures	51,383,843	(8,433,898)	3,426,476	-
Other financing sources (uses):				
Transfers in (note 13)	1,284,630	8,668,941	4,500,000	-
Transfers out (note 13)	(61,482,490)	-	-	-
Total other financing sources (uses)	(60,197,860)	8,668,941	4,500,000	-
Net change in fund balances	(8,814,017)	235,043	7,926,476	-
Fund balances, beginning	105,953,398	4,312,757	23,607,996	-
Fund balances, ending	\$ 97,139,381	\$ 4,547,800	\$ 31,534,472	\$ -

(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, 2022
Page 2 of 2

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
	<u>Facilities Financial Planning Reserve</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues:				
Taxes and assessments:				
Property tax	\$ -	\$ -	\$ -	\$ 124,335,985
Sales tax	-	-	-	46,164,860
Transient occupancy tax	-	-	-	26,677,331
Other taxes	-	-	823,732	14,081,226
Intergovernmental	-	2,194,366	12,916,026	19,683,307
Licenses, permits and fees	382,118	-	434,108	6,995,700
Charges for services	-	-	-	22,897,475
Fines and forfeitures	-	-	-	4,191,518
Investment income	348,710	5,088	621,565	2,756,712
Net decrease in fair value of investments	(1,290,437)	-	(1,807,026)	(8,900,762)
Property income	-	-	-	33,770,750
Donations	863,279	-	66,992	1,805,249
Special assessments	-	-	8,086,594	8,086,594
Other	-	-	272,749	1,441,813
	<u>303,670</u>	<u>2,199,454</u>	<u>21,414,740</u>	<u>303,987,758</u>
Total revenues				
Expenditures:				
Current:				
General government	-	-	-	17,397,786
Public safety	-	-	599,895	127,590,486
Public works	-	-	7,273,523	54,293,534
Community development	-	-	213,691	13,021,562
Community services	-	-	-	26,421,141
Capital outlay	-	-	26,625,747	28,603,393
Debt service (note 6):				
Principal	-	3,940,000	195,000	5,138,250
Interest and fiscal charges	-	7,057,019	9,068	7,141,264
	<u>-</u>	<u>10,997,019</u>	<u>34,916,924</u>	<u>279,607,416</u>
Total expenditures	<u>-</u>	<u>10,997,019</u>	<u>34,916,924</u>	<u>279,607,416</u>
Excess (deficiency) of revenues over expenditures	<u>303,670</u>	<u>(8,797,565)</u>	<u>(13,502,184)</u>	<u>24,380,342</u>
Other financing sources (uses):				
Transfers in (note 13)	19,000,000	8,741,133	33,866,860	76,061,564
Transfers out (note 13)	(13,224,632)	-	(69,812)	(74,776,934)
	<u>5,775,368</u>	<u>8,741,133</u>	<u>33,797,048</u>	<u>1,284,630</u>
Total other financing sources (uses)	<u>5,775,368</u>	<u>8,741,133</u>	<u>33,797,048</u>	<u>1,284,630</u>
Net change in fund balances	6,079,038	(56,432)	20,294,864	25,664,972
Fund balances, beginning	<u>28,092,597</u>	<u>2,255,795</u>	<u>58,079,667</u>	<u>222,302,210</u>
Fund balances, ending	<u>\$ 34,171,635</u>	<u>\$ 2,199,363</u>	<u>\$ 78,374,531</u>	<u>\$ 247,967,182</u>

See accompanying notes to basic financial statements

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CITY OF NEWPORT BEACH
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2022

Net change in fund balances - total governmental funds	\$	25,664,972
<p>Amounts reported for governmental activities in the statement of activities differ from the amounts reported in governmental funds because:</p>		
<p>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.</p>		(678,348)
<p>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:</p>		
Repayment of principal on bonds		4,135,000
Amortization of principal on leases		1,003,250
<p>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.</p>		
Amortization of bond premium - Series 2020A		142,131
<p>Accrued interest for debt service is the net change in accrued interest for the current period.</p>		
		122,176
<p>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.</p>		
		37,868,065
<p>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.</p>		
		2,890,389
<p>Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds. This is the net change in unavailable revenue for the current period.</p>		
		(722,579)
<p>Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported in the statement of activities.</p>		
		1,042,536
<p>Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities.</p>		
		(14,895)
<p>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.</p>		
		<u>(221,770)</u>
Change in net position of governmental activities	\$	<u>71,230,927</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes and assessments:				
Property	\$ 122,229,980	\$ 123,833,217	\$ 124,335,985	\$ 502,768
Sales	40,275,670	40,275,670	46,164,860	5,889,190
Transient occupancy	19,027,493	19,027,493	26,677,331	7,649,838
Other taxes	10,815,117	10,815,117	13,257,494	2,442,377
Intergovernmental	1,760,934	3,946,667	4,450,372	503,705
Licenses, permits and fees	5,106,646	5,106,646	6,058,428	951,782
Charges for services	19,046,329	20,010,449	22,867,045	2,856,596
Fines and forfeitures	3,292,102	3,292,102	4,154,153	862,051
Investment income	1,112,200	1,112,200	1,237,762	125,562
Net decrease in fair value of investments	-	-	(3,853,265)	(3,853,265)
Property income	10,726,345	11,173,219	14,377,859	3,204,640
Donations	401,550	527,372	874,978	347,606
Other	332,598	564,153	1,169,064	604,911
	<u>234,126,964</u>	<u>239,684,305</u>	<u>261,772,066</u>	<u>22,087,761</u>
Total revenues				
Expenditures:				
General government:				
City council	788,911	843,187	585,602	257,585
City clerk	945,367	1,191,456	1,199,672	(8,216)
City attorney	2,425,351	2,506,635	2,368,444	138,191
City manager	4,296,947	4,358,235	2,265,294	2,092,941
Finance	6,675,039	5,998,242	6,347,684	(349,442)
Human resources	3,119,670	3,210,866	2,926,382	284,484
Total general government	<u>18,251,285</u>	<u>18,108,621</u>	<u>15,693,078</u>	<u>2,415,543</u>
Public safety:				
Police	67,401,926	67,425,168	64,063,936	3,361,232
Fire	55,861,885	49,890,956	50,272,367	(381,411)
Total public safety	<u>123,263,811</u>	<u>117,316,124</u>	<u>114,336,303</u>	<u>2,979,821</u>
Public works:				
Public works - general services	30,230,658	30,792,353	28,338,164	2,454,189
Public works	11,074,579	8,901,520	8,258,881	642,639
Utilities	5,144,631	5,267,693	5,232,314	35,379
Total public works	<u>46,449,868</u>	<u>44,961,566</u>	<u>41,829,359</u>	<u>3,132,207</u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
General Fund
For the Year Ended June 30, 2022
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Community development:				
Community development	11,932,324	12,430,747	11,975,531	455,216
Code and water quality enforcement	840,081	865,582	828,797	36,785
Total community development	<u>12,772,405</u>	<u>13,296,329</u>	<u>12,804,328</u>	<u>492,001</u>
Community services:				
Parking operations	2,210,660	2,686,829	2,025,631	661,198
Library services	9,655,108	10,453,688	9,454,173	999,515
Recreation and senior services	13,360,496	14,447,029	13,166,924	1,280,105
Total community services	<u>25,226,264</u>	<u>27,587,546</u>	<u>24,646,728</u>	<u>2,940,818</u>
Debt service:				
Principal	-	-	1,003,250	(1,003,250)
Interest and fiscal charges	-	-	75,177	(75,177)
Total Debt Service	<u>-</u>	<u>-</u>	<u>1,078,427</u>	<u>(1,078,427)</u>
Total expenditures	<u>225,963,633</u>	<u>221,270,186</u>	<u>210,388,223</u>	<u>10,881,963</u>
Excess of revenues over expenditures	<u>8,163,331</u>	<u>18,414,119</u>	<u>51,383,843</u>	<u>32,969,724</u>
Other financing sources (uses):				
Transfers in	1,284,630	1,284,630	1,284,630	-
Transfers out	(20,200,000)	(61,482,490)	(61,482,490)	-
Total other financing sources (uses)	<u>(18,915,370)</u>	<u>(60,197,860)</u>	<u>(60,197,860)</u>	<u>-</u>
Net change in fund balance	(10,752,039)	(41,783,741)	(8,814,017)	32,969,724
Fund balance, beginning	<u>105,953,398</u>	<u>105,953,398</u>	<u>105,953,398</u>	<u>-</u>
Fund balance, ending	<u>\$ 95,201,359</u>	<u>\$ 64,169,657</u>	<u>\$ 97,139,381</u>	<u>\$ 32,969,724</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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 59,388	\$ 59,388	\$ 121,046	\$ 61,658
Charges for services	15,940	15,940	30,430	14,490
Fines and forfeitures	24,500	24,500	37,365	12,865
Investment income	192,208	192,208	127,362	(64,846)
Net decrease in fair value of investments	-	-	(515,127)	(515,127)
Property income	12,045,872	12,045,872	14,249,864	2,203,992
Total revenues	<u>12,337,908</u>	<u>12,337,908</u>	<u>14,050,940</u>	<u>1,713,032</u>
Expenditures:				
General government	-	1,582,165	1,582,165	-
Public safety	-	12,654,288	12,654,288	-
Public works	1,204,323	4,596,921	5,190,652	(593,731)
Community development	-	-	3,543	(3,543)
Community services	1,931,915	1,950,160	1,774,413	175,747
Capital outlay	-	3,862,955	1,279,777	2,583,178
Total expenditures	<u>3,136,238</u>	<u>24,646,489</u>	<u>22,484,838</u>	<u>2,161,651</u>
Excess (deficiency) of revenues over expenditures	<u>9,201,670</u>	<u>(12,308,581)</u>	<u>(8,433,898)</u>	<u>3,874,683</u>
Other financing sources:				
Transfers in	-	8,668,941	8,668,941	-
Net change in fund balance	9,201,670	(3,639,640)	235,043	3,874,683
Fund balance, beginning	<u>4,312,757</u>	<u>4,312,757</u>	<u>4,312,757</u>	<u>-</u>
Fund balance, ending	<u>\$ 13,514,427</u>	<u>\$ 673,117</u>	<u>\$ 4,547,800</u>	<u>\$ 3,874,683</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, 2022

	<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	\$ 416,225	\$ (19,916)
Net decrease in fair value of investments	-	-	(1,434,907)	(1,434,907)
Property income	<u>3,632,368</u>	<u>3,632,368</u>	<u>5,143,027</u>	<u>1,510,659</u>
Total revenues	<u>4,068,509</u>	<u>4,068,509</u>	<u>4,124,345</u>	<u>55,836</u>
Expenditures:				
Capital outlay	<u>-</u>	<u>13,209,374</u>	<u>697,869</u>	<u>12,511,505</u>
Excess (deficiency) of revenues over expenditures	<u>4,068,509</u>	<u>(9,140,865)</u>	<u>3,426,476</u>	<u>12,567,341</u>
Other financing sources:				
Transfers in	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>-</u>
Net change in fund balance	8,568,509	(4,640,865)	7,926,476	12,567,341
Fund balance, beginning	<u>23,607,996</u>	<u>23,607,996</u>	<u>23,607,996</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 32,176,505</u></u>	<u><u>\$ 18,967,131</u></u>	<u><u>\$ 31,534,472</u></u>	<u><u>\$ 12,567,341</u></u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Budgetary Comparison Statement
American Rescue Plan Act
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 122,543	\$ 122,543	\$ -
Expenditures:				
General government	-	122,543	122,543	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to basic financial statements



FINANCIAL SECTION

FUND FINANCIAL STATEMENTS
PROPRIETARY FUNDS

FINANCIAL SECTION

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PROPRIETARY FUNDS

Business-type Activities

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

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

Governmental Activities

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

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Net Position
June 30, 2022

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and investments	\$ 28,588,747	\$ 3,584,193	\$ 32,172,940	\$ 69,199,953
Receivables:				
Accounts (net of allowance)	6,175,271	949,864	7,125,135	17,239
Interest	84,033	10,517	94,550	203,523
Inventories	-	-	-	381,385
Prepaid items	-	-	-	2,564,722
Total current assets	34,848,051	4,544,574	39,392,625	72,366,822
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Intangible right to use land	1,529,906	-	1,529,906	-
Structures	688,396	-	688,396	39,581
Equipment	301,193	35,988	337,181	45,532,018
Intangible right to use equipment	-	-	-	348,272
Software	-	-	-	3,603,419
Infrastructure	149,314,763	48,826,594	198,141,357	-
Work in progress	3,730,587	-	3,730,587	639,243
Less accumulated depreciation/amortization	(55,556,180)	(20,627,138)	(76,183,318)	(32,373,921)
Total capital assets (net of accumulated depreciation/amortization)	102,228,115	28,235,444	130,463,559	17,788,612
Total assets	137,076,166	32,780,018	169,856,184	90,155,434
Deferred outflows of resources:				
Deferred amount from pension plans	1,196,537	459,515	1,656,052	1,089,239
Deferred amount from OPEB	462,712	177,696	640,408	421,220
Total deferred outflows of resources	1,659,249	637,211	2,296,460	1,510,459
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable	4,026,652	109,850	4,136,502	1,967,665
Accrued payroll	163,392	48,342	211,734	299,053
Deposits payable	35,253	-	35,253	-
Due to other funds (note 12)	-	-	-	353,001
Workers' compensation - current	-	-	-	2,930,962
General liability - current	-	-	-	2,865,644
Compensated absences - current	-	-	-	4,385,927
Lease liability - current	16,723	-	16,723	66,721
Total current liabilities	4,242,020	158,192	4,400,212	12,868,973
Noncurrent liabilities:				
Workers' compensation (note 6)	-	-	-	12,823,626
General liability (note 6)	-	-	-	5,830,236
Compensated absences (note 6)	-	-	-	8,391,481
Lease liability (note 18)	1,495,851	-	1,495,851	196,714
Net pension liability (note 10)	3,441,952	1,321,815	4,763,767	3,133,283
Net OPEB liability	619,464	237,894	857,358	563,918
Total noncurrent liabilities	5,557,267	1,559,709	7,116,976	30,939,258
Total liabilities	9,799,287	1,717,901	11,517,188	43,808,231
Deferred inflows of resources:				
Deferred amount from pension plans	2,293,838	880,903	3,174,741	2,088,128
Deferred amount from OPEB	168,596	64,745	233,341	153,477
Total deferred inflows of resources	2,462,434	945,648	3,408,082	2,241,605
Net Position				
Net investment in capital assets	100,009,480	28,235,444	128,244,924	19,430,947
Unrestricted	26,464,214	2,518,236	28,982,450	26,185,110
Total net position	\$ 126,473,694	\$ 30,753,680	157,227,374	\$ 45,616,057
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(422,817)	
Net position of business-type activities			\$ 156,804,557	

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, 2022

	<u>Enterprise Funds</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total Enterprise Funds</u>	
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 31,906,955	\$ -	\$ 31,906,955	\$ -
Charges for services	-	-	-	31,336,461
Sewer service and connection fees	-	4,779,466	4,779,466	-
Employee contributions	-	-	-	40,451
Other	313,876	45,783	359,659	710,943
Total operating revenues	<u>32,220,831</u>	<u>4,825,249</u>	<u>37,046,080</u>	<u>32,087,855</u>
Operating expenses:				
Purchase of water	12,278,115	-	12,278,115	-
Salaries and benefits	4,410,909	1,245,958	5,656,867	2,657,821
Depreciation/amortization	1,782,434	643,813	2,426,247	3,694,580
Professional services	2,518,358	351,738	2,870,096	411,601
Maintenance and supplies	2,473,665	927,042	3,400,707	3,314,595
System maintenance	1,027,412	588,388	1,615,800	-
Utilities	1,740,902	70,661	1,811,563	-
Fleet parts and supplies	-	-	-	572,898
Telecommunication	-	-	-	216,006
Hardware	-	-	-	336,181
Software	-	-	-	233,186
Workers' compensation	-	-	-	4,213,387
Claims and judgments	-	-	-	5,957,756
Compensated absences	-	-	-	2,058,475
OPEB ARC - cash subsidy	-	-	-	4,499,498
Other	1,029,714	336,912	1,366,626	20,637
Total operating expenses	<u>27,261,509</u>	<u>4,164,512</u>	<u>31,426,021</u>	<u>28,186,621</u>
Operating income (loss)	<u>4,959,322</u>	<u>660,737</u>	<u>5,620,059</u>	<u>3,901,234</u>
Nonoperating revenues (expenses):				
Investment income	309,968	35,250	345,218	732,235
Net decrease in fair value of investments	(1,062,725)	(127,368)	(1,190,093)	(2,596,623)
Gain on sale of capital assets	-	-	-	290,940
Interest expense	(7,668)	-	(7,668)	(620)
Total nonoperating revenues (expenses)	<u>(760,425)</u>	<u>(92,118)</u>	<u>(852,543)</u>	<u>(1,574,068)</u>
Income (loss) before transfers	<u>4,198,897</u>	<u>568,619</u>	<u>4,767,516</u>	<u>2,327,166</u>
Transfers out (note 13)	-	-	-	(1,284,630)
Change in net position	<u>4,198,897</u>	<u>568,619</u>	<u>4,767,516</u>	<u>1,042,536</u>
Net position, beginning of year	<u>122,274,797</u>	<u>30,185,061</u>		<u>44,573,521</u>
Net position, end of year	<u>\$ 126,473,694</u>	<u>\$ 30,753,680</u>		<u>\$ 45,616,057</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			221,770	
Change in net position of business-type activities			<u>\$ 4,989,286</u>	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2022

	<u>Enterprise Funds</u>			<u>Governmental Activities Internal Service Funds</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total Enterprise Funds</u>	
Cash flows from operating activities:				
Cash received from customers or user departments	\$ 31,558,243	\$ 4,771,968	\$ 36,330,211	\$ 32,534,581
Cash payments to employees for services	(5,579,800)	(1,700,199)	(7,279,999)	(9,723,148)
Cash payments to suppliers for goods and services	(21,820,373)	(1,906,156)	(23,726,529)	(13,760,353)
Cash payments for other operating activities	(715,838)	(291,129)	(1,006,967)	-
Cash received for other operating activities	-	-	-	751,394
Net cash provided by operating activities	<u>3,442,232</u>	<u>874,484</u>	<u>4,316,716</u>	<u>9,802,474</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	165
Cash paid to other funds	-	-	-	(1,284,630)
Net cash (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,284,465)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(5,481,615)	-	(5,481,615)	(5,024,863)
Lease liabilities and related	(25,000)	-	(25,000)	(33,041)
Proceeds from sale of capital assets	-	150,165	150,165	290,940
Net cash provided (used) for capital and related financing activities	<u>(5,506,615)</u>	<u>150,165</u>	<u>(5,356,450)</u>	<u>(4,766,964)</u>
Cash flows from investing activities:				
Investment (loss)	(745,012)	(94,861)	(839,873)	(1,870,669)
Net cash (used) by investing activities	<u>(745,012)</u>	<u>(94,861)</u>	<u>(839,873)</u>	<u>(1,870,669)</u>
Net increase (decrease) in cash and cash equivalents	(2,809,395)	929,788	(1,879,607)	1,880,376
Cash and cash equivalents, beginning	31,398,142	2,654,405	34,052,547	67,319,577
Cash and cash equivalents, ending	<u>\$ 28,588,747</u>	<u>\$ 3,584,193</u>	<u>\$ 32,172,940</u>	<u>\$ 69,199,953</u>
Reconciliation to the statement of net position:				
Cash and investments reported on statement of net position	\$ 28,588,747	\$ 3,584,193	\$ 32,172,940	\$ 69,199,953
Cash and cash equivalents	<u>\$ 28,588,747</u>	<u>\$ 3,584,193</u>	<u>\$ 32,172,940</u>	<u>\$ 69,199,953</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 4,959,322	\$ 660,737	\$ 5,620,059	\$ 3,901,234
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,782,434	643,813	2,426,247	3,694,580
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(453,888)	(7,498)	(461,386)	1,198,120
Decrease in intergovernmental receivables	99,863	-	99,863	-
Decrease in inventories	-	-	-	66,070
Decrease in prepaid items	-	-	-	1,804,417
Increase (decrease) in accounts payable and accrued payroll	(1,757,212)	35,811	(1,721,401)	(471,619)
Increase in deposits payable	5,313	-	5,313	-
Increase in workers' compensation	-	-	-	1,001,588
Increase in general liability	-	-	-	430,245
(Decrease) in compensated absences	-	-	-	(735,599)
(Decrease) in net pension liability and deferred cash flows	(1,070,895)	(411,256)	(1,482,151)	(974,860)
(Decrease) in net OPEB liability and deferred cash flows	(122,705)	(47,123)	(169,828)	(111,702)
Total adjustments	<u>(1,517,090)</u>	<u>213,747</u>	<u>(1,303,343)</u>	<u>5,901,240</u>
Net cash provided by operating activities	<u>\$ 3,442,232</u>	<u>\$ 874,484</u>	<u>\$ 4,316,716</u>	<u>\$ 9,802,474</u>
Noncash investing, capital and financing activities:				
Net (decrease) in fair value of investments	\$ (1,062,725)	\$ (127,368)	\$ (1,190,093)	\$ (2,596,623)
Obtaining an intangible right to use lease asset	-	-	-	(295,856)
Total of noncash activities	<u>\$ (1,062,725)</u>	<u>\$ (127,368)</u>	<u>\$ (1,190,093)</u>	<u>\$ (2,892,479)</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, 2022

	<u>Custodial Funds</u>
Assets	
Cash and investments (note 4)	\$ 675,435
Restricted cash and investments with fiscal agent (note 4)	2,288,581
Receivable:	
Interest	537
Intergovernmental receivable	21,046
Total assets	<u>2,985,599</u>
Liabilities	
Due to others	<u>383,691</u>
Total liabilities	<u>383,691</u>
Net Position	
Restricted for:	
Individuals, organizations, and other governments	<u>2,601,908</u>
Total net position	<u><u>\$ 2,601,908</u></u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Custodial Funds
Additions	
Special assessments	\$ 1,664,084
Investment earnings	1,020
Other	214,543
Total additions	1,879,647
 Deductions	
Debt service	1,276,605
Administrative	66,942
Other	71,759
Total deductions	1,415,306
Net increase in fiduciary net position	464,341
Net position, beginning of year	2,137,567
Net position, end of year	\$ 2,601,908

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, 2022

(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. The Corporation is governed by a Board of Directors, which is comprised of the seven City Council Members of the City of Newport Beach. The Corporation's financial

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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, 2022

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, 2022

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 \$1,857,493. 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, 2022

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*.

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.

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Notes to Basic Financial Statements
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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.

Debt Service Fund

The Debt Service 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 and the construction of Fire Station No. 2.

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

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d. **New Accounting Pronouncements**

Current Year Standards

In fiscal year 2021-22, the City implemented the following Government Accounting Standards Board (GASB) Statements:

- GASB Statement No. 87 – “*Leases*”, effective for periods beginning after June 15, 2021. This statement changed the calculation and presentation of lease related amounts in the City’s financial statements.
- GASB Statement No. 92 – “*Omnibus 2020*”, primarily effective for periods beginning after June 15, 2021. The implementation of this statement did not have a material impact on the financial statements.
- GASB Statement No. 93 – “*Replacement of Interbank Offered Rates*”, effective for periods beginning after June 15, 2021. The implementation of this statement did not have a material impact on the financial statements.
- 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. The implementation of this statement did not have a material impact on the financial statements.

Pending Accounting Standards

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

- GASB Statement No. 91 – “*Conduit Debt Obligations*”, effective for periods beginning after December 15, 2021. The primary objective of this statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice.
- GASB Statement No. 94 – “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*”, effective for periods beginning after June 15, 2022. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements.
- GASB Statement No. 96 – “*Subscription-Based Information Technology Arrangements*”, effective for fiscal years beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for

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subscription-based information technology arrangements (SBITAs) for governments.

e. Accounts Receivable

Accounts receivable represent all service and capital project billings other than intergovernmental receivables stated below. As of June 30, 2022, 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 \$35,655,882 at June 30, 2022. This investment value is based on information provided by the State Treasurer's Office. The carrying value of the City's position in the fund is materially consistent with the fair value of the fund shares. This pool is under the regulatory oversight of the State Treasurer's Office. The LAIF Board consists of five members as designated by Statute. The Chairman is the State Treasurer, or 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.

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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, 2022, the balance of these accounts totaled \$13,555,871.

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 are tangible and intangible 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. Tangible 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 tangible capital assets and improvements are capitalized as projects are constructed. Tangible capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed tangible capital assets are valued at their estimated acquisition value at the date of contribution. Intangible capitals assets are generally an estimated present value of certain future lease payments for the leases in which the City is the lessee.

Capital assets used in operations are depreciated/amortized using the straight-line method in the government-wide financial statements and in the fund financial statements of the proprietary funds. Tangible capital assets are depreciated over their estimated useful lives. Intangible assets are amortized over the shorter of the estimated useful life of the underlying asset or the period of time included in the estimated present value. Depreciation/amortization is charged as an expense

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against operations and accumulated depreciation/amortization 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 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

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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 assets 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.

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 assets that applies to future periods

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and will not be recognized as an inflow of resources (revenue) until that time. The City has six 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. The sixth item is a deferred inflow for certain leases for which the City is lessor, and relates to a present value estimate of certain future lease payments. This amount generally is amortized over the same time period associated with the related present value estimate.

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, 2020
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

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, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

t. Lease Liabilities and Receivables

Lease liabilities and receivables are estimated present values of future lease payments. Estimating present values involves various related estimates, including lease terms and interest rates. The estimated lease term is the time period that the lease is noncancelable, plus extension and termination time periods if based on the lease agreement it is reasonable that the extensions will be exercised and the terminations will not be exercised. When a lease's implicit interest rate is not known, estimates are made of either the City's incremental borrowing rate or the rate the City may charge a lessee. Non-lease components of lease agreements have been treated as separate non-lease agreements when practicable, and are excluded from the City's estimated lease liabilities and receivables. Leases that do not meet the Governmental Accounting Standards Board's definition of a lease liability or receivable (e.g. short-term leases, etc.) also are excluded from the City's estimated lease liabilities and receivables.

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(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 \$247,967,182 differs from “net position” of governmental activities \$2,293,690,994 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, constructed or leased, the costs of those assets or leases are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$2,575,136,666
Accumulated depreciation/amortization	<u>(253,570,332)</u>
Total capital assets, net*	<u>\$2,321,566,334</u>

*Amount excludes net capital assets of \$17,788,612 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, 2022 were:

Certificates of participation – Series 2010B	\$94,465,000
Certificates of participation – Series 2020A	7,085,000
Bond premium – Series 2020A	1,148,895
CDBG loan	208,000
Lease liability	<u>13,057,605</u>
Total	<u>\$115,964,500</u>

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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>\$3,468,116</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>\$241,967</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>\$1,188,453</u>
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Internal Service Funds

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

Internal Service Funds	<u>\$45,616,057</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	\$51,252,394
Deferred Inflows of Resources	(78,709,554)
Pension Liability	(168,348,987)

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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	\$11,224,090
Deferred Inflows of Resources	(4,084,301)
OPEB Liability	(15,212,842)

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>\$422,817</u>
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Reclassifications and Eliminations

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

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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/ Amortization	Long-term Debt Transactions
Assets and Deferred Outflows of Resources				
Cash and investments	\$ 252,921,436	\$ -	\$ -	\$ -
Receivables:				
Accounts (net of allowance)	7,526,107	-	-	-
Advances to other funds	8,176,659	-	-	-
Interest	737,772	-	-	-
Intergovernmental receivables	13,555,871	-	-	-
Lease receivables	244,473,579	-	-	-
Restricted cash and investments with fiscal agent	10,134,793	-	-	-
Interfund balances	6,768,395	-	-	-
Investment in joint venture	-	-	-	-
Inventory	286,074	-	-	-
Prepaid items	1,005,059	-	-	-
Capital assets	-	2,575,136,666	-	-
Accumulated depreciation/amortization	-	-	(253,570,332)	-
	<u>\$ 545,585,745</u>	<u>\$ 2,575,136,666</u>	<u>\$ (253,570,332)</u>	<u>\$ -</u>
Deferred Outflows of Resources:				
Deferred amount from pension plans	-	-	-	51,252,394
Deferred amount from OPEB	-	-	-	11,224,090
	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,476,484</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,476,484</u>
	<u>\$ 545,585,745</u>	<u>\$ 2,575,136,666</u>	<u>\$ (253,570,332)</u>	<u>\$ 62,476,484</u>
Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position				
Liabilities:				
Accounts payable	\$ 15,096,760	\$ -	\$ -	\$ -
Accrued payroll	5,240,529	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,893,545	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Lease liability	-	-	-	985,629
Unearned revenue	14,958,074	-	-	-
Due to other funds	6,415,394	-	-	-
Advance from other funds	8,176,659	-	-	-
Long-term liabilities	-	-	-	298,540,700
	<u>52,780,961</u>	<u>-</u>	<u>-</u>	<u>299,526,329</u>
Deferred Inflows of Resources:				
Unavailable revenue	1,188,453	-	-	-
Deferred amount from pension plans	-	-	-	78,709,554
Deferred amount from OPEB	-	-	-	4,084,301
Deferred amount from leases	243,649,149	-	-	-
	<u>244,837,602</u>	<u>-</u>	<u>-</u>	<u>82,793,855</u>
Total deferred inflows of resources	<u>244,837,602</u>	<u>-</u>	<u>-</u>	<u>82,793,855</u>
Fund balances / net position	<u>247,967,182</u>	<u>2,575,136,666</u>	<u>(253,570,332)</u>	<u>(319,843,700)</u>
	<u>\$ 545,585,745</u>	<u>\$ 2,575,136,666</u>	<u>\$ (253,570,332)</u>	<u>\$ 62,476,484</u>
Total liabilities, deferred inflows of resources and fund balances / net position	<u>\$ 545,585,745</u>	<u>\$ 2,575,136,666</u>	<u>\$ (253,570,332)</u>	<u>\$ 62,476,484</u>

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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>
\$ -	\$ -	\$ -	\$ 69,199,953	\$ -	\$ 322,121,389
-	-	-	17,239	-	7,543,346
-	-	-	-	(8,176,659)	-
-	-	-	203,523	-	941,295
-	-	-	-	-	13,555,871
-	-	-	-	-	244,473,579
-	-	-	-	-	10,134,793
-	-	-	-	(6,345,578)	422,817
-	241,967	-	-	-	241,967
-	-	-	381,385	-	667,459
-	-	-	2,564,722	-	3,569,781
-	-	-	50,162,533	-	2,625,299,199
-	-	-	(32,373,921)	-	(285,944,253)
<u>\$ -</u>	<u>\$ 241,967</u>	<u>\$ -</u>	<u>\$ 90,155,434</u>	<u>\$ (14,522,237)</u>	<u>\$ 2,943,027,243</u>
-	-	-	1,089,239	-	52,341,633
-	-	-	421,220	-	11,645,310
-	-	-	1,510,459	-	63,986,943
<u>\$ -</u>	<u>\$ 241,967</u>	<u>\$ -</u>	<u>\$ 91,665,893</u>	<u>\$ (14,522,237)</u>	<u>\$ 3,007,014,186</u>
\$ -	\$ -	\$ -	\$ 1,967,665	\$ -	\$ 17,064,425
-	-	-	299,053	-	5,539,582
3,468,116	-	-	-	-	3,468,116
-	-	-	-	-	2,893,545
-	-	-	2,865,644	-	2,865,644
-	-	-	2,930,962	-	2,930,962
-	-	-	4,385,927	-	4,385,927
-	-	-	66,721	-	1,052,350
-	-	-	-	-	14,958,074
-	-	-	353,001	(6,768,395)	-
-	-	-	-	(8,176,659)	-
-	-	-	30,939,258	-	329,479,958
<u>3,468,116</u>	<u>-</u>	<u>-</u>	<u>43,808,231</u>	<u>(14,945,054)</u>	<u>384,638,583</u>
-	-	(1,188,453)	-	-	-
-	-	-	2,088,128	-	80,797,682
-	-	-	153,477	-	4,237,778
-	-	-	-	-	243,649,149
<u>-</u>	<u>-</u>	<u>(1,188,453)</u>	<u>2,241,605</u>	<u>-</u>	<u>328,684,609</u>
(3,468,116)	241,967	1,188,453	45,616,057	422,817	2,293,690,994
<u>\$ -</u>	<u>\$ 241,967</u>	<u>\$ -</u>	<u>\$ 91,665,893</u>	<u>\$ (14,522,237)</u>	<u>\$ 3,007,014,186</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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

The net position of the City's Enterprise Funds of \$157,227,374 differs from the net position of the business-type activities of \$156,804,557 as reported in the government-wide statement of net position. The difference of \$422,817 results from consolidating internal service fund activities related to the enterprise funds.

	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Government-wide Statement of Net Position</u>
Assets and Deferred Outflows of Resources			
Cash and investments	\$ 32,172,940	\$ -	\$ 32,172,940
Receivables:			
Accounts (net of allowance)	7,125,135	-	7,125,135
Interest	94,550	-	94,550
Interfund balances	-	(422,817)	(422,817)
Capital assets, net	130,463,559	-	130,463,559
Total assets	<u>169,856,184</u>	<u>(422,817)</u>	<u>169,433,367</u>
Deferred outflows of resources:			
Deferred amount from pension plans	1,656,052	-	1,656,052
Deferred amount from OPEB	640,408	-	640,408
Total deferred outflows of resources	<u>2,296,460</u>	<u>-</u>	<u>2,296,460</u>
Total assets and deferred outflows of resources	<u>\$ 172,152,644</u>	<u>\$ (422,817)</u>	<u>\$ 171,729,827</u>
Liabilities and Deferred Inflows of Resources			
Liabilities:			
Accounts payable	\$ 4,136,502	\$ -	\$ 4,136,502
Accrued payroll	211,734	-	211,734
Deposits payable	35,253	-	35,253
Lease liability	1,512,574	-	1,512,574
Net pension liability	4,763,767	-	4,763,767
Net OPEB liability	857,358	-	857,358
Total liabilities	<u>11,517,188</u>	<u>-</u>	<u>11,517,188</u>
Deferred inflows of resources:			
Deferred amount from pension plans	3,174,741	-	3,174,741
Deferred amount from OPEB	233,341	-	233,341
Total deferred inflows of resources	<u>3,408,082</u>	<u>-</u>	<u>3,408,082</u>
Total liabilities and deferred inflows of resources	<u>\$ 14,925,270</u>	<u>\$ -</u>	<u>\$ 14,925,270</u>
Net Position			
Net investment in capital assets	\$ 128,244,924	\$ -	\$ 128,244,924
Unrestricted	28,982,450	(422,817)	28,559,633
Total net position	<u>\$ 157,227,374</u>	<u>\$ (422,817)</u>	<u>\$ 156,804,557</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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

The “net change in fund balances” for governmental funds \$25,664,972 differs from the “change in net position” for governmental activities \$71,230,927 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	\$ 22,587,504
Transfers out of WIP	(6,934,281)
Capital outlays, net	<u>15,653,223</u>
Governmental funds - asset deletions	<u>(2,861,140)</u>
Net change in capital related items	<u>12,792,083</u>
Depreciation/amortization expense	(14,506,394)
Deletions in governmental funds accumulated depreciation/amortization	<u>1,035,963</u>
Net change in accumulated depreciation/amortization	<u>(13,470,431)</u>
Total	<u>\$ (678,348)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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	\$3,165,000
CDBG loan	195,000
Certificates of participation – Series 2020A	775,000
Amortization of bond premium – Series 2020A	142,131
Amortization of principal on leases	<u>1,003,250</u>
Total debt proceeds	<u>\$5,280,381</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>\$122,176</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>(\$14,895)</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>(\$722,579)</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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>\$37,868,065</u>
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Post-Employment Health Care Benefits Expense

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

OPEB expense	<u>\$2,890,389</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>\$1,042,536</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>(\$221,770)</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Long-term Debt Transactions</u>
Revenues:				
Taxes and assessments	\$ 211,259,402	\$ -	\$ -	\$ -
Intergovernmental	19,683,307	-	-	-
Licenses and permits	6,995,700	-	-	-
Charges for services	22,897,475	-	-	-
Fines and forfeitures	4,191,518	-	-	-
Investment income	2,756,712	-	-	-
Net decrease in fair value of investments	(8,900,762)	-	-	-
Property income	33,770,750	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	1,805,249	-	-	-
Special assessments	8,086,594	-	-	-
Gain on sale of capital assets	-	-	-	-
Other	1,441,813	-	-	-
	<u>303,987,758</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues				
Expenditures:				
Current:				
General government	17,397,786	-	3,506,270	(5,105,901)
Public safety	127,590,486	-	796,783	(23,037,453)
Public works	54,293,534	2,671,908	6,870,139	(5,686,028)
Community development	13,021,562	-	6,188	(3,187,026)
Community services	26,421,141	189,232	2,291,051	(3,742,046)
Capital outlay	28,603,393	(15,653,223)	-	-
Debt service:				
Principal retirement	5,138,250	-	-	(5,138,250)
Interest and fiscal charges	7,141,264	-	-	-
Amortization of debt premium	-	-	-	(142,131)
	<u>279,607,416</u>	<u>(12,792,083)</u>	<u>13,470,431</u>	<u>(46,038,835)</u>
Total expenses				
Other financing sources (uses):				
Transfers in	76,061,564	-	-	-
Transfers out	(74,776,934)	-	-	-
Total other financing sources (uses)	1,284,630	-	-	-
Net change in fund balances / net position	25,664,972	12,792,083	(13,470,431)	46,038,835
Fund balances / net position, beginning of year	<u>222,302,210</u>	<u>2,562,344,583</u>	<u>(240,099,901)</u>	<u>(365,882,535)</u>
Fund balances / net position, end of year	<u>\$ 247,967,182</u>	<u>\$ 2,575,136,666</u>	<u>\$ (253,570,332)</u>	<u>\$ (319,843,700)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,259,402
-	-	(722,579)	-	-	18,960,728
-	-	-	-	-	6,995,700
-	-	-	-	(221,770)	22,675,705
-	-	-	-	-	4,191,518
-	-	-	732,235	-	3,488,947
-	-	-	(2,596,623)	-	(11,497,385)
-	-	-	-	-	33,770,750
-	(14,895)	-	-	-	(14,895)
-	-	-	-	-	1,805,249
-	-	-	-	-	8,086,594
-	-	-	290,940	-	290,940
-	-	-	-	-	1,441,813
<u>-</u>	<u>(14,895)</u>	<u>(722,579)</u>	<u>(1,573,448)</u>	<u>(221,770)</u>	<u>301,455,066</u>
-	-	-	(909,237)	4,485,261	19,374,179
-	-	-	(1,289,492)	707,142	104,767,466
-	-	-	(699,343)	7,581,505	65,031,715
-	-	-	(352,486)	176,262	9,664,500
-	-	-	(650,676)	-	24,508,702
-	-	-	-	(12,950,170)	-
-	-	-	-	-	-
(122,176)	-	-	620	-	7,019,708
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,131)</u>
<u>(122,176)</u>	<u>-</u>	<u>-</u>	<u>(3,900,614)</u>	<u>-</u>	<u>230,224,139</u>
-	-	-	-	(76,061,564)	-
-	-	-	(1,284,630)	76,061,564	-
-	-	-	(1,284,630)	-	-
122,176	(14,895)	(722,579)	1,042,536	(221,770)	71,230,927
<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>\$ (3,468,116)</u>	<u>\$ 241,967</u>	<u>\$ 1,188,453</u>	<u>\$ 45,616,057</u>	<u>\$ 422,817</u>	<u>\$ 2,293,690,994</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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 \$4,767,516 differs from the change in net position of the business-type activities of \$4,989,286 as reported in the government-wide statement of activities. The difference of (\$221,770), 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**

	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Business-type activities Statement of Activities</u>
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 31,906,955	\$ -	\$ 31,906,955
Sewer service and connection fees	4,779,466	-	4,779,466
Other	359,659	-	359,659
Total operating revenues	<u>37,046,080</u>	<u>-</u>	<u>37,046,080</u>
Operating expenses:			
Purchase of water	12,278,115	-	12,278,115
Salaries and wages	5,656,867	-	5,656,867
Depreciation	2,426,247	-	2,426,247
Professional services	2,870,096	-	2,870,096
Maintenance and supplies	3,400,707	(221,770)	3,178,937
System maintenance	1,615,800	-	1,615,800
Utilities	1,811,563	-	1,811,563
Other	1,366,626	-	1,366,626
Total operating expenses	<u>31,426,021</u>	<u>(221,770)</u>	<u>31,204,251</u>
Operating income	5,620,059	221,770	5,841,829
Nonoperating revenues (expenses):			
Investment income	345,218	-	345,218
Net decrease in fair value of investments	(1,190,093)	-	(1,190,093)
Interest expense	(7,668)	-	(7,668)
Total nonoperating revenues (expenses)	<u>(852,543)</u>	<u>-</u>	<u>(852,543)</u>
Change in net position	4,767,516	221,770	4,989,286
Net position, beginning of year	<u>152,459,858</u>	<u>(644,587)</u>	<u>151,815,271</u>
Net position, end of year	<u>\$ 157,227,374</u>	<u>\$ (422,817)</u>	<u>\$ 156,804,557</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

Expenditures exceeded appropriations in the following governmental funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Supplemental Law Enforcement	\$ 200,000	\$ 211,400	\$(11,400)

The following funds reported deficit fund balances:

<u>Other Governmental Funds</u>	
Community Development Block Grant	\$ 119,371
<u>Internal Service Funds</u>	
Compensated Absences	\$ 7,703,828

The Community Development Block Grant is a reimbursement grant and the City will receive reimbursement in the following fiscal year which will eliminate the deficit fund balance.

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, 2022, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 354,294,329
Restricted cash and investments with fiscal agent	10,134,793
Fiduciary funds:	
Cash and investments	675,435
Restricted cash and investments with fiscal agent	2,288,581
Total cash and investments	\$ 367,393,138

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

Cash and investments as of June 30, 2022, consist of the following:

Cash on hand	\$	25,981
Deposits with financial institutions		20,499,123
Cash and receivables in investment accounts		5,227
Investments		346,862,807
Total cash and investments	<u>\$</u>	<u>367,393,138</u>

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	30%
FHLMC	5 years	No Limit	30%
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	40%	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, 2022

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, 2022

Investment Type	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 126,550	\$ 126,550	\$ -	\$ -	\$ -	\$ 126,550
U.S. Treasuries	97,471,436	26,613,680	53,803,382	17,054,374	-	97,471,436
Certificates of Deposit	2,194,979	2,194,979	-	-	-	2,194,979
Commercial Papers	8,678,259	8,678,259	-	-	-	8,678,259
U.S. Agency Securities	77,867,279	25,846,495	48,802,989	3,217,795	-	77,867,279
FHLMC	9,247,227	-	7,250,090	1,997,137	-	9,247,227
Asset Backed Securities	25,817,455	839,981	12,512,939	12,464,536	-	25,817,455
Corporate Bonds	61,621,183	10,444,480	45,905,731	5,270,971	-	61,621,183
Municipal Bonds	1,963,320	-	1,963,320	-	-	1,963,320
LAIF	35,655,882	35,655,882	-	-	-	35,655,882
Yankee Bonds	1,882,880	-	1,882,880	-	-	1,882,880
Supranationals	11,918,174	-	11,918,174	-	-	11,918,174
Investments with Fiscal Agent:						
Money Market Funds	10,662,614	10,662,614	-	-	-	10,662,614
U.S. Treasury Bills	64,975	64,975	-	-	-	64,975
U.S. Treasuries	64,594	64,594	-	-	-	64,594
LAIF	1,626,000	1,626,000	-	-	-	1,626,000
	<u>\$ 346,862,807</u>	<u>\$ 122,818,489</u>	<u>\$ 184,039,505</u>	<u>\$ 40,004,813</u>	<u>\$ -</u>	<u>\$ 346,862,807</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, FHLMC's (a.k.a. Freddie K's), 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, 2022, the City held asset backed securities of \$25,817,455.

The City's FHLMC's (a.k.a. Freddie K's) may pay down principal prior to maturity. As of June 30, 2022, the City held FHLMC's of \$9,247,227.

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, 2022, the City held corporate, municipal, and Yankee bonds with make whole call provisions as summarized below:

Maturity	Value
January 2023	\$ 996,920
May 2023	995,300
January 2024	1,502,675
February 2024	1,963,320
May 2024	4,504,665
July 2024	1,882,880
February 2025	956,260
	<u>\$ 12,802,020</u>

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Investments with call dates may be called anytime on or after the call date. As of June 30, 2022, the City held corporate bonds with call dates as summarized below:

Maturity	Value	Call Date
August 2023	\$ 989,930	June 2023
February 2024	1,996,880	January 2024
April 2025	1,459,645	March 2025
February 2026	850,347	February 2025
May 2027	2,014,900	April 2027
	<u>\$ 7,311,702</u>	

Investments may have both a make whole call provision and a regular call date. As of June 30, 2022, the City held corporate bonds with both a make whole call provision and a regular call date as summarized below:

Maturity	Value	Call Date
December 2022	\$ 1,000,880	October 2022
March 2023	999,950	January 2023
June 2023	2,006,120	May 2023
February 2024	1,304,186	December 2023
March 2024	2,140,376	February 2024
March 2024	1,560,430	March 2023
May 2024	1,081,212	July 2022
June 2024	965,440	June 2023
July 2024	445,142	July 2022
September 2024	969,840	August 2024
March 2025	1,965,640	March 2024
March 2025	2,895,420	February 2025
April 2025	2,898,480	March 2025
June 2025	935,280	June 2024
August 2025	2,405,724	May 2025
	<u>\$ 23,574,120</u>	

About \$6.3 million of the investments with either a regular call date or 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, 2022, 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

CITY OF NEWPORT BEACH
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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, 2022 for each investment type.

Investment Type	Fair Value	Minimum											Not Rated				
		Legal Rating	AAA	AAAm	AA+	AA	AA-	A-1+	A+	A	A-1	A-					
Money Market Funds	\$ 126,550	AAAm	\$ -	\$ 126,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
U.S. Treasuries	97,471,436	None	-	-	97,471,436	-	-	-	-	-	-	-	-	-	-	-	
Certificates of Deposit	2,194,979	A-1	-	-	-	-	-	2,194,979	-	-	-	-	-	-	-	-	
Commercial Papers	8,678,259	A-1	-	-	-	-	-	3,686,806	-	-	4,991,453	-	-	-	-	-	
U.S. Agency Securities	77,867,279	None	-	-	77,867,279	-	-	-	-	-	-	-	-	-	-	-	
FHLMC	9,247,227	None	1,603,581	-	7,643,646	-	-	-	-	-	-	-	-	-	-	-	
Asset Backed Securities	25,817,455	AAA	16,971,766	-	-	-	-	-	-	-	-	-	-	-	-	8,845,689	
Corporate Bonds	61,621,183	A-	-	-	6,995,017	4,752,201	4,954,631	-	14,926,986	21,804,087	-	-	8,188,261	-	-	-	
Municipal Bonds	1,963,320	A-	-	-	1,963,320	-	-	-	-	-	-	-	-	-	-	-	
LAIF	35,655,882	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	35,655,882	
Yankee Bonds	1,882,880	A-	-	-	-	-	-	-	-	-	-	-	1,882,880	-	-	-	
Supranationals	11,918,174	AA-	11,918,174	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investments with Fiscal Agent:																	
Money Market Funds	10,662,614	AAm	-	10,662,614	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Treasury Bills	64,975	None	-	-	-	-	-	64,975	-	-	-	-	-	-	-	-	-
U.S. Treasuries	64,594	None	-	-	64,594	-	-	-	-	-	-	-	-	-	-	-	-
LAIF	1,626,000	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	1,626,000	-
	\$ 346,862,807		\$ 30,493,521	\$ 10,789,164	\$ 192,005,292	\$ 4,752,201	\$ 4,954,631	\$ 5,946,760	\$ 14,926,986	\$ 21,804,087	\$ 4,991,453	\$ 10,071,141	\$ 46,127,571				

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>
FFCB	U.S. agency securities	\$26,338,213
FHLMC	U.S. agency securities	\$15,943,501
FHLMC	FHLMC	\$9,247,227
FHLB	U.S. agency securities	\$19,326,065

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

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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, 2022, none of the City's deposits with financial institutions in excess of federal depository amounts were held in uncollateralized accounts.

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

Investment in State Investment Pool

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

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

Fair Value Measurements

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

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

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

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Following are the City's recurring fair value measurements as of June 30, 2022:

	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	\$ 126,550	\$ 126,550	\$ -	\$ -	\$ -
U.S. Treasuries	97,471,436	-	-	97,471,436	-
Certificates of Deposit	2,194,979	-	-	2,194,979	-
Commercial Papers	8,678,259	-	-	8,678,259	-
U.S. Agency Securities	-	-	-	-	-
FHLMC	9,247,227	-	-	9,247,227	-
Asset Backed Securities	25,817,455	-	-	25,817,455	-
Corporate Bonds	61,621,183	-	-	61,621,183	-
Municipal Bonds	1,963,320	-	-	1,963,320	-
LAIF	35,655,882	35,655,882	-	-	-
Yankee Bonds	1,882,880	-	-	1,882,880	-
Supranationals	11,918,174	-	-	11,918,174	-
Investments with Fiscal Agent:					
Money Market Funds	10,662,614	10,662,614	-	-	-
U.S. Treasury Bills	64,975	-	-	64,975	-
U.S. Treasuries	64,594	-	-	64,594	-
LAIF	1,626,000	1,626,000	-	-	-
	<u>\$ 268,995,528</u>	<u>\$ 48,071,046</u>	<u>\$ -</u>	<u>\$ 220,924,482</u>	<u>\$ -</u>

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(5) Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

Governmental Activities:

	Beginning Balance, As Restated	Additions	Deletions	Balance June 30, 2022
Non-depreciable/non-amortizable:				
Land and rights of way	\$ 1,897,520,485	\$ 2,445,807	\$ -	\$ 1,899,966,292
Work in progress	11,375,009	8,394,805	(6,934,281)	12,835,533
	<u>1,908,895,494</u>	<u>10,840,612</u>	<u>(6,934,281)</u>	<u>1,912,801,825</u>
Depreciable/amortizable:				
Structures	240,472,509	2,362,140	(189,232)	242,645,417
Intangible right to use structures*	14,060,855	-	-	14,060,855
Equipment	55,178,954	5,176,448	(1,365,259)	58,990,143
Intangible right to use equipment	-	348,272	-	348,272
Infrastructure	389,702,092	9,422,503	(2,671,908)	396,452,687
	<u>699,414,410</u>	<u>17,309,363</u>	<u>(4,226,399)</u>	<u>712,497,374</u>
Less accumulated depreciation/amortization for:				
Structures	(54,395,192)	(5,194,743)	141,601	(59,448,334)
Intangible right to use structures	-	(1,040,019)	-	(1,040,019)
Equipment	(36,750,833)	(4,345,477)	1,123,506	(39,972,804)
Intangible right to use equipment	-	(38,584)	-	(38,584)
Infrastructure	(178,756,724)	(7,582,151)	894,363	(185,444,512)
	<u>(269,902,749)</u>	<u>(18,200,974)</u>	<u>2,159,470</u>	<u>(285,944,253)</u>
Net Depreciable/amortizable	<u>429,511,661</u>	<u>(891,611)</u>	<u>(2,066,929)</u>	<u>426,553,121</u>
Net Capital Assets	<u>\$ 2,338,407,155</u>	<u>\$ 9,949,001</u>	<u>\$ (9,001,210)</u>	<u>\$ 2,339,354,946</u>

* The beginning balance amount for intangible right to use structures includes a prior period adjustment of \$14,060,855 from implementing GASB 87, which requires a capital asset to be reported for certain leases where the City is lessee based on a present value estimate of certain lease payments. Please see Note (18) for additional details.

Governmental Activities capital assets net of accumulated depreciation/amortization at June 30, 2022 are comprised of the following:

General Capital Assets, net	\$ 2,321,566,334
Internal Service Fund Capital Assets, net	<u>17,788,612</u>
	<u>\$ 2,339,354,946</u>

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Business-type Activities:

	Beginning Balance, As Restated	Additions	Deletions	Balance June 30, 2022
Non-depreciable/non-amortizable:				
Land and rights of way	\$ 2,219,450	\$ -	\$ -	\$ 2,219,450
Work in progress	414,590	3,687,587	(371,590)	3,730,587
	<u>2,634,040</u>	<u>3,687,587</u>	<u>(371,590)</u>	<u>5,950,037</u>
Depreciable/amortizable:				
Intangible right to use land and rights of way*	1,529,906	-	-	1,529,906
Structures	688,396	-	-	688,396
Equipment	337,181	-	-	337,181
Infrastructure	196,184,679	2,190,233	(233,555)	198,141,357
	<u>198,740,162</u>	<u>2,190,233</u>	<u>(233,555)</u>	<u>200,696,840</u>
Less accumulated depreciation/amortization for:				
Intangible right to use land and rights of way	-	(20,513)	-	(20,513)
Structures	(279,498)	(15,357)	-	(294,855)
Equipment	(183,000)	(27,838)	-	(210,838)
Infrastructure	(73,353,348)	(2,362,539)	58,775	(75,657,112)
	<u>(73,815,846)</u>	<u>(2,426,247)</u>	<u>58,775</u>	<u>(76,183,318)</u>
Net Depreciable/amortizable	<u>124,924,316</u>	<u>(236,014)</u>	<u>(174,780)</u>	<u>124,513,522</u>
Net Capital Assets	<u>\$ 127,558,356</u>	<u>\$ 3,451,573</u>	<u>\$ (546,370)</u>	<u>\$ 130,463,559</u>

* The beginning balance amount for intangible right to use land and rights of way includes a prior period adjustment of \$1,529,906 from implementing GASB 87, which requires a capital asset to be reported for certain leases where the City is lessee based on a present value estimate of certain lease payments. Please see Note (18) for additional details.

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

	Governmental Activities*	Business-type Activities
General government	\$ 6,229,285	\$ -
Public safety	1,577,037	-
Public works	171,553	-
Community development	508,964	-
Community service	9,714,135	-
Water	-	1,782,434
Wastewater	-	643,813
	<u>\$ 18,200,974</u>	<u>\$ 2,426,247</u>

*Internal Service Fund depreciation/amortization of \$3,694,580 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, 2022, are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Other debt:					
Certificates of participation payable - Series 2010B	\$ 97,630,000	\$ -	\$ (3,165,000)	\$ 94,465,000	\$ 3,275,000
Certificates of participation payable - Series 2020A	7,860,000	-	(775,000)	7,085,000	665,000
Bond premium - Series 2020A	1,291,026	-	(142,131)	1,148,895	-
Direct borrowing:					
CDBG loan	403,000	-	(195,000)	208,000	208,000
Other long-term liabilities:					
Workers' compensation payable	14,753,000	4,213,387	(3,211,799)	15,754,588	2,930,962
Claims and judgments payable	8,265,635	5,957,756	(5,527,511)	8,695,880	2,865,644
Compensated absences	13,513,007	2,058,475	(2,794,074)	12,777,408	4,385,927
Total governmental activities	\$ 143,715,668	\$ 12,229,618	\$ (15,810,515)	\$ 140,134,771	\$ 14,330,533

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

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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.

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, 2022, the City has received \$27,321,950 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 \$3,275,000 to \$7,245,000. The total outstanding balance at June 30, 2022 amounted to \$94,465,000. 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
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	3,850,000	5,623,515	9,473,515
2028-2032	22,050,000	23,671,645	45,721,645
2033-2037	27,615,000	14,840,806	42,455,806
2038-2041	27,100,000	3,995,444	31,095,444
	<u>\$ 94,465,000</u>	<u>\$ 73,086,588</u>	<u>\$ 167,551,588</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 Fire Station No. 2. 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 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 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, 2022 amounted to \$7,085,000. 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
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	785,000	154,100	939,100
2028-2031	3,460,000	283,400	3,743,400
	<u>\$ 7,085,000</u>	<u>\$ 1,349,900</u>	<u>\$ 8,434,900</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%. The future final principal payment is \$208,000 through June 30, 2023. The outstanding balance at June 30, 2022, amounted to \$208,000.

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

Year Ending June 30	Principal	Interest	Total
2023	<u>\$208,000</u>	<u>\$ 2,548</u>	<u>\$210,548</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-

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not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2022, is dependent on future developments based upon information from the City's attorney, the City's claims administrators, and others involved with the administration of the programs, City management believes the accrual is adequate to cover such losses. The estimated liability at June 30, 2022, for general liability amounted to \$8,695,880 and for workers' compensation was \$15,754,588.

- **Compensated Absences**

The City's policies relating to compensated absences are described in Note (1). This liability at June 30, 2022, is \$12,777,408. 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 District Custodial Fund. Bonds outstanding at June 30, 2022, 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, 2022</u>
Reassessment District 2012	\$13,583,436	\$1,902,868
Assessment District No. 117	\$ 2,955,000	\$2,510,000
Assessment District No. 116	\$ 1,575,000	\$1,445,000
Assessment District No. 116B	\$ 665,000	\$ 610,000
Assessment District No. 111	\$ 2,412,000	\$2,317,000
Assessment District No. 113	\$ 4,565,000	\$4,565,000

(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.

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The City carries commercial insurance with independent third parties for loss risks associated with real and personal property, and automotive liability. The City purchases fidelity bonds for employees in key positions. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

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

<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 \$24,450,468 at June 30, 2022, 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, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Unpaid claims, beginning of fiscal year	\$ 7,960,948	\$ 8,265,635	\$ 15,521,000	\$ 14,753,000
Incurred claims (including IBNR)	5,604,723	5,957,756	1,917,334	4,213,387
Claim payments	(5,300,036)	(5,527,511)	(2,685,334)	(3,211,799)
Unpaid claims, end of fiscal year	<u>\$ 8,265,635</u>	<u>\$ 8,695,880</u>	<u>\$ 14,753,000</u>	<u>\$ 15,754,588</u>

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(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.

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 \$129,345,376 at June 30, 2022.

(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. PEPR 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, 2021 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	31.07% - 31.72%	27.65% - 28.30%	27.15% - 27.80%
	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	66.55% - 68.15%	66.55% - 68.15%	69.05% - 70.65%

Employees Covered – At the measurement date of June 30, 2021, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	719	458
Inactive employees entitled to but not yet receiving benefits	617	90
Active employees	537	279
Total	<u>1,873</u>	<u>827</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

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

b. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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, 2020 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2020	June 30, 2020
Measurement Date	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Payroll growth	2.75%	2.75%
Projected salary increase	Varies by Entry Age and Service	
Investment Rate of Return	7.00% ⁽¹⁾	7.00% ⁽¹⁾
Mortality Rate Table ⁽²⁾	Derived using CalPERS' Membership Data for all Funds	
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter	

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

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

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All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all 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’ ACFR, 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

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021. The 21.3% investment return is reflected in the net pension liability calculation as of the June 30, 2021 measurement date, resulting in a significant decrease in the City's pension liability as of June 30, 2022. In addition, CalPERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022 measurement date, so it is not reflected in the net pension liability calculation as of June 30, 2022.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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c. Changes in the Net Pension Liability

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

<u>Miscellaneous Plan:</u>	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/(Asset)</u>
Balance at June 30, 2020	\$450,976,864	\$337,110,215	\$ 113,866,649
Changes in the year:			
Service cost	7,438,050	-	7,438,050
Interest on the total pension liability	31,805,532	-	31,805,532
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	1,624,975	-	1,624,975
Net Plan to Plan Resource Movement	-	-	-
Contribution – employer		18,612,457	(18,612,457)
Contribution – employee	-	4,057,107	(4,057,107)
Net investment income	-	76,031,841	(76,031,841)
Benefit payments, including refunds of employee contributions	(22,976,493)	(22,976,493)	-
Administrative Expense	-	(336,753)	336,753
Other Miscellaneous Income/(Expense)	-	-	-
Net changes	<u>17,892,064</u>	<u>75,388,159</u>	<u>(57,496,095)</u>
Balance at June 30, 2021	<u>\$468,868,928</u>	<u>\$412,498,374</u>	<u>\$ 56,370,554</u>

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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, 2020	\$609,831,612	\$413,616,550	\$ 196,215,062
Changes in the year:			
Service cost	9,817,913	-	9,817,913
Interest on the total pension liability	42,760,906	-	42,760,906
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	196,690	-	196,690
Net Plan to Plan Resource Movement	-	-	-
Contribution – employer	-	32,367,091	(32,367,091)
Contribution – employee	-	3,347,740	(3,347,740)
Net investment income	-	93,813,435	(93,813,435)
Benefit payments, including refunds of employee contributions	(33,765,218)	(33,765,218)	-
Administrative Expense	-	(413,178)	413,178
Other Miscellaneous Income/(Expense)	-	-	-
Net changes	19,010,291	95,349,870	(76,339,579)
Balance at June 30, 2021	\$628,841,903	\$508,966,420	\$ 119,875,483

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	\$117,539,921	\$200,369,905
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$56,370,554	\$119,875,483
1% Increase	8.15%	8.15%
Net Pension Liability	\$5,763,792	\$53,146,098

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

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

For the year ended June 30, 2022, the City recognized pension expense of \$10,361,740 (\$715,516 Miscellaneous Plan and \$9,646,224 Safety Plan). At June 30, 2022, 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	\$ 18,372,473	\$ -
Differences between expected and actual experience	1,223,907	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(37,567,303)
	\$ 19,596,380	\$ (37,567,303)
	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 32,317,538	\$ -
Differences between expected and actual experience	2,083,767	-
Changes in assumptions	-	(77,621)
Net differences between projected and actual earnings on plan investments	-	(46,327,499)
	\$ 34,401,305	\$ (46,405,120)
	\$ 53,997,685	\$ (83,972,423)

\$50,690,011 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 fiscal year ending June 30, 2023. Other amounts reported as deferred

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

Fiscal Year Ending June 30	Misc.	Safety	Total Amount
2023	\$ (8,820,828)	\$ (10,112,679)	\$ (18,933,507)
2024	(8,154,370)	(10,305,390)	(18,459,760)
2025	(8,969,294)	(11,071,865)	(20,041,159)
2026	(10,398,904)	(12,831,419)	(23,230,323)
Thereafter	-	-	-

e. Payable to the Pension Plan

At June 30, 2022, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

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, 2022, the City's covered payroll for employees participating in the plan was \$3,567,206. Employees made contributions of \$133,940 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,316,963 at June 30, 2022.

(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, 2022, the liability for the conversion part of the RHS Plan was \$1,138,350. 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, 2021, the following current and former employees were covered by the benefit terms under the plan:

Inactive employees, spouses, or beneficiaries currently receiving benefits	450
Inactive employees or beneficiaries entitled to but not receiving benefits	327
Active employees	821
Total	<u>1,598</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, 2022, the City's cash contributions were \$4,499,498 to the trust in premium payments and \$987,469 for the estimated implicit subsidy, resulting in a total payment of \$5,486,967.

Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021. 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, 2021 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, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75%
Projected Salary Increase	3.00% 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	From Society of Actuaries Pub-2010 Public Retirement Plans Mortality Tables Report

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The actuarial assumptions used in the June 30, 2021, 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 on OPEB plan investment is assumed to be 6.50%. This was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The asset class percentages are taken from the current composition of the CERBT Fund, and the expected yields by asset class were not available to the actuary:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<i>CERBT</i>		
Global Equities	59.00%	N/A
Fixed Income	25.00%	N/A
TIPS	5.00%	N/A
REITs	8.00%	N/A
Commodities	3.00%	N/A
Total	100.00%	6.50%

Discount Rate

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

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Changes in the Net OPEB Liability

The changes in the net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2020	\$ 46,093,712	\$ 25,796,272	\$ 20,297,440
Changes in the year:			
Service cost	529,600	-	529,600
Interest on the total OPEB liability	2,909,400	-	2,909,400
Changes of benefit terms	-	-	-
Changes of assumptions	(302,512)	-	(302,512)
Differences between expected and actual experience	6,159,865	-	6,159,865
Contributions - employer	-	5,785,342	(5,785,342)
Contributions - employees	-	-	-
Net investment income	-	7,184,241	(7,184,241)
Benefit payments, including refunds of employee contributions	(3,786,232)	(3,786,232)	-
Administrative expenses	-	(9,908)	9,908
Other expense	-	-	-
Net changes	<u>5,510,121</u>	<u>9,173,443</u>	<u>(3,663,322)</u>
Balance at June 30, 2021	<u>\$ 51,603,833</u>	<u>\$ 34,969,715</u>	<u>\$ 16,634,118</u>

Change of Assumptions

The mortality table has been updated from the 2017 CalPERS Public Agency Misc. Mortality to the following tables from the Society of Actuaries (SOA) Pub-2010:

- Employees and retirees: General Headcount Weighted Mortality Table fully generational using Scale MP-2021.
- Surviving Spouses: Continuing Survivor Headcount Weighted Mortality Table Fully generational using Scale MP-2021.
- Disabled retirees: Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021.

Future health care cost trend rates have been reset to an initial rate of 6.50% beginning in fiscal year end 2023 and decreasing by 0.50% annually to an ultimate rate of 4.50%.

Change of Benefit Terms

There was no change of benefit terms.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

Subsequent Events

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

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	\$ 21,822,821	\$ 16,634,118	\$ 12,247,235

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	\$ 14,440,203	\$ 16,634,118	\$ 19,707,865

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$1,588,845. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 5,486,967	\$ -
Differences between expected and actual experience	6,741,596	(170,934)
Changes of assumptions	57,155	(268,900)
Net difference between projected and actual earnings on OPEB plan investments	-	(4,031,285)
Total	\$ 12,285,718	\$ (4,471,119)

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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

An amount of \$5,486,967, 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 fiscal year ending June 30, 2023.

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

Fiscal Year Ending June 30	Amount
2023	\$ 38,548
2024	104,859
2025	116,588
2026	(462,374)
2027	626,398
Thereafter	1,903,612

Payable to the OPEB Plan

At June 30, 2022, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

(12) Interfund Receivables and Payables

At June 30, 2022, interfund advances receivable and payable were as follows:

	<u>Advance from</u>	<u>Advance to</u>
General Fund	\$ 8,176,659	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	8,176,659
Total	<u>\$ 8,176,659</u>	<u>\$ 8,176,659</u>

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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

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
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	\$ 4,176,659	\$ 4,000,000	\$ 8,176,659

At June 30, 2022, interfund receivables and payable were as follows:

	Due from	Due to
General Fund	\$ 460,259	\$ -
Facilities Financial Planning Reserve Fund	6,308,136	-
Debt Service Fund	-	6,308,136
Internal Service Funds	-	353,001
Other Governmental Funds	-	107,258
Total	\$6,768,395	\$ 6,768,395

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

(13) Interfund Transfers

Interfund transfers at June 30, 2022, consisted of the following:

	Transfers In						Total
	General Fund	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Facilities Financial Planning Reserve	Debt Service Fund	Other Governmental Funds	
General Fund	\$ -	\$ 8,668,941	\$ 4,500,000	\$ 19,000,000	\$ -	\$ 29,313,549	\$ 61,482,490
Facilities Financial Planning Reserve	-	-	-	-	8,741,133	4,483,499	13,224,632
Internal Service Funds	1,284,630	-	-	-	-	-	1,284,630
Other Governmental Funds	-	-	-	-	-	69,812	69,812
Total	<u>\$ 1,284,630</u>	<u>\$ 8,668,941</u>	<u>\$ 4,500,000</u>	<u>\$ 19,000,000</u>	<u>\$ 8,741,133</u>	<u>\$ 33,866,860</u>	<u>\$ 76,061,564</u>

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:

- \$8,668,941 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;
- \$19,000,000 to the Facilities Financial Planning Reserve Fund to cash fund construction projects for General Fund supported facilities;
- and \$29,313,549 to Other Governmental Funds, which includes \$21,301,066 to the Unrestricted Capital Improvements Fund to cash fund General Fund capital improvements, \$2,781,571 to establish the PEG Fees Fund, \$1,162,791 to establish Oceanfront Encroachment Fund, \$1,737,821 to establish the Restricted Programs Funds, \$1,500,000 to the Facilities Maintenance Fund for maintenance of facilities, and \$830,300 to the Assessment District Fund for preliminary engineering and design work related to assessment districts.

The Facilities Financial Planning Reserve Fund transferred \$8,741,133 to the Debt Service Fund for the debt service payments related to the Civic Center Certificates of Participation and the Fire Station No. 2 Certificates of Participation, and \$4,483,499 to Other Governmental Funds to cash fund construction projects related to parks and community centers and the Junior Lifeguards building.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

Internal Service Funds transferred \$1,284,630 of excess reserve funds on hand to the General Fund. The transfers include \$472,403 from the Equipment Maintenance Fund and \$812,227 from the Information Technology Fund.

Other Governmental Funds, specifically the General Fund Capital Projects Fund, transferred \$69,812 to the AQMD Fund to subsidize excess expenditures on design services related to a fueling study.

(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, 2022, 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 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 \$739,713. The City's 11.13% interest in the net equity of this joint venture at June 30, 2022, amounts

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

to \$241,967. 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, 2022. 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.

(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, 2022, the City paid VNB \$5,830,170.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
Jamboree Rd. Pavement Rehab	\$ 5,124,131	\$ 1,369,953	\$ 3,163,432
Utilities Back Up Generators	2,838,509	950,725	1,927,515
Lower Sunset View Park Concept	7,847,401	104,680	1,327,363
Advanced Metering Infrastructure	5,845,939	2,184,823	1,166,848
WCH Hwy Intersection Imp Ped Bridge	1,128,521	-	1,127,104
Bay Crossing Water Main Replc	1,384,466	234,123	988,410
Slurry Seal Program	1,124,050	194,246	851,940
East Coast Hwy Pavement Rehab	4,067,990	3,028,532	848,560
Lido Fire Station 2	6,764,866	5,352,887	779,716
Streetlight Rehabilitation Program	1,050,000	262,599	704,110
Traffic Signal Rehab Program	750,000	411,339	647,918
Balboa Island Drainage Master Plan	2,181,015	167,876	593,069
Alleys Reconstruction	945,103	384,461	530,116

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	
Drainage	\$ -	\$ -	\$ -	\$ -	\$ 617,651	\$ 617,651
Streets	-	-	-	5,752,246	2,815,210	8,567,456
Facilities	-	-	-	-	1,973,390	1,973,390
Miscellaneous and studies	-	-	-	-	133,331	133,331
Parks	-	-	-	-	2,352,276	2,352,276
Contract services	2,499,009	-	-	-	-	2,499,009
Supplies and materials	388,800	-	-	-	-	388,800
Maintenance and repairs	1,439,989	-	-	-	394,173	1,834,162
General	101,775	-	-	-	459,147	560,922
Beaches	-	229,832	626,413	-	-	856,245
Equipment	-	6,604	13,312	16,319	-	36,235
Total encumbrances	\$ 4,429,573	\$ 236,436	\$ 639,725	\$ 5,768,565	\$ 8,745,178	\$ 19,819,477

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

(16) Fund Balance

Governmental Fund Balance at June 30, 2022, is classified as follows:

	Governmental Fund Balance										Totals
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	American Rescue Plan Act	Facilities Financial Planning Reserve	Debt Service Fund	Other Governmental Funds				
							Special Revenue Funds	Capital Project Funds	Permanent Funds		
Nonspendable:											
Prepaid items (legally restricted)	\$ 944,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,349	\$ -	\$ -	\$ -	\$ 993,759
Inventories (legally restricted)	286,074	-	-	-	-	-	-	-	-	-	286,074
Long-term loan receivable (form restricted)	8,176,659	-	-	-	-	-	-	-	-	-	8,176,659
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	-	4,629,780	4,629,780
Restricted:											
Affordable housing	-	-	-	-	-	-	279,747	-	-	-	279,747
Oceanfront encroachment	-	-	-	-	-	-	1,162,791	-	-	-	1,162,791
Upper Newport bay restoration	-	1,318,126	-	-	-	-	-	-	-	-	1,318,126
Cable franchise reserve	-	-	-	-	-	-	2,781,571	-	-	-	2,781,571
Community development	-	-	-	-	-	-	-	3,217	-	-	3,217
Streets and highways	-	-	-	-	-	-	619,950	-	-	-	619,950
Public safety	-	-	-	-	-	-	533,795	-	-	-	533,795
Facilities	-	-	-	-	-	-	-	721,413	-	-	721,413
Transportation	-	-	-	-	-	-	2,820,763	-	-	-	2,820,763
Air quality improvement	-	-	-	-	-	-	1,117,202	-	-	-	1,117,202
Environmental liability mitigation	-	-	-	-	-	-	8,549,720	-	-	-	8,549,720
Public arts and culture	-	-	-	-	-	-	885,250	-	-	-	885,250
Parking	-	-	-	-	-	-	186,930	-	-	-	186,930
Training	-	-	-	-	-	-	385,894	-	-	-	385,894
Dredging	-	-	21,210,300	-	-	-	-	-	-	1,454,608	22,664,908
Libraries	-	-	-	-	-	-	-	-	-	195,320	195,320
Scholarships	-	-	-	-	-	-	-	-	-	207,566	207,566
Film	-	-	-	-	-	-	1,298,845	-	-	-	1,298,845
Debt service	-	-	-	-	-	2,199,363	-	-	-	-	2,199,363
Capital re-appropriations	-	2,193,238	9,684,447	-	-	-	1,522,549	5,047,178	-	-	18,447,412
Encumbrance reserve:											
Beaches	-	229,832	626,413	-	-	-	-	-	-	-	856,245
Streets	-	-	-	-	-	-	5,752,246	-	-	-	5,752,246
Equipment	-	6,604	13,312	-	-	-	16,319	-	-	-	36,235
Committed:											
Facilities replacement	-	-	-	-	34,171,635	-	-	-	-	-	34,171,635
Facilities maintenance	-	-	-	-	-	-	-	21,018,727	-	-	21,018,727
Civic center and park	-	-	-	-	-	-	-	484,163	-	-	484,163
Oil and gas liabilities	-	800,000	-	-	-	-	-	-	-	-	800,000
Parks and community centers	-	-	-	-	-	-	-	3,044,546	-	-	3,044,546
Parking management	-	-	-	-	-	-	-	5,063	-	-	5,063
Neighborhood enhancement	-	-	-	-	-	-	-	512,903	-	-	512,903
Capital re-appropriations	-	-	-	-	-	-	-	4,461,319	-	-	4,461,319
Encumbrance reserve:											
Drainage	-	-	-	-	-	-	-	617,651	-	-	617,651
Streets	-	-	-	-	-	-	-	2,815,210	-	-	2,815,210
Facilities	-	-	-	-	-	-	-	1,973,390	-	-	1,973,390
Miscellaneous and studies	-	-	-	-	-	-	-	133,331	-	-	133,331
Parks	-	-	-	-	-	-	-	2,352,276	-	-	2,352,276
Contract services	2,499,009	-	-	-	-	-	-	-	-	-	2,499,009
Supplies and materials	388,800	-	-	-	-	-	-	-	-	-	388,800
Maintenance and repairs	1,439,989	-	-	-	-	-	-	394,173	-	-	1,834,162
General	101,775	-	-	-	-	-	-	459,147	-	-	560,922
Unassigned	83,302,665	-	-	-	-	-	(119,371)	-	-	-	83,183,294
Total fund balances	\$ 97,139,381	\$ 4,547,800	\$ 31,534,472	\$ -	\$ 34,171,635	\$ 2,199,363	\$ 27,843,550	\$ 44,043,707	\$ 6,487,274	\$ 247,967,182	

(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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

tax rebates are based on negotiations that require City Council approval. On an accrual basis, for the fiscal year ended June 30, 2022, the City rebated sales taxes to automobile dealerships totaling \$549,265 under this program.

(18) Leases

City as Lessee

Lease agreements that meet the requirements of GASB 87 for which the City is lessee are disclosed as lease liabilities on the City's financial statements that are presented on the accrual basis of accounting and with an economic resources measurement focus. Included in the City's lease liabilities are agreements related to an animal shelter, water well easements, storage, lifeguard communication equipment, and part of a homeless shelter. During the fiscal year there were no variable lease payments that were not previously included in the City's lease liabilities. Additional information about the related lease assets and accumulated amortization are provided in Note 5. Estimates of the future lease payments for the City's lease liability are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 1,069,073	\$ 79,270	\$ 1,148,344
2024	1,019,436	73,566	1,093,003
2025	1,025,055	67,948	1,093,003
2026	1,025,038	62,298	1,087,336
2027	968,180	56,820	1,025,000
2028-2032	4,921,530	203,470	5,125,000
2033-2037	3,553,490	71,510	3,625,000
2038-2042	91,811	33,189	125,000
2043-2047	94,370	30,630	125,000
2048-2052	97,000	28,000	125,000
2053-2057	99,704	25,296	125,000
2058-2062	102,483	22,516	125,000
2063-2067	105,340	19,660	125,000
2068-2072	108,277	16,723	125,000
2073-2077	111,295	13,705	125,000
2078-2082	114,397	10,603	125,000
2083-2087	117,586	7,414	125,000
2088-2092	120,864	4,136	125,000
2093-2097	88,686	897	89,583
	<u>\$ 14,833,614</u>	<u>\$ 827,650</u>	<u>\$ 15,661,265</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2022

City as Lessor

Lease agreements that meet the requirements of GASB 87 for which the City is lessor are disclosed as lease receivables on the City's financial statements. Included in the City's lease receivables are over 900 agreements related to land and structures. GASB 87 excludes certain inflows (e.g. certain variable payments, etc.) from the measurement of lease receivables. For the fiscal year ending June 30, 2022, the City recognized \$4,211,431 of variable payments related to the lease receivables that were excluded from the measurement of the lease receivables. Lease inflows, including inflows excluded from GASB 87, are included on the City's financial statements as property income. Lease inflows for interest revenue from amortization of the GASB 87 lease receivables totaled \$2,152,689. Lease inflows for lease revenue from amortization of the related GASB 87 deferred inflows of resources from leases was \$7,079,686.

(19) Subsequent Event

Dove Street Property Purchase

On November 15, 2022, the City Council authorized staff to execute an agreement with AG Dove Owner, L.P. for the purchase of property at 1201 Dove Street for a future police headquarters. The negotiated purchase price for the property is \$30.5 million, which will be funded from General Fund reserves, and from available funds in the Facilities Financial Planning Fund and General Fund Capital Improvement Plan Fund. The property is projected to produce \$15 million to \$25 million of lease revenue (net of operating expenses and building management costs) over the next 10 to 15 years, respectively. The close of escrow is anticipated to be April, 2023.

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FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

FINANCIAL SECTION

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2022
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees
Page 1 of 2

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

Measurement Period	2022	2021	2020
	June 30, 2021	June 30, 2020	June 30, 2019
Total Pension Liability			
Service cost	\$ 7,438,050	\$ 7,347,708	\$ 7,084,444
Interest on total pension liability	31,805,532	30,565,919	29,409,624
Differences between expected and actual experience	1,624,975	369,351	403,676
Changes in assumptions	-	-	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(22,976,493)	(21,516,515)	(20,129,701)
Net Change in Total Pension Liability	<u>17,892,064</u>	<u>16,766,463</u>	<u>16,768,043</u>
Total Pension Liability - beginning	450,976,864	434,210,401	417,442,358
Total Pension Liability - ending (a)	<u>\$ 468,868,928</u>	<u>\$ 450,976,864</u>	<u>\$ 434,210,401</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 18,612,457	\$ 16,346,284	\$ 15,700,833
Contributions - employee	4,057,107	4,067,751	3,955,144
Net investment income	76,031,841	16,074,793	19,895,019
Administrative expense	(336,753)	(454,777)	(216,502)
Other miscellaneous income/(expense)	-	-	700
Plan to plan resource movement	-	-	1,570
Benefit payments	(22,976,493)	(21,516,515)	(20,129,701)
Net change in Plan Fiduciary Net Position	<u>75,388,159</u>	<u>14,517,536</u>	<u>19,207,063</u>
Plan Fiduciary Net Position - beginning	337,110,215	322,592,679	303,385,616
Plan Fiduciary Net Position - ending (b)	<u>\$ 412,498,374</u>	<u>\$ 337,110,215</u>	<u>\$ 322,592,679</u>
Net pension liability - ending (a)-(b)	<u>\$ 56,370,554</u>	<u>\$ 113,866,649</u>	<u>\$ 111,617,722</u>
Plan fiduciary net position as a percentage of the total pension liability	87.98%	74.75%	74.29%
Covered payroll	\$ 44,809,856	\$ 43,902,594	\$ 42,153,383
Net pension liability as percentage of covered payroll	125.80%	259.36%	264.79%

Notes to Schedule:

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

Benefit Changes:

The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the 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 through 2021. 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, 2022
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)
16,824,681	34,675,600	13,277,879	4,095,430	15,858,093
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)
23,910,369	25,368,294	(1,519,190)	(9,777)	33,059,925
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, 2022
Last 10 Years *

Defined Benefit Plan for Miscellaneous Employees
Page 1 of 2

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2022	2021	2020
Actuarially determined contribution	\$ 14,432,250	\$ 14,600,178	\$ 13,080,630
Contributions in relation to the actuarially determined contributions	<u>(18,372,473)</u>	<u>(18,730,840)</u>	<u>(16,351,592)</u>
Contribution deficiency (excess)	<u><u>\$ (3,940,223)</u></u>	<u><u>\$ (4,130,662)</u></u>	<u><u>\$ (3,270,962)</u></u>
Covered payroll	\$ 45,210,057	\$ 44,809,856	\$ 43,902,594
Contributions as a percentage of covered payroll	40.64%	41.80%	37.25%

Notes to Schedule:

Valuation date:	06/30/2019	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	Entry age
Amortization method	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value
Inflation	2.50%	2.50%	2.625%
Salary increases	(2)	(2)	(2)
Investment rate of return	7.00% (3)	7.00% (3)	7.25% (3)
Retirement age	(4)	(4)	(4)
Mortality	(5)	(5)	(5)

- (1) Level percentage of payroll for bases established prior to June 30, 2019 and level dollar amount for bases established after June 30, 2019
- (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 eight years are shown.

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2022
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, 2022
Last 10 Years *

Defined Benefit Plan for Safety Employees
Page 1 of 2

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

Measurement Period	2022	2021	2020
	June 30, 2021	June 30, 2020	June 30, 2019
Total Pension Liability			
Service cost	\$ 9,817,913	\$ 9,622,985	\$ 9,292,715
Interest on total pension liability	42,760,906	41,449,511	40,081,524
Differences between expected and actual experience	196,690	957,686	4,798,077
Changes in assumptions	-	-	-
Changes in benefits	-	-	-
Benefit payments, including refunds of employee contributions	(33,765,218)	(32,285,653)	(30,443,097)
Net Change in Total Pension Liability	19,010,291	19,744,529	23,729,219
Total Pension Liability - beginning	609,831,612	590,087,083	566,357,864
Total Pension Liability - ending (a)	\$ 628,841,903	\$ 609,831,612	\$ 590,087,083
Plan Fiduciary Net Position			
Contributions - employer	\$ 32,367,091	\$ 28,539,301	\$ 28,344,445
Contributions - employee	3,347,740	3,249,005	3,162,044
Net investment income	93,813,435	19,685,354	24,254,890
Administrative expense	(413,178)	(556,832)	(263,991)
Plan to plan resource movement	-	-	(1,570)
Benefit payments	(33,765,218)	(32,285,653)	(30,443,097)
Other miscellaneous income/(expense)	-	-	855
Net change in Plan Fiduciary Net Position	95,349,870	18,631,175	25,053,576
Plan Fiduciary Net Position - beginning	413,616,550	394,985,375	369,931,799
Plan Fiduciary Net Position - ending (b)	\$ 508,966,420	\$ 413,616,550	\$ 394,985,375
Net pension liability - ending (a)-(b)	\$ 119,875,483	\$ 196,215,062	\$ 195,101,708
Plan fiduciary net position as a percentage of the total pension liability	80.94%	67.82%	66.94%
Covered payroll	\$ 34,863,204	\$ 34,279,062	\$ 33,935,043
Net pension liability as percentage of covered payroll	343.85%	572.40%	574.93%

Notes to Schedule:

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

Benefit Changes:

The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the 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 through 2021. 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, 2022
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)	-
-	-	-	-	-
(29,183,598)	(28,074,414)	(27,447,982)	(25,838,982)	(24,529,802)
<u>20,146,227</u>	<u>45,943,254</u>	<u>15,252,812</u>	<u>8,661,063</u>	<u>17,369,245</u>
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)	-	-	-	-
<u>28,220,843</u>	<u>28,505,025</u>	<u>(4,754,288)</u>	<u>5,351,745</u>	<u>37,833,565</u>
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, 2022
Last 10 Years *

Defined Benefit Plan for Safety Employees
Page 1 of 2

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2022	2021	2020
Actuarially determined contribution	\$ 25,115,878	\$ 25,341,788	\$ 22,980,289
Contributions in relation to the actuarially determined contributions	(32,317,538)	(32,251,903)	(28,531,744)
Contribution deficiency (excess)	\$ (7,201,660)	\$ (6,910,115)	\$ (5,551,455)
 Covered payroll	 \$ 35,231,003	 \$ 34,863,204	 \$ 34,279,062
Contributions as a percentage of covered payroll	91.73%	92.51%	83.23%

Notes to Schedule:

Valuation date:	06/30/2019	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	Entry age
Amortization method	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value
Inflation	2.50%	2.50%	2.625%
Salary increases	(2)	(2)	(2)
Investment rate of return	7.00% (3)	7.00% (3)	7.25% (3)
Retirement age	(4)	(4)	(4)
Mortality	(5)	(5)	(5)

- (1) Level percentage of payroll for bases established prior to June 30, 2019 and level dollar amount for bases established after June 30, 2019
- (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 eight years are shown.

CITY OF NEWPORT BEACH
an Agent Multiple-Employer Defined Benefit Pension Plan
As of June 30, 2022
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, 2022
Last 10 Years *

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

Measurement Period	2022	2021	2020	2019	2018
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service cost	\$ 529,600	\$ 521,285	\$ 524,717	\$ 509,434	\$ 478,341
Interest	2,909,400	2,944,050	2,795,490	2,814,685	2,830,153
Differences between expected and actual experience	6,159,865	(219,772)	2,532,319	-	-
Changes in assumptions	(302,512)	-	114,311	-	-
Changes in benefits terms	-	-	-	-	-
Benefit payments, including refunds of member contributions	(3,786,232)	(3,787,663)	(3,627,695)	(3,641,715)	(3,513,406)
Net change in Total OPEB Liability	5,510,121	(542,100)	2,339,142	(317,596)	(204,912)
Total OPEB Liability - beginning	46,093,712	46,635,812	44,296,670	44,614,266	44,819,178
Total OPEB Liability - ending (a)	\$ 51,603,833	\$ 46,093,712	\$ 46,635,812	\$ 44,296,670	\$ 44,614,266
Plan fiduciary net position					
Contributions - employer	\$ 5,785,342	\$ 4,674,814	\$ 4,460,937	\$ 4,675,193	\$ 4,594,772
Contributions - member	-	-	-	-	-
Net investment income	7,184,241	900,087	1,495,861	1,605,114	1,875,536
Benefit payments, including refunds of member contributions	(3,786,232)	(3,787,663)	(3,627,695)	(3,641,715)	(3,513,406)
Administrative expense	(9,908)	(12,037)	(4,980)	(11,076)	(9,452)
Other expense	-	-	-	(25,258)	-
Net change in plan fiduciary net position	9,173,443	1,775,201	2,324,123	2,602,258	2,947,450
Plan fiduciary net position - beginning	25,796,272	24,021,071	21,696,948	19,094,690	16,147,240
Plan fiduciary net position - ending (b)	\$ 34,969,715	\$ 25,796,272	\$ 24,021,071	\$ 21,696,948	\$ 19,094,690
City's Net OPEB liability - ending (a)-(b)	\$ 16,634,118	\$ 20,297,440	\$ 22,614,741	\$ 22,599,722	\$ 25,519,576
Plan fiduciary net position as a percentage of the total OPEB liability	67.77%	55.96%	51.51%	48.98%	42.80%
Covered- employee payroll ⁽¹⁾	\$ 78,621,426	\$ 77,637,171	\$ 75,814,626	\$ 73,999,059	\$ 74,484,613
City's Net OPEB liability as percentage of covered-employee payroll	21.16%	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 five years are shown.

CITY OF NEWPORT BEACH
Post-Employment Health Care Benefits (OPEB) Retirement Plan
As of June 30, 2022
Last 10 Years *

SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years*

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 4,124,923	\$ 4,108,719	\$ 3,834,916	\$ 3,827,337	\$ 3,925,087
Contributions in relation to the actuarially determined contributions	(5,486,967)	(6,511,545)	(5,379,799)	(5,133,062)	(5,309,626)
Contribution deficiency (excess)	<u>\$ (1,362,044)</u>	<u>\$ (2,402,826)</u>	<u>\$ (1,544,883)</u>	<u>\$ (1,305,725)</u>	<u>\$ (1,384,539)</u>
Covered-employee payroll ⁽¹⁾	\$ 79,636,594	\$ 78,621,426	\$ 77,637,171	\$ 75,814,626	\$ 73,999,059
Contributions as a percentage of covered-employee payroll	-6.89%	-8.28%	-6.93%	-6.77%	-7.18%

Notes to Schedule:

Valuation date: June 30, 2019 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 five 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 ***Restricted Programs Fund*** is used to account for revenues received that are restricted for affordable housing, public arts and culture, parking improvements, and disability access training.

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

The ***Oceanfront Encroachment Fund*** is restricted for ocean front restoration and improvement and maintenance to enhance public access and use of ocean beaches as restricted by the Local Coastal Program.

The ***PEG Fees Fund*** is used to account for cable franchise fees received from cable providers for support of Public, Education, and Government access programming only.

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 ***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 ***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 ***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, 2022
Page 1 of 7

	<u>Special Revenue</u>			
	<u>State Gas Tax</u>	<u>SB1 Gas Tax RMRA</u>	<u>Asset Forfeiture</u>	<u>OTS DUI Grant</u>
Assets				
Cash and investments	\$ 3,004,156	\$ 1,831,295	\$ 521,595	\$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	8,646	5,374	900	-
Intergovernmental receivables	159,406	296,343	-	50,559
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	11,300	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,172,208</u>	<u>\$ 2,133,012</u>	<u>\$ 533,795</u>	<u>\$ 50,559</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 721,995	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	50,559
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>721,995</u>	<u>-</u>	<u>-</u>	<u>50,559</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	11,300	-
Permanent endowment	-	-	-	-
Restricted	2,450,213	2,133,012	522,495	-
Committed	-	-	-	-
Unassigned	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>2,450,213</u>	<u>2,133,012</u>	<u>533,795</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,172,208</u>	<u>\$ 2,133,012</u>	<u>\$ 533,795</u>	<u>\$ 50,559</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2022
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	Special Revenue			
	Circulation and Transportation	Building Excise Tax	Community Development Block Grant	Air Quality Management District
Assets				
Cash and investments	\$ 3,170,828	\$ 308,710	\$ -	\$ 1,419,914
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	9,434	918	-	3,905
Intergovernmental receivables	-	-	119,371	28,240
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 3,180,262</u>	<u>\$ 309,628</u>	<u>\$ 119,371</u>	<u>\$ 1,452,059</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 15,792	\$ 62,672	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	56,699	-
Total liabilities	<u>-</u>	<u>15,792</u>	<u>119,371</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	119,371	28,241
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	3,180,262	293,836	-	1,423,818
Committed	-	-	-	-
Unassigned	-	-	(119,371)	-
Total fund balances (deficits)	<u>3,180,262</u>	<u>293,836</u>	<u>(119,371)</u>	<u>1,423,818</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,180,262</u>	<u>\$ 309,628</u>	<u>\$ 119,371</u>	<u>\$ 1,452,059</u>

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2022
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	Special Revenue			
	Environmental Liability	Supplemental Law Enforcement	Contributions	FIIN
Assets				
Cash and investments	\$ 8,544,527	\$ -	\$ 1,769,603	\$ 1,294,992
Receivables:				
Accounts (net of allowance)	6,214	-	209,635	-
Interest	25,353	-	449	3,853
Intergovernmental receivables	-	-	225,296	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	49,349	-	-	-
	\$ 8,625,443	\$ -	\$ 2,204,983	\$ 1,298,845
Total assets				
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 24,861	\$ -	\$ 969,401	\$ -
Accrued payroll	1,513	-	-	-
Unearned revenue	-	-	726,721	-
Due to other funds	-	-	-	-
	26,374	-	1,696,122	-
Total liabilities				
Deferred inflows of resources:				
Unavailable revenue	-	-	336,235	-
	-	-	336,235	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	49,349	-	-	-
Permanent endowment	-	-	-	-
Restricted	8,549,720	-	172,626	1,298,845
Committed	-	-	-	-
Unassigned	-	-	-	-
	8,599,069	-	172,626	1,298,845
Total fund balances (deficits)				
Total liabilities, deferred inflows of resources and fund balances	\$ 8,625,443	\$ -	\$ 2,204,983	\$ 1,298,845

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2022
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	Special Revenue			
	Restricted Programs	Measure M	Oceanfront Encroachment	PEG Fees
Assets				
Cash and investments	\$ 1,737,821	\$ 3,444,706	\$ 1,162,791	\$ 2,781,571
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	-	10,352	-	-
Intergovernmental receivables	-	1,099,014	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
	\$ 1,737,821	\$ 4,554,072	\$ 1,162,791	\$ 2,781,571
Total assets				
	\$ 1,737,821	\$ 4,554,072	\$ 1,162,791	\$ 2,781,571
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 1,137,065	\$ -	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	537,972	-	-
Due to other funds	-	-	-	-
	-	1,675,037	-	-
Total liabilities	-	1,675,037	-	-
Deferred inflows of resources:				
Unavailable revenue	-	683,773	-	-
	-	683,773	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	1,737,821	2,195,262	1,162,791	2,781,571
Committed	-	-	-	-
Unassigned	-	-	-	-
	1,737,821	2,195,262	1,162,791	2,781,571
Total fund balances (deficits)	1,737,821	2,195,262	1,162,791	2,781,571
Total liabilities, deferred inflows of resources and fund balances	\$ 1,737,821	\$ 4,554,072	\$ 1,162,791	\$ 2,781,571

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2022
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	Capital Projects			
	Assessment District	Fire Station	Civic Center and Park	Newport Uptown Undergrounding
Assets				
Cash and investments	\$ 5,424,225	\$ 1,886,064	\$ 482,875	\$ 3,208
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	16,362	5,611	1,288	9
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	1,627,225	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 5,440,587</u>	<u>\$ 3,518,900</u>	<u>\$ 484,163</u>	<u>\$ 3,217</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 393,409	\$ 905,812	\$ -	\$ -
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>393,409</u>	<u>905,812</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	5,047,178	721,413	-	3,217
Committed	-	1,891,675	484,163	-
Unassigned	-	-	-	-
Total fund balances (deficits)	<u>5,047,178</u>	<u>2,613,088</u>	<u>484,163</u>	<u>3,217</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,440,587</u>	<u>\$ 3,518,900</u>	<u>\$ 484,163</u>	<u>\$ 3,217</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2022
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	Capital Projects			
	Parks and Community Centers	Balboa Village Parking Management District	Facilities Maintenance	Neighborhood Enhancement
Assets				
Cash and investments	\$ 7,915,238	\$ 469,636	\$ 2,898,405	\$ 2,091,264
Receivables:				
Accounts (net of allowance)	-	-	-	-
Interest	23,549	1,400	8,623	6,222
Intergovernmental receivables	-	-	-	-
Restricted cash and investments with fiscal agent	-	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 7,938,787</u>	<u>\$ 471,036</u>	<u>\$ 2,907,028</u>	<u>\$ 2,097,486</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 254,154	\$ 41,972	\$ 189,625	\$ 615,095
Accrued payroll	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>254,154</u>	<u>41,972</u>	<u>189,625</u>	<u>615,095</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted	-	-	-	-
Committed	7,684,633	429,064	2,717,403	1,482,391
Unassigned	-	-	-	-
Total fund balances (deficits)	<u>7,684,633</u>	<u>429,064</u>	<u>2,717,403</u>	<u>1,482,391</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,938,787</u>	<u>\$ 471,036</u>	<u>\$ 2,907,028</u>	<u>\$ 2,097,486</u>

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2022
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	Capital Projects		Permanent Fund		Total Other Governmental Funds
	Junior Lifeguards	Unrestricted Capital Improvements	Bay Dredging	Ackerman Donation	
Assets					
Cash and investments	\$ 108,911	\$ 24,108,309	\$ 5,295,852	\$ 1,177,064	\$ 82,853,560
Receivables:		-			
Accounts (net of allowance)	-	-	-	-	215,849
Interest	324	-	15,756	3,502	151,830
Intergovernmental receivables	-	-	-	-	1,978,229
Restricted cash and investments with fiscal agent	-	-	-	-	1,627,225
Prepaid items	-	-	-	-	60,649
Total assets	<u>\$ 109,235</u>	<u>\$ 24,108,309</u>	<u>\$ 5,311,608</u>	<u>\$ 1,180,566</u>	<u>\$ 86,887,342</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 21,501	\$ 613,473	\$ -	\$ 4,900	\$ 5,971,727
Accrued payroll	-	-	-	-	1,513
Unearned revenue	-	-	-	-	1,264,693
Due to other funds	-	-	-	-	107,258
Total liabilities	<u>21,501</u>	<u>613,473</u>	<u>-</u>	<u>4,900</u>	<u>7,345,191</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	1,167,620
Fund balances (deficits):					
Nonspendable:					
Prepaid items	-	-	-	-	60,649
Permanent endowment	-	-	3,857,000	772,781	4,629,781
Restricted	-	-	1,454,608	402,885	35,531,573
Committed	87,734	23,494,836	-	-	38,271,899
Unassigned	-	-	-	-	(119,371)
Total fund balances (deficits)	<u>87,734</u>	<u>23,494,836</u>	<u>5,311,608</u>	<u>1,175,666</u>	<u>78,374,531</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 109,235</u>	<u>\$ 24,108,309</u>	<u>\$ 5,311,608</u>	<u>\$ 1,180,566</u>	<u>\$ 86,887,342</u>

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022
Page 1 of 7

	Special Revenue			
	State Gas Tax	SB1 Gas Tax RMRA	Asset Forfeiture	OTS DUI Grant
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,030,920	1,725,818	187,285	205,750
Licenses, permits and fees	-	-	-	-
Investment income	38,595	11,182	5,656	-
Net decrease in fair value of investments	(38,595)	(11,182)	(14,078)	-
Donations	-	-	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Total revenues	2,030,920	1,725,818	178,863	205,750
Expenditures:				
Current:				
Public safety	-	-	182,745	205,750
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	2,496,486	9,972	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	2,496,486	9,972	182,745	205,750
Excess (deficiency) of revenues over expenditures	(465,566)	1,715,846	(3,882)	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(465,566)	1,715,846	(3,882)	-
Fund balances (deficits), beginning	2,915,779	417,166	537,677	-
Fund balances (deficits), ending	<u>\$ 2,450,213</u>	<u>\$ 2,133,012</u>	<u>\$ 533,795</u>	<u>\$ -</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, 2022
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	Special Revenue			
	Circulation and Transportation	Building Excise Tax	Community Development Block Grant	Air Quality Management District
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	291,807	109,607
Licenses, permits and fees	235,010	199,098	-	-
Investment income	35,268	4,616	-	14,282
Net decrease in fair value of investments	(123,676)	(15,851)	-	(14,282)
Donations	-	-	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Total revenues	146,602	187,863	291,807	109,607
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	208,791	-
Capital outlay	-	288,050	-	10,000
Debt service:				
Principal	-	-	195,000	-
Interest and fiscal charges	-	-	7,387	-
Total expenditures	-	288,050	411,178	10,000
Excess (deficiency) of revenues over expenditures	146,602	(100,187)	(119,371)	99,607
Other financing sources (uses):				
Transfers in	-	-	-	69,812
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	69,812
Net change in fund balances	146,602	(100,187)	(119,371)	169,419
Fund balances (deficits), beginning	3,033,660	394,023	-	1,254,399
Fund balances (deficits), ending	<u>\$ 3,180,262</u>	<u>\$ 293,836</u>	<u>\$ (119,371)</u>	<u>\$ 1,423,818</u>

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022
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	Special Revenue			
	Environmental Liability	Supplemental Law Enforcement	Contributions	FIIN
Revenues:				
Other taxes	\$ 823,732	\$ -	\$ -	\$ -
Intergovernmental	-	211,400	5,774,197	-
Licenses, permits and fees	-	-	-	-
Investment income	95,417	-	14,399	14,711
Net decrease in fair value of investments	(331,447)	-	(47,059)	(50,975)
Donations	-	-	66,992	-
Special assessments	-	-	-	-
Other	66,593	-	156,207	-
Total revenues	654,295	211,400	5,964,736	(36,264)
Expenditures:				
Current:				
Public safety	-	211,400	-	-
Public works	636,347	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	6,533,444	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	636,347	211,400	6,533,444	-
Excess (deficiency) of revenues over expenditures	17,948	-	(568,708)	(36,264)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	17,948	-	(568,708)	(36,264)
Fund balances (deficits), beginning	8,581,121	-	741,334	1,335,109
Fund balances (deficits), ending	<u>\$ 8,599,069</u>	<u>\$ -</u>	<u>\$ 172,626</u>	<u>\$ 1,298,845</u>

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022
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	Special Revenue			
	Restricted Programs	Measure M	Oceanfront Encroachment	PEG Fees
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,378,931	-	-
Licenses, permits and fees	-	-	-	-
Investment income	-	43,793	-	-
Net decrease in fair value of investments	-	(43,793)	-	-
Donations	-	-	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Total revenues	-	2,378,931	-	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	2,771,875	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	2,771,875	-	-
Excess (deficiency) of revenues over expenditures	-	(392,944)	-	-
Other financing sources (uses):				
Transfers in	1,737,821	-	1,162,791	2,781,571
Transfers out	-	-	-	-
Total other financing sources (uses)	1,737,821	-	1,162,791	2,781,571
Net change in fund balances	1,737,821	(392,944)	1,162,791	2,781,571
Fund balances (deficits), beginning	-	2,588,206	-	-
Fund balances (deficits), ending	<u>\$ 1,737,821</u>	<u>\$ 2,195,262</u>	<u>\$ 1,162,791</u>	<u>\$ 2,781,571</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, 2022
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	Capital Projects			
	Assessment District	Fire Station	Civic Center and Park	Newport Uptown Undergrounding
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	55,955	32,874	4,927	36
Net decrease in fair value of investments	(193,132)	(63,734)	(17,068)	(126)
Donations	-	-	-	-
Special assessments	8,086,594	-	-	-
Other	49,949	-	-	-
Total revenues	7,999,366	(30,860)	(12,141)	(90)
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	6,637,176	-	-	-
Community development	-	-	-	-
Capital outlay	-	5,352,887	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	1,681	-
Total expenditures	6,637,176	5,352,887	1,681	-
Excess (deficiency) of revenues over expenditures	1,362,190	(5,383,747)	(13,822)	(90)
Other financing sources (uses):				
Transfers in	830,300	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	830,300	-	-	-
Net change in fund balances	2,192,490	(5,383,747)	(13,822)	(90)
Fund balances (deficits), beginning	2,854,688	7,996,835	497,985	3,307
Fund balances (deficits), ending	<u>\$ 5,047,178</u>	<u>\$ 2,613,088</u>	<u>\$ 484,163</u>	<u>\$ 3,217</u>

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
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For the Year Ended June 30, 2022
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	Capital Projects			
	Parks and Community Centers	Balboa Village Parking Management District	Facilities Maintenance	Neighborhood Enhancement
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	311	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	95,418	11,717	36,633	29,789
Net decrease in fair value of investments	(323,553)	(36,865)	(120,788)	(97,866)
Donations	-	-	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Total revenues	(227,824)	(25,148)	(84,155)	(68,077)
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	773,311	932,060	920,548	1,560,526
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	773,311	932,060	920,548	1,560,526
Excess (deficiency) of revenues over expenditures	(1,001,135)	(957,208)	(1,004,703)	(1,628,603)
Other financing sources (uses):				
Transfers in	4,013,862	-	1,500,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	4,013,862	-	1,500,000	-
Net change in fund balances	3,012,727	(957,208)	495,297	(1,628,603)
Fund balances (deficits), beginning	4,671,906	1,386,272	2,222,106	3,110,994
Fund balances (deficits), ending	<u>\$ 7,684,633</u>	<u>\$ 429,064</u>	<u>\$ 2,717,403</u>	<u>\$ 1,482,391</u>

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022
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	<u>Capital Projects</u>		<u>Permanent Funds</u>		Total Other Governmental Funds
	<u>Junior Lifeguards</u>	<u>Unrestricted Capital Improvements</u>	<u>Bay Dredging</u>	<u>Ackerman Donation</u>	
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ 823,732
Intergovernmental	-	-	-	-	12,916,026
Licenses, permits and fees	-	-	-	-	434,108
Investment income	2,765	-	60,160	13,372	621,565
Net decrease in fair value of investments	(8,159)	-	(208,463)	(46,334)	(1,807,026)
Donations	-	-	-	-	66,992
Special assessments	-	-	-	-	8,086,594
Other	-	-	-	-	272,749
Total revenues	<u>(5,394)</u>	<u>-</u>	<u>(148,303)</u>	<u>(32,962)</u>	<u>21,414,740</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	599,895
Public works	-	-	-	-	7,273,523
Community development	-	-	-	4,900	213,691
Capital outlay	240,210	4,736,378	-	-	26,625,747
Debt service:					
Principal	-	-	-	-	195,000
Interest and fiscal charges	-	-	-	-	9,068
Total expenditures	<u>240,210</u>	<u>4,736,378</u>	<u>-</u>	<u>4,900</u>	<u>34,916,924</u>
Excess (deficiency) of revenues over expenditures	<u>(245,604)</u>	<u>(4,736,378)</u>	<u>(148,303)</u>	<u>(37,862)</u>	<u>(13,502,184)</u>
Other financing sources (uses):					
Transfers in	469,637	21,301,066	-	-	33,866,860
Transfers out	-	(69,812)	-	-	(69,812)
Total other financing sources (uses)	<u>469,637</u>	<u>21,231,254</u>	<u>-</u>	<u>-</u>	<u>33,797,048</u>
Net change in fund balances	<u>224,033</u>	<u>16,494,876</u>	<u>(148,303)</u>	<u>(37,862)</u>	<u>20,294,864</u>
Fund balances (deficits), beginning	<u>(136,299)</u>	<u>6,999,960</u>	<u>5,459,911</u>	<u>1,213,528</u>	<u>58,079,667</u>
Fund balances (deficits), ending	<u>\$ 87,734</u>	<u>\$ 23,494,836</u>	<u>\$ 5,311,608</u>	<u>\$ 1,175,666</u>	<u>\$ 78,374,531</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,177,096	\$ 2,070,412	\$ 2,030,920	\$ (39,492)
Investment income	21,669	21,669	38,595	16,926
Net decrease in fair value of investments	-	-	(38,595)	(38,595)
Total revenues	<u>2,198,765</u>	<u>2,092,081</u>	<u>2,030,920</u>	<u>(61,161)</u>
Expenditures:				
Capital outlay	-	4,063,852	2,496,486	1,567,366
Net change in fund balance	2,198,765	(1,971,771)	(465,566)	1,506,205
Fund balance, beginning	<u>2,915,779</u>	<u>2,915,779</u>	<u>2,915,779</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 5,114,544</u></u>	<u><u>\$ 944,008</u></u>	<u><u>\$ 2,450,213</u></u>	<u><u>\$ 1,506,205</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
SB1 Gas Tax RMRA Special Revenue Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,703,906	\$ 1,647,859	\$ 1,725,818	\$ 77,959
Investment income	3,321	3,321	11,182	7,861
Net decrease in fair value of investments	-	-	(11,182)	(11,182)
Total revenues	<u>1,707,227</u>	<u>1,651,180</u>	<u>1,725,818</u>	<u>74,638</u>
Expenditures:				
Capital outlay	-	2,000,000	9,972	1,990,028
Net change in fund balance	1,707,227	(348,820)	1,715,846	2,064,666
Fund balance, beginning	<u>417,166</u>	<u>417,166</u>	<u>417,166</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 2,124,393</u></u>	<u><u>\$ 68,346</u></u>	<u><u>\$ 2,133,012</u></u>	<u><u>\$ 2,064,666</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 187,285	\$ 187,285
Investment income	-	-	5,656	5,656
Net decrease in fair value of investments	-	-	(14,078)	(14,078)
Total revenues	<u>-</u>	<u>-</u>	<u>178,863</u>	<u>178,863</u>
Expenditures:				
Public safety	<u>65,000</u>	<u>233,158</u>	<u>182,745</u>	<u>50,413</u>
Net change in fund balance	(65,000)	(233,158)	(3,882)	229,276
Fund balance, beginning	<u>537,677</u>	<u>537,677</u>	<u>537,677</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 472,677</u></u>	<u><u>\$ 304,519</u></u>	<u><u>\$ 533,795</u></u>	<u><u>\$ 229,276</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
OTS DUI Grant Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 347,512	\$ 205,750	\$ (141,762)
Expenditures:				
Public safety	-	347,512	205,750	141,762
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
Circulation and Transportation Special Revenue Fund
For the Year Ended June 30, 2022

	<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	\$ -	\$ -	\$ 235,010	\$ 235,010
Investment income	-	-	35,268	35,268
Net decrease in fair value of investments	-	-	(123,676)	(123,676)
Total revenues	-	-	146,602	146,602
Expenditures:				
Capital outlay	-	359,498	-	359,498
Net change in fund balance	-	(359,498)	146,602	506,100
Fund balance, beginning	3,033,660	3,033,660	3,033,660	-
Fund balance, ending	<u>\$ 3,033,660</u>	<u>\$ 2,674,162</u>	<u>\$ 3,180,262</u>	<u>\$ 506,100</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 202,950	\$ 202,950	\$ 199,098	\$ (3,852)
Investment income	3,006	3,006	4,616	1,610
Net decrease in fair value of investments	-	-	(15,851)	(15,851)
Total revenues	<u>205,956</u>	<u>205,956</u>	<u>187,863</u>	<u>(18,093)</u>
Expenditures:				
Capital outlay	-	561,663	288,050	273,613
Net change in fund balance	205,956	(355,707)	(100,187)	255,520
Fund balance, beginning	<u>394,023</u>	<u>394,023</u>	<u>394,023</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 599,979</u></u>	<u><u>\$ 38,316</u></u>	<u><u>\$ 293,836</u></u>	<u><u>\$ 255,520</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 359,743	\$ 1,451,936	\$ 291,807	\$ (1,160,129)
Total revenues	<u>359,743</u>	<u>1,451,936</u>	<u>291,807</u>	<u>(1,160,129)</u>
Expenditures:				
Community development	183,586	1,243,859	208,791	1,035,068
Capital outlay	-	52,942	-	52,942
Debt service:				
Principal	195,000	195,000	195,000	-
Interest and fiscal charges	<u>7,387</u>	<u>7,387</u>	<u>7,387</u>	<u>-</u>
Total expenditures	<u>385,973</u>	<u>1,499,188</u>	<u>411,178</u>	<u>1,088,010</u>
Net change in fund balance	(26,230)	(47,252)	(119,371)	(72,119)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (26,230)</u>	<u>\$ (47,252)</u>	<u>\$ (119,371)</u>	<u>\$ (72,119)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 109,607	\$ 9,607
Investment income	16,734	16,734	14,282	(2,452)
Net decrease in fair value of investments	-	-	(14,282)	(14,282)
Total revenues	<u>116,734</u>	<u>116,734</u>	<u>109,607</u>	<u>(7,127)</u>
Expenditures:				
Capital outlay	-	261,941	10,000	251,941
Excess (deficiency) of revenues over expenditures	116,734	(145,207)	99,607	244,814
Other financing sources				
Transfers in	-	69,812	69,812	-
Net change in fund balance	116,734	(75,395)	169,419	244,814
Fund balance, beginning	<u>1,254,399</u>	<u>1,254,399</u>	<u>1,254,399</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,371,133</u></u>	<u><u>\$ 1,179,004</u></u>	<u><u>\$ 1,423,818</u></u>	<u><u>\$ 244,814</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes	\$ 670,563	\$ 670,563	\$ 823,732	\$ 153,169
Investment income	153,829	153,829	95,417	(58,412)
Net decrease in fair value of investments	-	-	(331,447)	(331,447)
Other revenue	40,000	40,000	66,593	26,593
Total revenues	<u>864,392</u>	<u>864,392</u>	<u>654,295</u>	<u>(210,097)</u>
Expenditures:				
Public works	<u>639,051</u>	<u>639,592</u>	<u>636,347</u>	<u>3,245</u>
Net change in fund balance	225,341	224,800	17,948	(206,852)
Fund balance, beginning	<u>8,581,121</u>	<u>8,581,121</u>	<u>8,581,121</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 8,806,462</u></u>	<u><u>\$ 8,805,921</u></u>	<u><u>\$ 8,599,069</u></u>	<u><u>\$ (206,852)</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 211,400	\$ 11,400
Expenditures:				
Public safety	200,000	200,000	211,400	(11,400)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Contributions Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 8,067,689	\$ 10,674,974	\$ 5,774,197	\$ (4,900,777)
Investment income	36,533	36,533	14,399	(22,134)
Net decrease in fair value of investments	-	-	(47,059)	(47,059)
Donations	-	7,419	66,992	59,573
Other	-	198,857	156,207	(42,650)
Total revenues	<u>8,104,222</u>	<u>10,917,783</u>	<u>5,964,736</u>	<u>(4,953,047)</u>
Expenditures:				
Capital outlay	-	11,687,715	6,533,444	5,154,271
Net change in fund balance	8,104,222	(769,932)	(568,708)	201,224
Fund balance, beginning	<u>741,334</u>	<u>741,334</u>	<u>741,334</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 8,845,556</u></u>	<u><u>\$ (28,598)</u></u>	<u><u>\$ 172,626</u></u>	<u><u>\$ 201,224</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
FIIN Special Revenue Fund
For the Year Ended June 30, 2022

	<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	\$ 14,711	\$ (9,199)
Net decrease in fair value of investments	-	-	(50,975)	(50,975)
Total revenues	<u>23,910</u>	<u>23,910</u>	<u>(36,264)</u>	<u>(60,174)</u>
Expenditures:				
Community services	<u>147,000</u>	<u>147,000</u>	<u>-</u>	<u>147,000</u>
Net change in fund balance	(123,090)	(123,090)	(36,264)	86,826
Fund balance, beginning	<u>1,335,109</u>	<u>1,335,109</u>	<u>1,335,109</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,212,019</u></u>	<u><u>\$ 1,212,019</u></u>	<u><u>\$ 1,298,845</u></u>	<u><u>\$ 86,826</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Restricted Programs Special Revenue Fund
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Transfers in	\$ -	\$ 1,737,821	\$ 1,737,821	\$ -
Net change in fund balance	-	1,737,821	1,737,821	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 1,737,821</u>	<u>\$ 1,737,821</u>	<u>\$ -</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Measure M Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 5,043,078	\$ 3,289,950	\$ 2,378,931	\$ (911,019)
Investment income	7,123	7,123	43,793	36,670
Net decrease in fair value of investments	-	-	(43,793)	(43,793)
Total revenues	<u>5,050,201</u>	<u>3,297,073</u>	<u>2,378,931</u>	<u>(918,142)</u>
Expenditures:				
Capital outlay	<u>3,038,500</u>	<u>5,706,234</u>	<u>2,771,875</u>	<u>2,934,359</u>
Net change in fund balance	2,011,701	(2,409,161)	(392,944)	2,016,217
Fund balance, beginning	<u>2,588,206</u>	<u>2,588,206</u>	<u>2,588,206</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 4,599,907</u></u>	<u><u>\$ 179,045</u></u>	<u><u>\$ 2,195,262</u></u>	<u><u>\$ 2,016,217</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Oceanfront Encroachment Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources:				
Transfers in	\$ -	\$ 1,162,791	\$ 1,162,791	\$ -
Net change in fund balance	-	1,162,791	1,162,791	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 1,162,791</u>	<u>\$ 1,162,791</u>	<u>\$ -</u>

**CITY OF NEWPORT BEACH
 Budgetary Comparison Schedule
 PEG Fees Special Revenue Fund
 For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources:				
Transfers in	\$ -	\$ 2,781,571	\$ 2,781,571	\$ -
Net change in fund balance	-	2,781,571	2,781,571	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 2,781,571</u>	<u>\$ 2,781,571</u>	<u>\$ -</u>

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FINANCIAL SECTION

SUPPLEMENTARY INFORMATION
INTERNAL SERVICE FUNDS

FINANCIAL SECTION

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Net Position
June 30, 2022

Assets	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Current assets:						
Cash and investments	\$ 38,522,094	\$ 5,564,921	\$ 1,210,639	\$ 14,092,188	\$ 9,810,111	\$ 69,199,953
Receivables:						
Accounts (net of allowance)	-	-	6,225	11,014	-	17,239
Interest	114,545	15,013	3,072	41,943	28,950	203,523
Inventories	-	-	-	381,385	-	381,385
Prepaid items	11,801	-	259,182	1,964,440	329,299	2,564,722
Total current assets	<u>38,648,440</u>	<u>5,579,934</u>	<u>1,479,118</u>	<u>16,490,970</u>	<u>10,168,360</u>	<u>72,366,822</u>
Noncurrent assets:						
Capital assets:						
Equipment	-	-	-	42,089,030	3,442,988	45,532,018
Intangible right to use equipment	-	-	-	-	348,272	348,272
Structures	-	-	-	39,581	-	39,581
Software	-	-	-	-	3,603,419	3,603,419
Work in progress	-	-	-	-	639,243	639,243
Less accumulated depreciation/amortization	-	-	-	(26,330,020)	(6,043,901)	(32,373,921)
Total capital assets (net of accumulated depreciation/amortization)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,798,591</u>	<u>1,990,021</u>	<u>17,788,612</u>
Total assets	<u>38,648,440</u>	<u>5,579,934</u>	<u>1,479,118</u>	<u>32,289,561</u>	<u>12,158,381</u>	<u>90,155,434</u>
Deferred outflows of resources:						
Deferred amount from pension plans	-	-	-	362,551	726,688	1,089,239
Deferred amount from OPEB	-	-	-	140,200	281,020	421,220
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,751</u>	<u>1,007,708</u>	<u>1,510,459</u>
Liabilities						
Current liabilities:						
Accounts payable	558,108	506,354	-	468,398	434,805	1,967,665
Accrued payroll	9,238	-	178,128	31,889	79,798	299,053
Due to other funds	-	-	353,001	-	-	353,001
Workers' compensation - current	2,930,962	-	-	-	-	2,930,962
General liability - current	2,865,644	-	-	-	-	2,865,644
Compensated absences - current	-	4,385,927	-	-	-	4,385,927
Lease liability - current	-	-	-	-	66,721	66,721
Total current liabilities	<u>6,363,952</u>	<u>4,892,281</u>	<u>531,129</u>	<u>500,287</u>	<u>581,324</u>	<u>12,868,973</u>
Noncurrent liabilities:						
Workers' compensation	12,823,626	-	-	-	-	12,823,626
General liability	5,830,236	-	-	-	-	5,830,236
Compensated absences	-	8,391,481	-	-	-	8,391,481
Lease liability	-	-	-	-	196,714	196,714
Net pension liability	-	-	-	1,042,897	2,090,386	3,133,283
Net OPEB liability	-	-	-	187,694	376,224	563,918
Total noncurrent liabilities	<u>18,653,862</u>	<u>8,391,481</u>	<u>-</u>	<u>1,230,591</u>	<u>2,663,324</u>	<u>30,939,258</u>
Total liabilities	<u>25,017,814</u>	<u>13,283,762</u>	<u>531,129</u>	<u>1,730,878</u>	<u>3,244,648</u>	<u>43,808,231</u>
Deferred inflows of resources:						
Deferred amount from pension plans	-	-	-	695,023	1,393,105	2,088,128
Deferred amount from OPEB	-	-	-	51,084	102,393	153,477
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>746,107</u>	<u>1,495,498</u>	<u>2,241,605</u>
Net Position						
Invested in capital assets	-	-	-	17,723,541	1,707,406	19,430,947
Unrestricted	13,630,626	(7,703,828)	947,989	12,591,786	6,718,537	26,185,110
Total net position	<u>\$ 13,630,626</u>	<u>\$ (7,703,828)</u>	<u>\$ 947,989</u>	<u>\$ 30,315,327</u>	<u>\$ 8,425,943</u>	<u>\$ 45,616,057</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2022

	<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	\$ 8,961,000	\$ 2,713,271	\$ 4,940,367	\$ 7,414,613	\$ 7,307,210	\$ 31,336,461
Employee contributions	-	-	40,451	-	-	40,451
Other	459,706	-	-	251,068	169	710,943
Total operating revenues	<u>9,420,706</u>	<u>2,713,271</u>	<u>4,980,818</u>	<u>7,665,681</u>	<u>7,307,379</u>	<u>32,087,855</u>
Operating expenses:						
Salaries and wages	-	-	165	750,679	1,906,977	2,657,821
Depreciation/amortization	-	-	-	3,342,645	351,935	3,694,580
Professional services	-	-	-	36,240	375,361	411,601
Maintenance and supplies	-	-	-	1,495,256	1,819,339	3,314,595
Fleet parts and supplies	-	-	-	572,898	-	572,898
Telecommunication	-	-	-	-	216,006	216,006
Hardware	-	-	-	-	336,181	336,181
Software	-	-	-	-	233,186	233,186
Workers' compensation	4,213,387	-	-	-	-	4,213,387
Claims and judgments	5,957,756	-	-	-	-	5,957,756
Compensated absences	-	2,058,475	-	-	-	2,058,475
OPEB	-	-	4,499,498	-	-	4,499,498
Other	-	-	20,637	-	-	20,637
Total operating expenses	<u>10,171,143</u>	<u>2,058,475</u>	<u>4,520,300</u>	<u>6,197,718</u>	<u>5,238,985</u>	<u>28,186,621</u>
Operating income (loss)	<u>(750,437)</u>	<u>654,796</u>	<u>460,518</u>	<u>1,467,963</u>	<u>2,068,394</u>	<u>3,901,234</u>
Nonoperating revenues:						
Investment income	402,869	60,058	12,391	153,487	103,430	732,235
Net decrease in fair value of investments	(1,432,870)	(206,360)	(44,451)	(544,611)	(368,331)	(2,596,623)
Gain on sale of capital assets	-	-	-	290,940	-	290,940
Interest expense	-	-	-	-	(620)	(620)
Total nonoperating revenues	<u>(1,030,001)</u>	<u>(146,302)</u>	<u>(32,060)</u>	<u>(100,184)</u>	<u>(265,521)</u>	<u>(1,574,068)</u>
Income (loss) before transfers	<u>(1,780,438)</u>	<u>508,494</u>	<u>428,458</u>	<u>1,367,779</u>	<u>1,802,873</u>	<u>2,327,166</u>
Transfer out	-	-	-	(472,403)	(812,227)	(1,284,630)
Change in net position	<u>(1,780,438)</u>	<u>508,494</u>	<u>428,458</u>	<u>895,376</u>	<u>990,646</u>	<u>1,042,536</u>
Net position, beginning	15,411,064	(8,212,322)	519,531	29,419,951	7,435,297	44,573,521
Net position, ending	<u>\$ 13,630,626</u>	<u>\$ (7,703,828)</u>	<u>\$ 947,989</u>	<u>\$ 30,315,327</u>	<u>\$ 8,425,943</u>	<u>\$ 45,616,057</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2022

	<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	\$ 9,980,942	\$ 2,713,271	\$ 4,940,518	\$ 7,592,640	\$ 7,307,210	\$ 32,534,581
Payments to employees	(3,231,520)	(2,761,452)	-	(1,108,538)	(2,621,638)	(9,723,148)
Payments to suppliers	(6,441,496)	-	(4,511,012)	(323,683)	(2,484,162)	(13,760,353)
Other operating cash receipts	<u>459,706</u>	<u>-</u>	<u>40,451</u>	<u>251,068</u>	<u>169</u>	<u>751,394</u>
Net cash provided (used) by operating activities	<u>767,632</u>	<u>(48,181)</u>	<u>469,957</u>	<u>6,411,487</u>	<u>2,201,579</u>	<u>9,802,474</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	-	165	-	-	165
Cash paid to other funds	-	-	-	(472,403)	(812,227)	(1,284,630)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>165</u>	<u>(472,403)</u>	<u>(812,227)</u>	<u>(1,284,465)</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(4,654,689)	(370,174)	(5,024,863)
Lease liabilities and related	-	-	-	-	(33,041)	(33,041)
Proceeds from sale of capital assets	-	-	-	<u>290,940</u>	<u>-</u>	<u>290,940</u>
Net cash (used) for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,363,749)</u>	<u>(403,215)</u>	<u>(4,766,964)</u>
Cash flows from investing activities:						
Investment (loss)	<u>(1,030,165)</u>	<u>(145,584)</u>	<u>(33,307)</u>	<u>(394,630)</u>	<u>(266,983)</u>	<u>(1,870,669)</u>
Net cash (used) by investing activities	<u>(1,030,165)</u>	<u>(145,584)</u>	<u>(33,307)</u>	<u>(394,630)</u>	<u>(266,983)</u>	<u>(1,870,669)</u>
Net increase (decrease) in cash and cash equivalents	(262,533)	(193,765)	436,815	1,180,705	719,154	1,880,376
Cash and cash equivalents, beginning	<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>
Cash and cash equivalents, ending	<u>\$ 38,522,094</u>	<u>\$ 5,564,921</u>	<u>\$ 1,210,639</u>	<u>\$ 14,092,188</u>	<u>\$ 9,810,111</u>	<u>\$ 69,199,953</u>
Reconciliation to the statement of net position:						
Cash and investments reported on statement of net position	\$ 38,522,094	\$ 5,564,921	\$ 1,210,639	\$ 14,092,188	\$ 9,810,111	\$ 69,199,953
Cash and cash equivalents	<u>\$ 38,522,094</u>	<u>\$ 5,564,921</u>	<u>\$ 1,210,639</u>	<u>\$ 14,092,188</u>	<u>\$ 9,810,111</u>	<u>\$ 69,199,953</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	<u>\$ (750,437)</u>	<u>\$ 654,796</u>	<u>\$ 460,518</u>	<u>\$ 1,467,963</u>	<u>\$ 2,068,394</u>	<u>\$ 3,901,234</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	-	-	-	3,342,645	351,935	3,694,580
Changes in operating assets and liabilities:						
Decrease in accounts receivable	1,019,942	-	151	178,027	-	1,198,120
Decrease in inventories	-	-	-	66,070	-	66,070
(Increase) decrease in prepaid items	52,663	-	(5,987)	1,629,343	128,398	1,804,417
Increase (decrease) in accounts payable and accrued payroll	(986,369)	32,622	15,275	89,095	377,758	(471,619)
Increase in workers' compensation	1,001,588	-	-	-	-	1,001,588
Increase in general liability	430,245	-	-	-	-	430,245
(Decrease) in compensated absences	-	(735,599)	-	-	-	(735,599)
(Decrease) in net pension liability and deferred cash flows	-	-	-	(324,477)	(650,383)	(974,860)
(Decrease) in net OPEB liability and deferred cash flows	-	-	-	(37,179)	(74,523)	(111,702)
Total adjustments	<u>1,518,069</u>	<u>(702,977)</u>	<u>9,439</u>	<u>4,943,524</u>	<u>133,185</u>	<u>5,901,240</u>
Net cash provided (used) by operating activities	<u>\$ 767,632</u>	<u>\$ (48,181)</u>	<u>\$ 469,957</u>	<u>\$ 6,411,487</u>	<u>\$ 2,201,579</u>	<u>\$ 9,802,474</u>
Noncash investing, capital, and financing activities:						
Net (decrease) in fair value of investments	\$ (1,432,870)	\$ (206,360)	\$ (44,451)	\$ (544,611)	\$ (368,331)	\$ (2,596,623)
Obtaining an intangible right to use lease asset	-	-	-	-	(295,856)	(295,856)
Total of noncash activities	<u>\$ (1,432,870)</u>	<u>\$ (206,360)</u>	<u>\$ (44,451)</u>	<u>\$ (544,611)</u>	<u>\$ (664,187)</u>	<u>\$ (2,892,479)</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, 2022

	Custodial Funds				Total Custodial Funds
	Special Assessment District	Tourism Business Improvement	Other Business Improvement	Police Custodial	
Assets					
Cash and investments	\$ 32,241	\$ 372,792	\$ 9,789	\$ 260,613	\$ 675,435
Restricted cash and investments with fiscal agent	2,288,581	-	-	-	2,288,581
Receivable:					
Interest	537	-	-	-	537
Intergovernmental receivable	21,046	-	-	-	21,046
Total assets	<u>2,342,405</u>	<u>372,792</u>	<u>9,789</u>	<u>260,613</u>	<u>2,985,599</u>
Liabilities					
Due to others	464	372,792	9,789	646	383,691
Total liabilities	<u>464</u>	<u>372,792</u>	<u>9,789</u>	<u>646</u>	<u>383,691</u>
Net Position					
Restricted for:					
Individuals, organizations, and other governments	2,341,941	-	-	259,967	2,601,908
Total net position	<u>\$ 2,341,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,967</u>	<u>\$ 2,601,908</u>

CITY OF NEWPORT BEACH
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2022

	Custodial Funds				Total Custodial Funds
	Special Assessment District	Tourism Business Improvement	Other Business Improvement	Police Custodial	
Additions					
Special assessments	\$ 1,664,084	\$ -	\$ -	\$ -	\$ 1,664,084
Investment earnings	991	-	-	29	1,020
Other	153,604	-	-	60,939	214,543
Total additions	<u>1,818,679</u>	<u>-</u>	<u>-</u>	<u>60,968</u>	<u>1,879,647</u>
Deductions					
Debt service	1,276,605	-	-	-	1,276,605
Administrative	66,942	-	-	-	66,942
Other	-	-	-	71,759	71,759
Total deductions	<u>1,343,547</u>	<u>-</u>	<u>-</u>	<u>71,759</u>	<u>1,415,306</u>
Net increase (decrease) in fiduciary net position	475,132	-	-	(10,791)	464,341
Net position, beginning of year	1,866,809	-	-	270,758	2,137,567
Net position, end of year	<u>\$ 2,341,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,967</u>	<u>\$ 2,601,908</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 have 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			
	2013	2014 ¹	2015 ²	2016 ³
Governmental activities:				
Net investment in capital assets	\$ 2,124,797,794	\$ 2,148,942,928	\$ 2,176,644,408	\$ 2,193,773,102
Restricted	72,119,674	59,998,344	45,689,702	44,033,677
Unrestricted	77,966,414	(184,990,765)	(150,532,773)	(130,468,268)
Total governmental activities	<u>\$ 2,274,883,882</u>	<u>\$ 2,023,950,507</u>	<u>\$ 2,071,801,337</u>	<u>\$ 2,107,338,511</u>
Business-type activities:				
Net investment in capital assets	\$ 111,177,135	\$ 115,948,522	\$ 113,914,514	\$ 117,055,576
Unrestricted	19,172,398	13,160,611	21,756,124	23,430,189
Total business-type activities	<u>\$ 130,349,533</u>	<u>\$ 129,109,133</u>	<u>\$ 135,670,638</u>	<u>\$ 140,485,765</u>
Primary government:				
Net investment in capital assets	\$ 2,235,974,929	\$ 2,264,891,450	\$ 2,290,558,922	\$ 2,310,828,678
Restricted	72,119,674	59,998,344	45,689,702	44,033,677
Unrestricted	97,138,812	(171,830,154)	(128,776,649)	(107,038,079)
Total primary government	<u>\$ 2,405,233,415</u>	<u>\$ 2,153,059,640</u>	<u>\$ 2,207,471,975</u>	<u>\$ 2,247,824,276</u>

¹ 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.

² Reflects restatement of net position due to compensated absences and deferred outflow adjustments related to fiscal year ended June 30, 2016.

³ Reflects restatement of net position due to deferred outflow adjustments related to fiscal year ended June 30, 2017.

⁴ Reflects restatement of net position due to implementation of GASB 75 in fiscal year ended June 30, 2018.

⁵ Reflects restatement of net position due to adjustments for capital assets and compensated absences liability in fiscal year ended June 30, 2019.

⁶ 2022 data varies from trend due to receipt of revenues such as property taxes and sales taxes that were not spent or restricted by the end of the fiscal year.

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.

The City of Newport Beach implemented GASB 87 for the fiscal year ended June 30, 2022.

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

Fiscal Year					
2017 ⁴	2018 ⁵	2019	2020	2021	2022
\$ 2,201,552,683	\$ 2,208,832,391	\$ 2,218,040,304	\$ 2,217,852,660	\$ 2,227,572,605	\$ 2,223,773,786
45,753,736	49,791,908	56,426,811	67,708,225	67,189,020	78,100,496
(133,461,197)	(122,024,754)	(102,035,181)	(90,214,086)	(72,301,558)	(8,183,288)
<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>	<u>\$ 2,293,690,994</u>
\$ 116,238,944	\$ 119,375,596	\$ 119,346,350	\$ 120,291,689	\$ 124,775,772	\$ 128,244,924
28,890,311	29,183,382	30,331,669	30,276,662	27,039,499	28,559,633
<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>	<u>\$ 156,804,557</u>
\$ 2,317,791,627	\$ 2,328,207,987	\$ 2,337,386,654	\$ 2,338,144,349	\$ 2,352,348,377	\$ 2,352,018,710
45,753,736	49,791,908	56,426,811	67,708,225	67,189,020	78,100,496
(104,570,886)	(92,841,372)	(71,703,512)	(59,937,424)	(45,262,059)	20,376,345 ⁶
<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>	<u>\$ 2,450,495,551</u>

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

	Fiscal Year			
	2013	2014	2015	2016
Expenses:				
Governmental activities:				
General government	\$ 15,830,575	\$ 18,834,165	\$ 24,558,041	\$ 19,335,275
Public safety	83,235,188	87,676,062	96,945,872	91,046,455
Public works	47,794,631	42,953,118	45,774,939	45,443,988
Community development	9,223,098	10,283,481	10,073,248	9,943,868
Community services	22,244,661	21,357,271	22,418,287	22,700,052
Interest on long-term debt	7,989,339	7,888,192	7,711,334	7,615,094
Total governmental activities expenses	<u>186,317,492</u>	<u>188,992,289</u>	<u>207,481,721</u>	<u>196,084,732</u>
Business-type activities:				
Water	20,208,300	22,037,284	21,175,954	21,605,197
Wastewater	3,462,165	3,368,656	3,452,398	3,818,165
Total business-type activities expenses	<u>23,670,465</u>	<u>25,405,940</u>	<u>24,628,352</u>	<u>25,423,362</u>
Total primary government expenses	<u>209,987,957</u>	<u>214,398,229</u>	<u>232,110,073</u>	<u>221,508,094</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	2,759,306	3,046,232	3,647,210	3,722,557
Public safety	16,008,421	19,124,113	19,386,017	19,108,222
Public works	5,019,835	5,517,103	5,276,991	5,319,510
Community development	7,057,010	8,043,390	8,608,645	8,419,588
Community services	13,176,050	13,270,316	13,667,775	13,964,018
Operating grants and contributions:	11,290,989	15,196,696	10,673,286	17,826,914
Capital grants and contributions:	25,613,846 ¹	563,786	38,157,665 ²	2,717,504
Total governmental activities program revenues	<u>80,925,457</u>	<u>64,761,636</u>	<u>99,417,589</u>	<u>71,078,313</u>
Business-type activities:				
Charges for services:				
Water	26,795,767	29,397,882	27,705,129	24,499,952
Wastewater	3,450,638	3,438,670	3,326,362	3,065,762
Operating grants and contributions:	-	-	-	-
Total business-type activities program revenues	<u>30,246,405</u>	<u>32,836,552</u>	<u>31,031,491</u>	<u>27,565,714</u>
Total primary government program revenues	<u>111,171,862</u>	<u>97,598,188</u>	<u>130,449,080</u>	<u>98,644,027</u>
Net revenues (expenses):				
Governmental activities	(105,392,035)	(124,230,653)	(108,064,132)	(125,006,419)
Business-type activities	6,575,940	7,430,612	6,403,139	2,142,352
Total net revenues (expenses)	<u>\$ (98,816,095)</u>	<u>\$ (116,800,041)</u>	<u>\$ (101,660,993)</u>	<u>\$ (122,864,067)</u>
General revenues and other changes in net position:				
Governmental activities:				
Taxes:				
Property tax	\$ 81,603,194	\$ 79,889,346	\$ 84,121,461	\$ 91,516,611
Sales tax	20,764,204	23,142,065	24,832,412	33,937,986
Sales tax in-lieu	7,078,517	7,727,876	8,046,424	2,870,474
Transient occupancy tax	16,500,285	18,176,369	20,369,158	21,083,199
Business license tax	4,145,666	4,156,130	4,141,282	4,024,386
Franchise tax	3,820,723	3,998,943	4,189,130	4,047,584
Other taxes	286,880	216,604	354,919	327,009
Investment income	219,091	542,915	437,272	584,259
Net increase (decrease) in fair value of investments	-	53,783	61,337	376,311
Other	2,748,524	3,803,728	3,161,567	4,001,486
Capital contributions	319,884	-	-	-
Transfers	-	-	-	-
Total governmental activities	<u>137,486,968</u>	<u>141,707,759</u>	<u>149,714,962</u>	<u>162,769,305</u>
Business-type activities:				
Investment income	22,442	128,439	123,445	216,576
Net increase (decrease) in fair value of investments	-	18,199	34,921	148,527
Other	-	-	-	2,375,000
Capital contributions	(319,884)	-	-	22,516
Transfers	-	-	-	-
Total business-type activities	<u>(297,442)</u>	<u>146,638</u>	<u>158,366</u>	<u>2,762,619</u>
Total primary government	<u>137,189,526</u>	<u>141,854,397</u>	<u>149,873,328</u>	<u>165,531,924</u>
Changes in net position				
Governmental activities	32,094,933	17,477,106	41,650,830	37,762,886
Business-type activities	6,278,498	7,577,250	6,561,505	4,904,971
Total primary government	<u>\$ 38,373,431</u>	<u>\$ 25,054,356</u>	<u>\$ 48,212,335</u>	<u>\$ 42,667,857</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					
		2017	2018	2019	2020	2021	2022
\$	20,443,569	\$ 19,011,099	\$ 20,549,224	\$ 20,714,050	\$ 20,177,482	\$ 19,374,179	
	102,494,314	107,647,562	111,556,065	119,194,302	119,184,958	104,767,466	
	54,039,601	47,615,000	53,339,878	60,054,860	63,689,155	65,031,715	
	12,056,086	12,377,394	11,493,204	12,842,020	12,157,226	9,664,500	
	26,583,440	27,307,115	27,758,097	26,668,079	28,214,205	24,508,702	
	7,472,188	7,381,743	7,187,971	7,064,521	7,321,612	6,877,577	
	<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>	<u>230,224,139</u>	
	22,004,013	23,724,918	26,898,075	27,387,120	28,943,243	27,117,471	
	4,218,926	4,158,155	4,222,228	4,291,755	5,223,245	4,094,448	
	<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>31,211,919</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>	<u>261,436,058</u>	
	5,089,123	5,355,887	5,887,265	3,846,962	2,914,007	3,625,809	
	19,899,242	20,733,883	21,979,376	22,232,248	22,038,904	23,156,703	
	5,214,426	5,789,579	5,778,441	5,054,694	5,067,478	7,538,103	
	10,838,114	9,956,226	9,902,445	9,599,848	10,491,970	11,119,757	
	13,653,466	13,974,329	13,556,360	16,936,285	17,601,288	22,302,788	
	11,632,188	11,943,941	14,021,506	14,659,016	20,361,620	16,800,039	
	27,993,317 ²	1,815,464	6,638,356	7,352,407	7,658,387	8,693,429	
	<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>	<u>93,236,628</u>	
	25,371,307	26,931,193	26,843,751	27,100,429	30,739,726	32,104,202	
	3,161,114	3,445,772	4,069,265	4,110,815	4,618,186	4,825,249	
	-	-	-	-	-	116,629	
	<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>37,046,080</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>	<u>130,282,708</u>	
	(128,769,322)	(151,770,604)	(154,120,690)	(166,856,372)	(164,610,984)	(136,987,511)	
	2,309,482	2,493,892	(207,287)	(467,631)	1,191,424	5,834,161	
\$	<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>	<u>(131,153,350)</u>	
\$	96,964,060	\$ 101,593,290	\$ 108,365,261	\$ 113,313,535	\$ 119,157,057	\$ 124,335,985	
	33,702,895	36,373,253	37,168,063	36,232,969	38,956,275	46,164,860	
	-	-	-	-	-	-	
	22,382,361	22,857,737	24,697,446	21,097,384	16,886,197	26,677,331	
	4,149,016	4,282,935	4,428,440	4,882,419	4,481,349	4,363,145	
	4,026,005	4,228,469	4,286,496	4,394,156	4,204,224	4,561,278	
	358,209	3,346,987	2,633,720	2,592,369	4,166,549	4,333,071	
	589,001	632,808	2,644,319	2,621,488	2,603,982	1,995,214	
	-	-	2,234,249	2,520,033	(2,086,189)	(6,856,640)	
	2,290,482	3,416,348	3,495,085	2,116,884	3,354,808	2,644,194	
	-	-	-	-	-	-	
	(3,500,000)	-	-	-	-	-	
	<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>	<u>208,218,438</u>	
	77,752	184,906	713,970	732,099	525,295	345,218	
	-	-	612,358	625,864	(469,799)	(1,190,093)	
	-	-	-	-	-	-	
	-	-	-	-	-	-	
	3,500,000	-	-	-	-	-	
	<u>3,577,752</u>	<u>184,906</u>	<u>1,326,328</u>	<u>1,357,963</u>	<u>55,496</u>	<u>(844,875)</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>	<u>207,373,563</u>	
	32,192,707	24,961,223	35,832,389	22,914,865	27,113,268	71,230,927	
	5,887,234	2,678,798	1,119,041	890,332	1,246,920	4,989,286	
\$	<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>	<u>76,220,213</u>	

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

	Fiscal Year			
	2013	2014	2015	2016
General fund:				
Nonspendable	\$ 9,919,486	\$ 16,316,499	\$ 15,784,396	\$ 15,210,896
Restricted	2,410,373	3,939,751	5,389,810	3,083,133
Committed	29,371,507	12,782,235 ¹	11,847,852	2,726,020 ²
Assigned	6,843,417	1,326,170	1,421,225	4,201,311
Unassigned	32,585,375	51,015,820 ¹	55,509,258	56,618,041
Total general fund	<u>\$ 81,130,158</u>	<u>\$ 85,380,475</u>	<u>\$ 89,952,541</u>	<u>\$ 81,839,401 ²</u>
All other governmental funds:				
Nonspendable	\$ 4,697,220	\$ 4,629,781	\$ 4,669,269	\$ 4,629,781
Restricted	27,433,342	33,243,790	29,842,384	33,662,859
Committed	33,961,163	19,513,389	26,159,261	40,248,977
Unassigned	(15,723,261)	(14,291,969)	(12,495,729)	(15,422,984)
Total all other governmental funds	<u>\$ 50,368,464</u>	<u>\$ 43,094,991</u>	<u>\$ 48,175,185</u>	<u>\$ 63,118,633</u>
Total all governmental funds	<u>\$ 131,498,622</u>	<u>\$ 128,475,466</u>	<u>\$ 138,127,726</u>	<u>\$ 144,958,034</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.

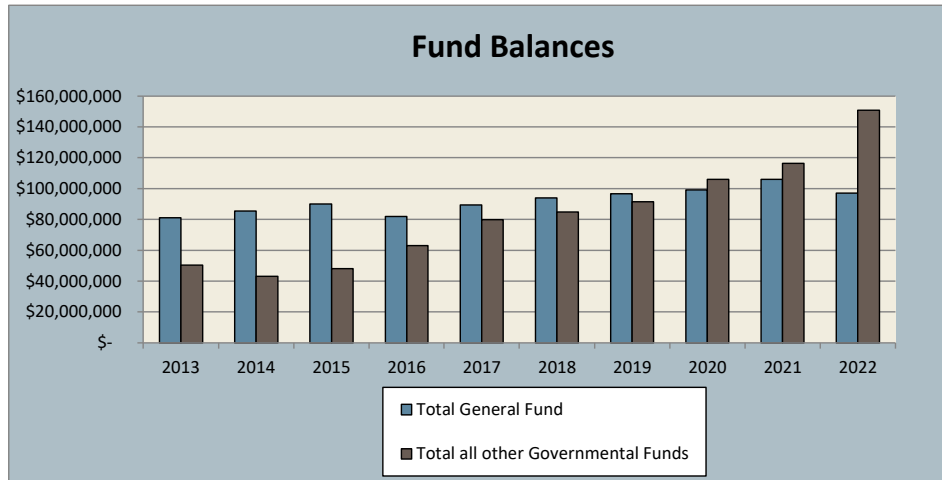
⁴ Data varies from trend due to the relocation of restricted funds to special revenue funds.

⁵ Data varies from trend due to the City's absence of fund balance not restricted or committed to be used for specific purposes in fiscal year ended June 30, 2022.

⁶ Data varies from trend due to additional funds set aside mainly in the Facilities Financial Planning Reserve Fund and Unrestricted Capital Improvements Fund.

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

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 14,434,017	\$ 14,050,930	\$ 13,147,221	\$ 11,864,115	\$ 10,637,097	\$ 9,407,143
3,797,009	4,412,302	4,757,437	5,710,434	4,876,025	-
10,570,638 ³	13,444,487	13,335,675	2,210,811	3,235,746	4,429,573 ⁴
567,132	590,368	1,199,682	2,598,828	1,489,350	-
60,009,244	61,415,049	64,146,123	76,699,284	85,715,180	83,302,665 ⁵
<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>	<u>\$ 97,139,381</u>
\$ 4,666,256	\$ 4,787,243	\$ 4,715,545	\$ 4,646,529	\$ 4,707,330	\$ 4,690,430
31,950,139	38,629,419	45,958,167	53,310,518	63,914,627	73,013,208
49,510,047	41,731,742	40,732,124	48,032,259	47,863,154	73,243,534 ⁶
(6,308,331)	(376,162)	(253)	(50,137)	(136,299)	(119,371)
<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>\$ 150,827,801</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>	<u>\$ 247,967,182</u>



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

	Fiscal Year			
	2013	2014	2015	2016
Revenues:				
Taxes	\$ 134,733,550	\$ 137,910,879	\$ 146,664,903	\$ 158,386,385
Intergovernmental	11,393,589	16,825,839	11,813,208	17,262,147
Licenses, permits and fees	7,682,555	6,659,203	14,676,754	6,571,123
Charges for services	16,254,399	16,864,092	16,914,210	18,827,991
Fines and forfeitures	3,649,532	3,272,951	3,732,405	3,684,602
Investment income	372,514	1,136,062	928,729	1,157,539
Net increase (decrease) in fair value of investments	-	124,439	177,485	769,460
Property income	19,847,371	22,214,256	21,406,667	22,259,425
Donations	587,445	1,170,171	22,249,427	4,190,822
Special assessments	-	-	-	-
Other	3,543,894	1,400,048	6,984,418	2,982,924
Total revenues	<u>198,064,849</u>	<u>207,577,940</u>	<u>245,548,206</u>	<u>236,092,418</u>
Expenditures:				
Current:				
General government	13,671,480	14,471,167	14,060,512	14,629,672
Public safety	80,546,969	82,642,988	94,568,122	96,225,784
Public works	32,451,624	32,414,457	33,694,578	36,000,905
Community development	8,994,710	9,768,928	9,876,706	10,913,205
Community services	18,872,022	19,047,813	20,235,546	21,784,680
Capital outlay	72,133,582	33,572,193	47,169,671	31,934,463
Debt service:				
Principal	3,998,000	4,091,000	4,183,000	4,272,000
Interest and fiscal charges	8,152,488	8,052,927	7,957,811	7,839,341
Total expenditures	<u>238,820,875</u>	<u>204,061,473</u>	<u>231,745,946</u>	<u>223,600,050</u>
Excess (deficiency) of revenues over (under) expenditures	(40,756,026)	3,516,467	13,802,260	12,492,368
Other financing sources (uses):				
Transfers in	47,875,107	41,223,727	53,281,956	48,523,132
Transfers out	(50,926,922)	(47,245,283)	(57,431,956)	(54,185,192)
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>(3,051,815)</u>	<u>(6,021,556)</u>	<u>(4,150,000)</u>	<u>(5,662,060)</u>
Net change in fund balances	<u>\$ (43,807,841)</u>	<u>\$ (2,505,089)</u>	<u>\$ 9,652,260</u>	<u>\$ 6,830,308</u>
Debt service as a percentage of noncapital expenditures				
	15.8%	6.9%	6.6%	7.2%

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

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 162,184,218	\$ 171,982,240	\$ 183,455,182	\$ 182,983,069	\$ 188,351,057	\$ 211,259,402
17,073,653	16,148,754	15,818,543	12,672,931	22,233,872	19,683,307
9,844,908	6,405,668	6,302,603	5,783,862	6,566,555	6,995,700
19,197,065	19,828,786	19,472,866	21,125,622	18,434,439	22,897,475
3,590,700	3,181,823	3,347,714	3,509,883	3,923,726	4,191,518
772,546	1,143,210	3,490,992	3,765,753	3,201,376	2,756,712
-	-	2,938,136	3,477,299	(2,634,682)	(8,900,762)
23,553,188	25,430,217	26,674,107	25,651,360	28,842,374	33,770,750
16,827,889	414,123	402,709	795,561	5,491,871	1,805,249
-	-	-	-	-	8,086,594
<u>2,277,322</u>	<u>2,893,770</u>	<u>5,173,716</u>	<u>5,950,279</u>	<u>3,504,103</u>	<u>1,441,813</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>	<u>303,987,758</u>
15,086,397	16,099,310	16,769,920	15,968,085	17,154,507	17,397,786
98,750,981	109,760,129	116,054,531	118,290,847	126,006,313	127,590,486
35,961,024	38,012,230	44,132,877	45,730,965	46,817,293	54,293,534
11,696,779	12,979,656	12,310,621	12,612,751	12,996,840	13,021,562
23,607,284	25,538,966	26,372,495	24,474,242	26,745,189	26,421,141
30,822,972	24,054,866	26,347,312	20,376,106	33,728,085	28,603,393
4,401,000	3,335,000	3,470,000	3,576,000	3,247,000	5,138,250
<u>7,704,957</u>	<u>7,617,107</u>	<u>7,428,469</u>	<u>7,265,703</u>	<u>7,306,143</u>	<u>7,141,264</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>	<u>279,607,416</u>
27,290,095	10,031,327	14,190,343	17,420,920	3,913,321	24,380,342
45,342,446	45,308,862	54,664,532	40,373,981	70,379,824	76,061,564
(49,390,226)	(45,850,962)	(59,548,532)	(40,763,981)	(65,965,012)	(74,776,934)
995,802	-	-	-	-	-
-	-	-	-	7,860,000	-
-	-	-	-	1,373,936	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(3,051,978)</u>	<u>(542,100)</u>	<u>(4,884,000)</u>	<u>(390,000)</u>	<u>13,648,748</u>	<u>1,284,630</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>	<u>\$ 25,664,972</u>
6.0%	5.3%	4.8%	4.8%	4.2%	4.8%

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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				
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%
2022	56,171,689,696	7,152,717,180	1,745,857,017	1,509,466,705	66,579,730,598	4.54%	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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	0.047	0.047	0.047	0.047	0.047	0.032	0.047	0.047
School districts	0.165	0.170	0.182	0.183	0.173	0.176	0.161	0.173	0.186	0.170
Total Overlapping Rate	0.246	0.251	0.229	0.230	0.220	0.223	0.208	0.205	0.233	0.218
Total Direct & Overlapping Rate	<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>	<u>\$ 1.218</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	2022			2013		
	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	\$ 1,072,734,925	1	1.68%	\$ 1,737,812,513	1	4.32%
PH Finance LLC	307,974,740	2	0.48%	N/A	-	0.00%
Villas at Fashion Island LLC	274,564,806	3	0.43%	N/A	-	0.00%
Newport Center Hotel LLC	192,183,454	4	0.30%	N/A	-	0.00%
HG Newport Owner LLC	185,533,013	5	0.29%	N/A	-	0.00%
520 Newport Center Drive LLC	183,139,132	6	0.29%	N/A	-	0.00%
Newport Bluffs LLC	166,672,966	7	0.26%	141,631,126	2	0.35%
650 Newport Center Drive LLC	165,892,355	8	0.26%	N/A	-	0.00%
Balboa Bay Club Ventures LLC	151,560,719	9	0.24%	105,398,594	8	0.26%
UDR Newport Beach North LP	142,299,455	10	0.22%	122,475,352	3	0.30%
	<u>\$ 2,842,555,565</u>		<u>4.45%</u>	<u>\$ 2,107,317,585</u>		<u>5.23%</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
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%	886,688	101,587,690	98.98%
2021	107,647,017	105,781,072	98.27%	862,772	106,643,844	99.07%
2022	113,318,692	110,354,271	97.38%	- ³	110,354,271	97.38%

¹ Net collections reflect deductions for refunds and impoundments.

² Exclusive of penalty charges.

³ The total amount of Fiscal Year 2022 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.

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

Fiscal Year Ended June 30	Governmental Activities			Business-type Activities			Percentage of Personal Income ²	Debt Per Capita ²
	Certificates of Participation ¹	Pre-Annexation Agreement	CDBG Loan	Total Governmental Activities	Total Business-type Activities	Total Primary Government		
2013	123,073,871	4,800,000	1,578,000	129,451,871	-	129,451,871	1.85%	1,498
2014	120,178,318	3,600,000	1,462,000	125,240,318	-	125,240,318	1.81%	1,442
2015	117,197,765	2,400,000	1,339,000	120,936,765	-	120,936,765	1.77%	1,386
2016	114,137,212	1,200,000	1,207,000	116,544,212	-	116,544,212	1.77%	1,383
2017	110,956,659	-	1,066,000	112,022,659	-	112,022,659	1.66%	1,319
2018	107,651,106	-	916,000	108,567,106	-	108,567,106	1.48%	1,245
2019	104,220,553	-	756,000	104,976,553	-	104,976,553	1.36%	1,204
2020	100,695,000	-	585,000	101,280,000	-	101,280,000	1.24%	1,181
2021	106,781,026	-	403,000	107,184,026	-	107,184,026	1.31%	1,248
2022	102,698,895	-	208,000	102,906,895	-	102,906,895	1.17%	1,229

Note: This schedule excludes claims and judgments, employee compensated absence, pension, OPEB, GASB 87 lessee leases, 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 General Bonded Debt
Last Ten Fiscal Years

Fiscal Year Ended June 30	Certificates of Participation ¹	Amounts Restricted for Debt Service	Total	Percent of Assessed Value ²	General Bonded Debt Per Capita
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
2022	102,698,895	(2,199,363)	100,499,532	0.15%	1,200

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, 2022

City Net Assessed Valuation: \$ 66,579,730,598

	Percentage Applicable ⁽¹⁾	Outstanding Debt 6/30/22	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.962%	\$ 20,175,000	\$ 395,834
Coast Community College District	34.846%	945,799,424	329,573,267
Rancho Santiago Community College District	2.749%	196,772,727	5,409,282
Rancho Santiago Community College District School Facilities Improvement District No. 1	5.163%	154,720,000	7,988,194
Laguna Beach Unified School District	15.169%	14,035,000	2,128,969
Laguna Beach Unified School District Community Facilities District No. 98-1	100.000%	7,135,000	7,135,000
Newport Mesa Unified School District	73.639%	232,782,838	171,418,954
Santa Ana Unified School District	6.372%	339,341,119	21,622,816
Irvine Ranch Water District Improvement Districts	2.800% - 100.000%	424,004,508	48,145,816
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	18,675,000	18,675,000
California Statewide Community Development Authority Community Facilities District No. 2018-3	100.000%	8,270,000	8,270,000
City of Newport Beach 1915 Act Bonds	100.000%	13,349,868	13,349,868
Orange County Newport Coast Assessment District No. 01-1	100.000%	3,623,000	3,623,000
Orange County Newport Coast Reassessment District No. 17-1R	100.000%	22,170,000	22,170,000
Orange County General Fund Obligations	9.769%	376,780,000	36,807,638
Orange County Pension Obligation Bonds	9.769%	521,784,000	50,973,079
Orange County Board of Education General Fund Obligations	9.769%	11,620,000	1,135,158
Coast Community College District General Fund Obligations	34.846%	1,865,000	649,878
Coast Community College District Pension Obligation Bonds	34.846%	1,825,000	635,940
Santa Ana Unified School District General Fund Obligations	6.372%	50,389,370	3,210,811
Overlapping Tax Increment Debt (Successor Agencies):	3.728% - 77.475%	4,660,000	3,027,734
TOTAL OVERLAPPING DEBT		\$ 3,369,776,854	\$ 756,346,238
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	\$ 102,698,895	\$ 102,698,895
Community Development Block Grant Loan	100.000%	208,000	208,000
TOTAL DIRECT DEBT		\$ 102,906,895	\$ 102,906,895
TOTAL DIRECT AND OVERLAPPING DEBT			\$ 859,253,133
GROSS COMBINED TOTAL DEBT ⁽²⁾			\$ 859,253,133

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 2021-22 Net Assessed Valuation:

Total Overlapping Debt	1.14%
Total Direct Debt (\$102,906,895)	0.15%
Gross Combined Total Debt	1.29%

Ratios to Redevelopment Incremental Valuation (\$1,443,778,605):

Total Overlapping Tax Increment Debt	0.21%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2013	2014	2015	2016
Assessed valuation	\$ 40,183,130,504	\$ 42,341,162,463	\$ 44,752,056,903	\$ 47,388,470,098
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	10,045,782,626	10,585,290,616	11,188,014,226	11,847,117,525
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,506,867,394	1,587,793,592	1,678,202,134	1,777,067,629
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 1,506,867,394</u>	<u>\$ 1,587,793,592</u>	<u>\$ 1,678,202,134</u>	<u>\$ 1,777,067,629</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					
2017	2018	2019	2020	2021	2022
\$ 50,341,686,565	\$ 53,780,216,020	\$ 57,701,161,781	\$ 60,744,806,554	\$ 63,689,666,681	\$ 66,579,730,598
25%	25%	25%	25%	25%	25%
12,585,421,641	13,445,054,005	14,425,290,445	15,186,201,639	15,922,416,670	16,644,932,650
15%	15%	15%	15%	15%	15%
1,887,813,246	2,016,758,101	2,163,793,567	2,277,930,246	2,388,362,501	2,496,739,897
-	-	-	-	-	-
<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>	<u>\$ 2,496,739,897</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⁾
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%
2022	83,727	8,791,502	105,002 ⁽⁴⁾	3.0%

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	2022			2013		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	5,292	1	6.43%	4,944	1	5.97%
PIMCO	1,251	2	1.52%	1,172	2	1.42%
Pacific Life Insurance	1,194	3	1.45%	1,030	4	1.26%
Glidewell Dental	1,091	4	1.33%	1,066	3	1.29%
Irvine Management Company	1,006	5	1.22%	N/A ²	-	N/A
Tower Semiconductor	871	6	1.06%	643	8	0.79%
Newport-Mesa Unified School District	752	7	0.91%	751	7	0.92%
City of Newport Beach	730	8	0.89%	752	6	0.92%
Balboa Bay Club and Resort	692	9	0.84%	473	10	0.58%
Resort at Pelican Hill	570	10	0.69%	900	5	1.10%
CBRE Inc.	387	11	0.47%	N/A ²	-	N/A
Fletcher Jones Motor Cars Inc.	326	12	0.40%	500	9	0.61%

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

² Company listed was unable to provide employee data for 2013.

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	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	94	79	78	77	77	79	80	78	80	81
Public safety	357	366	370	374	371	372	375	375	376	376
Community development	56	53	52	52	52	53	53	53	52	53
Public works	128	119	109	104	99	98	96	99	98	98
Community services	70	74	75	79	81	79	78	78	78	78
Water	32	32	31	32	31	33	33	33	33	33
Wastewater	15	13	13	12	13	11	11	11	11	11
Total	<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>	<u>730</u>

Source: City Finance Department

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

	Fiscal Year			
	2013	2014	2015	2016
Police:				
Adult Arrests	3,161	2,794	3,472	3,158
Parking Citations Issued	58,823	51,609	59,753	64,762
Fire:				
Fire Responses	342	356	305	300
Fire Inspections	4,338	3,352	1,281	1,201
General Services:				
Street Patching (tons of mix)	1,708	2,408	2,711	1,890
Sidewalk Repair (square feet)	37,607	37,607	27,175	27,000
Recreation & Senior Services:				
Co-Sponsored Youth Organization Attendance	293,938	294,000	303,152	305,000
Senior Transportation Services	13,112	13,956	13,740	14,000
Water:				
New Connections	54	72	187	194
Average Daily Consumption (hundred cubic feet)	14.02	15.96	16.39	11.66
Sewer:				
New Connections	14	22	20	17
Miles of Pipe Cleaned	215	245	260	250
Library Services:				
Library Circulation of Materials	1,582,914	1,689,870	1,610,818	1,575,000

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.

³ Data varies with trend due to COVID-19 restrictions being lifted in 2022.

Source: City of Newport Beach

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

Fiscal Year					
2017	2018	2019	2020	2021	2022
3,178	3,266	3,520	3,093	2,872	2,650
69,246	56,685	67,048	73,372	86,439	83,307
247	248	209	11,913 ¹	12,204	13,251
1,216	1,307	1,033	2,842	475 ²	3,015 ³
1,439	1,403	1,402	913	920	901
20,490	22,925	14,840	11,729	7,805	13,590
425,000	437,751	469,959	439,954	455,442	392,605
13,500	13,071	13,386	9,300	6,287	8,805
229	210	210	256	160	252
13.80	14.07	13.75	13.44	14.87	14.28
41	137	46	10	25	3
202	211	196	221	240	209
1,464,640	1,424,594	1,376,041	1,084,206	1,043,629	1,195,151

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

	Fiscal Year			
	2013	2014	2015	2016
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	399
Streetlights	5,977	5,977	5,977	5,978
Traffic Signals	808	808	808	808
Recreation & Senior Services:				
Parks	64	64	64	64
Community Centers (includes leased property)	14	14	14	15
Aquatic Center	1	1	1	1
Water:				
Water Mains (miles)	303.25	298.37	299.58	299.77
Maximum Daily Capacity (thousands of gallons)	26,916	27,704	27,800	27,800
Wastewater:				
Sanitary Sewers (miles)	202.40	202.62	202.64	202.75
Storm Sewers (miles)	95.40	70.62	94.14	92.08
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					
2017	2018	2019	2020	2021	2022
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
400	400	400	400	400	400
5,978	5,978	5,971	5,972	5,973	5,974
808	808	808	808	808	808
64	64	65	65	65	66
15	15	15	15	15	14
1	1	1	1	1	1
300.64	300.30	300.88	300.82	301.23	301.13
27,800	27,800	27,800	27,800	27,800	27,800
202.72	203.56	203.99	204.10	204.13	204.30
94.74	95.12	95.35	95.89	96.18	97.37
4	4	4	4	4	4

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Type of Customer:										
Residential	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	3,714,134
Commercial	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	2,078,199
Government	394,787	455,251	396,605	263,116	305,214	289,738	256,398	270,638	299,442	314,128
Total	<u>6,675,582</u>	<u>6,882,427</u>	<u>6,810,791</u>	<u>5,183,077</u>	<u>6,012,369</u>	<u>6,094,919</u>	<u>5,771,865</u>	<u>6,099,906</u>	<u>6,342,482</u>	<u>6,106,461</u>
Total direct rate per 100 cubic ft.	\$ 2.96	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.11 ¹	\$ 3.35 ²	\$ 3.60 ³

¹ Reflects increase in commodity rate effective January 1, 2020

² Reflects increase in commodity rate effective January 1, 2021

³ Reflects increase in commodity rate effective January 1, 2022

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
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
2022	32.03	4.14

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	2022			2013		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Irvine Company Apartment	\$ 673,101	1	2.14%	\$ 166,764	2	0.62%
Irvine Company Office	550,471	2	1.75%	150,363	3	0.56%
Big Canyon Country Club	357,763	3	1.14%	172,200	1	0.64%
Hoag Memorial Hospital	347,678	4	1.11%	126,806	5	0.47%
Newport Beach Country Club	320,844	5	1.02%	131,122	4	0.49%
Bluffs Homeowners Association	303,362	6	0.96%	95,584	6	0.36%
UDR Newport Beach	247,906	7	0.79%	85,208	8	0.32%
Irvine Company Retail	244,315	8	0.78%	53,748	11	0.20%
Park Newport Ltd	243,336	9	0.77%	85,111	9	0.32%
Newport-Mesa Unified School District	243,240	10	0.77%	87,615	7	0.33%
Pacific View - Pierce Bros.	195,317	11	0.62%	55,009	10	0.21%
Jasmine Creek Community Association	141,938	12	0.45%	39,450	15	0.15%
Newport Dunes Resort	133,480	13	0.42%	46,136	12	0.17%
North Bluff Bay View	128,213	14	0.41%	31,550	20	0.12%
One Ford Road Community Association	125,576	15	0.40%	29,363	22	0.11%
	<u>\$ 4,256,540</u>		<u>13.53%</u>	<u>\$ 1,356,029</u>		<u>5.07%</u>

Source: City Revenue Division



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