

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

CITY OF  
NEWPORT BEACH



## FISCAL ACCOUNTABILITY

Ensuring government assets are protected through an established internal control structure.







*Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018*

*Prepared by the Finance Department  
Dan Matusiewicz, Director*



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

# INTRODUCTORY SECTION



INTRODUCTORY SECTION



**CITY OF NEWPORT BEACH**  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2018

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**INTRODUCTORY SECTION**

(Unaudited)

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December 19, 2018

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

The City Charter and California state law require that the City of Newport Beach (“City”) issue a complete set of financial statements annually and that an independent firm of certified public accountants audit this report in conformance with generally accepted auditing standards (GAAS). The Comprehensive Annual Financial Report (CAFR) of the City of Newport Beach for the year ended June 30, 2018, is hereby submitted.

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

The City of Newport Beach’s financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of the audit was to provide reasonable assurance that the financial statements of the City of Newport Beach for the fiscal year (FY) ended June 30, 2018 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, 2018 are fairly presented in

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

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

## PROFILE OF THE CITY

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

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



Newport Beach surrounds Newport Bay, well known for its picturesque islands and one of the greatest recreational harbors in the world, accommodating about 4,300 recreational and sports charter boats docked within its 21-square-mile harbor. The bay and the ten miles of ocean beach offer outstanding fishing, swimming, surfing, and aquatic sports activities. The city has a permanent population of 87,182, 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 eight other colleges are within a 30-mile-radius.

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



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

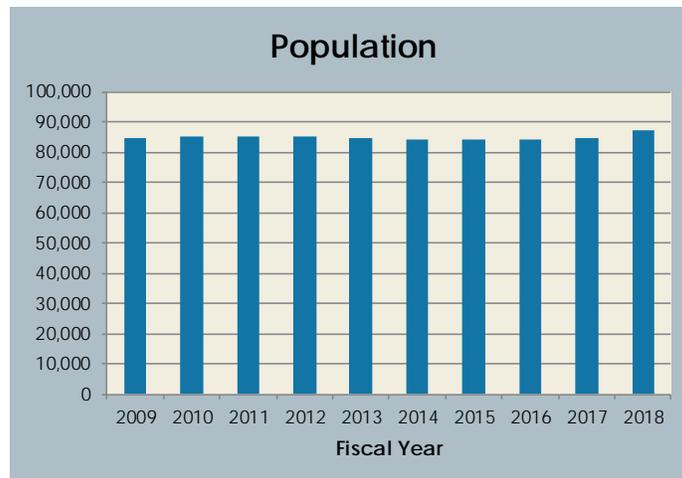
among other things, policy-making, passing local ordinances, adopting the budget, appointing committees, and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations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

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

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

## DEMOGRAPHICS

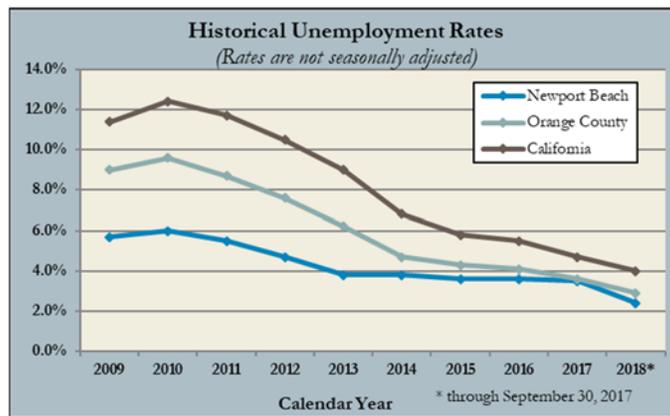
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 87,182, the population has been very stable as indicated by the following chart.



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

2016 Median Household Income	
City of Newport Beach	\$127,104
Orange County	86,217
California	71,805
USA	60,336

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



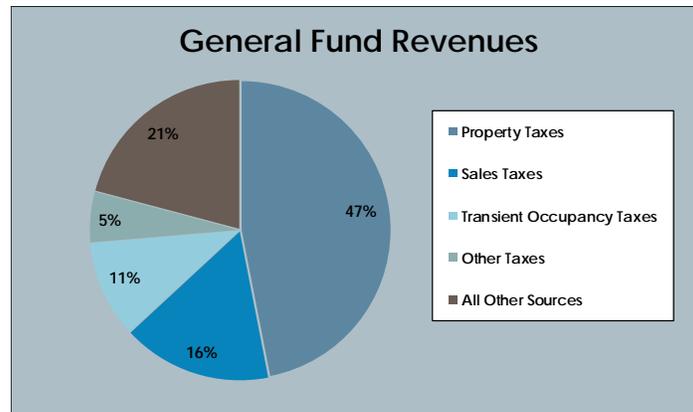
More detailed information concerning the city’s demographics and statistics are contained within the Statistical Section of this report.

## LOCAL ECONOMY

With the national economy now in its 10<sup>th</sup> year of expansion, economic forecasters have predicted recently that the Southern California economy will experience a slow down over the next two years. However, California remains one of the most prosperous states, with a strong market that is expected to continue to grow, albeit at a slower pace. According to the recent UCLA Anderson Forecast, jobs in Orange County are predicted to grow by 39,500 in the next two years vs. 58,800 in 2016-18. Taxable sales are forecast to rise by \$6.02 billion to \$20 billion vs. \$5.98 billion the previous two years. Some 16,600 housing permits are expected for 2019-20 vs. 17,500 in 2017-18. The unemployment rate in Orange County was 2.9 percent in September 2018. This compares with an unadjusted unemployment rate of 4.0 percent for California and 3.7 percent for the nation during the same period.

## TOP THREE REVENUE SOURCES

General Fund revenues were approximately \$217 million during FY 2017-18. The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu, and Transient Occupancy Taxes (TOT), represent 74 percent of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees, and other taxes represent nearly 79 percent of all General Fund revenues while only 21 percent was generated by other revenue sources.



### Property Taxes

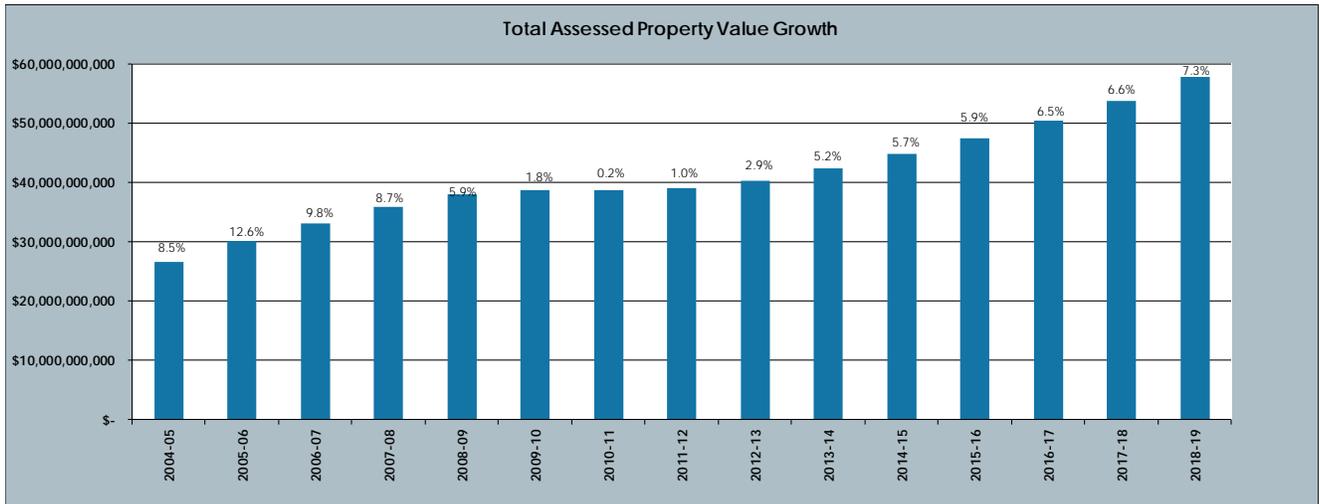
Unlike many cities, property taxes, not sales taxes, are the number one source of revenue for the City of Newport Beach, representing almost half (47 percent) of all General Fund revenues. Due to the limited supply of scenic coastal property and the unique access to the Newport Bay, the Newport Beach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

Consistent and vigorous demand for coastal property has allowed the City to enjoy long-term growth trends with its number one revenue source. Value changes in Newport Beach show continued appreciation in property values in FY 2017-18 and the restoration of values previously reduced under the assessed valuation appeal process provided by Proposition 8. Over the past 10 years, assessed valuation increased an average of 4.3 percent per annum and 6.9 percent over a twenty-year period. Newport Beach's assessed property values increased 6.6 percent and came in second in Orange County in total local assessed value at \$54 billion for FY 2017-18.

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

While property tax growth rates fell sharply during the Great Recession, the City has experienced positive AV growth during each of the past 20 years (see chart below with the past 15 years of AV growth demonstrated). This positive growth occurred while many

other cities experienced decreases in their AV during 2008 through 2011. Note that while growth slowed, the assessed value never declined throughout the recession.



The City realized a notable increase in secured property tax, coming in at an increase of 7.2 percent. Residential uses increased 6.9 percent, or a total of \$3 billion, and represented 83 percent of the growth experienced in the City. Median home sales prices of \$2,000,000 in the city far exceed the countywide median sales price of \$788,000.

CITY OF NEWPORT BEACH Median Home Sales* Comparative Month Ending September			
Year	Single Family Residence	Median Sales Price	% Change
	Sales		
2009	848	\$ 1,100,000	-24.14%
2010	1,152	\$ 1,253,000	13.91%
2011	1,190	\$ 1,189,000	-5.11%
2012	1,667	\$ 1,260,000	5.97%
2013	1,546	\$ 1,500,000	19.05%
2014	1,354	\$ 1,600,000	6.67%
2015	1,157	\$ 1,666,250	4.14%
2016	1,124	\$ 1,783,500	7.04%
2017	1,213	\$ 2,000,000	12.14%
2018	1,386	\$ 2,000,000	0.00%

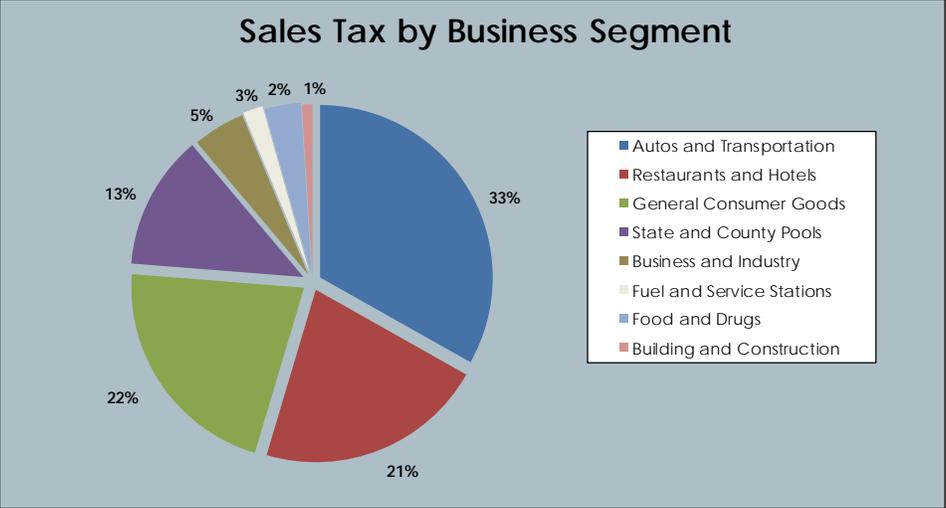
\* Source: HdL Coren & Cone

Property tax revenue increased \$4.6 million or 4.6 percent higher than the prior fiscal year.

### Sales Taxes

The City’s sales tax base is generated from a relatively diverse business community and is not dependent on any one merchant or industry. The following chart demonstrates the diversity of the City sales tax revenue. The largest segment, “Autos and Transportation,”

accounts for 33 percent of total sales taxes and is represented by 200 new and used auto, boat and aircraft dealers, supply stores and repair shops. The next largest segments, “Restaurants and Hotels” and “General Consumer Goods,” account for 21 and 22 percent of total sales taxes, respectively. The next largest sales tax segment, “State and County Pools” accounts for 13 percent of total sales. These pools assign revenue from out of state sellers to local jurisdictions based on each jurisdiction’s share of total taxable sales. Growth in countywide pool allocations is expected to remain strong as online shopping for goods shipped from out-of-state fulfillment centers continues to accelerate. Sales Taxes in total represent 16 percent of all General Fund revenues.



Sales Tax revenue increased \$1.3 million or four percent from the prior year. This increase is primarily due to growth in auto leases and sales, department store sales, and fine dining. Steady price increases at the pump, mostly due to the global cost of crude oil and the implementation of SB-1 locally, pushed revenue from gas stations higher.

**Transient Occupancy Taxes (TOT)**

TOT accrues to the City at a rate of 10 percent of room charges with 18 percent of this collection going to the local destination marketing organization (Newport Beach & Co.) to promote Newport Beach as a tourist destination. The City distinguishes its transient occupancy taxpayers in two broad property type categories, commercial and residential property. The commercial category is composed of approximately 20 inns, motels, hotels, and resorts and accounts for 90 percent of TOT revenues. The residential category is made up of some 884 vacation rentals representing 10 percent of TOT revenue; together, they accounted for \$22.9 million in TOT revenue during FY2017-18. TOT collections increased \$0.5 million or 2 percent over the prior year.

## **LONG TERM FINANCIAL PLANNING**

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

### **Financial Policies**

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

[www.newportbeachca.gov/policies](http://www.newportbeachca.gov/policies)

### **Annual Budget**

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

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

Expenditures were lower than budgeted due to the effective management of operating expenditures, control of labor costs, and outsourcing. Through a combination of early retirement plans, attrition, outsourcing, and lay-offs in recent years, the full-time work force has been reduced 13 percent since FY 2008-09 as depicted in the chart below:



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

### **Facilities Financial Plan (FFP) Commitment & Major Construction Initiatives**

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

The City continued its financial commitment to the Facilities Financial Plan Reserve (FFPR) in FY 2017-18 by allocating resources to debt service, building and harbor facilities, parks and community centers, and other projects.

Facilities Financial Planning Reserve Fund	
<b>Beginning Balance 7/1/17</b>	\$ 30,643,851
<b>Sources</b>	
Licenses, Permits and Fees	705,327
Donations - Developer Contributions	241,086
Transfer In from General Fund	8,500,000
Transfer In from Marina Park Fund	1,347,067
Transfer In from Other Nonmajor Funds	60,798
Interest Income	165,117
<b>Total Sources</b>	<b>11,019,395</b>
<b>Uses</b>	
2010 Civic Center COPs Debt Service <sup>1</sup>	(8,160,969)
Fire Stations	(3,702,607)
Parks and Community Centers	(278,000)
Misc - Other Facilities	(27,250)
<b>Total Uses</b>	<b>(12,168,826)</b>
<b>Ending Balance 6/30/18</b>	<b>\$ 29,494,420</b>

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

Overall, the FFPR balance is decreasing \$1.1 million from the prior fiscal year due largely to cash acquisition of fire station property.

## Pensions

As of the actuarial valuation date of June 30th, 2017, the City had an Unfunded Accrued Liability (UAL) of \$320 million. The City has taken a number of actions in recent years to mitigate the impact of rising pension costs including:

- Established lower benefit formulas for new hires.
- Eliminated the Employer Paid Member Contribution (EPMC).
- Employees contributed 61.3 percent of the Normal Cost of the plan, approaching \$8.6 million annually.
- Reduced the number of full-time staff by 107 Full Time Equivalent (FTE) positions between 2009 and today.
- Adopted a fixed and shorter amortization period of the unfunded liability.
- Contributing no less than Actuarial Determined Contribution (ADC) each & every year.
- Analyzed our schedule of amortization bases annually in an effort to avoid negative amortization.
- Amortized all gains/losses no longer than a 20-year closed period.
- Avoided asset smoothing or “rate phase-in” schedules if possible. Otherwise, the City’s goal is to not exceed 5 years for any one smoothing cycle.
- Established a General Fund Surplus Utilization Policy F-5 to set aside one-half of any annual budget surplus to fund debts such as the pension liability.
- Maintaining a contingency reserve to protect against economic recessions and to avoid negative impacts of asset smoothing and rate phased-in schedules.

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

The City implemented GASB 75 in FY18, which requires local governments offering other post-employment health care benefits (OPEB) to report net OPEB liability in the government wide financial statements, as well as in the proprietary fund statements in the CAFR – see note (11) in the Notes to the Financial Statements. When the total OPEB liability is greater than the OPEB plan's assets there is a net OPEB liability, also known as unfunded OPEB liability.

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

## **TECHNOLOGICAL ENHANCEMENTS**

The City completed the implementation of a new Enterprise Resource Planning (ERP) software solution in FY 2017-18. An ERP is a business management software system that integrates all of the City's core functional requirements for financials, human capital management, citizen services and revenues. The City's legacy financial management system was implemented over 20 years ago. The City has grown since then and developed operational needs beyond the capabilities of the legacy system.

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

## **AWARDS AND ACKNOWLEDGMENTS**

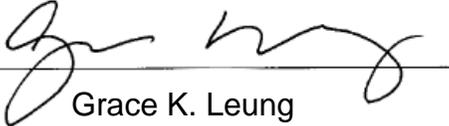
The City has prepared a comprehensive annual financial report for the past 25 years. The City has received awards for excellence in financial reporting each of those years.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport Beach for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial

report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



Grace K. Leung  
City Manager



Dan Matusiewicz  
Finance Director

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Government Finance Officers Association

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

Presented to

**City of Newport Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

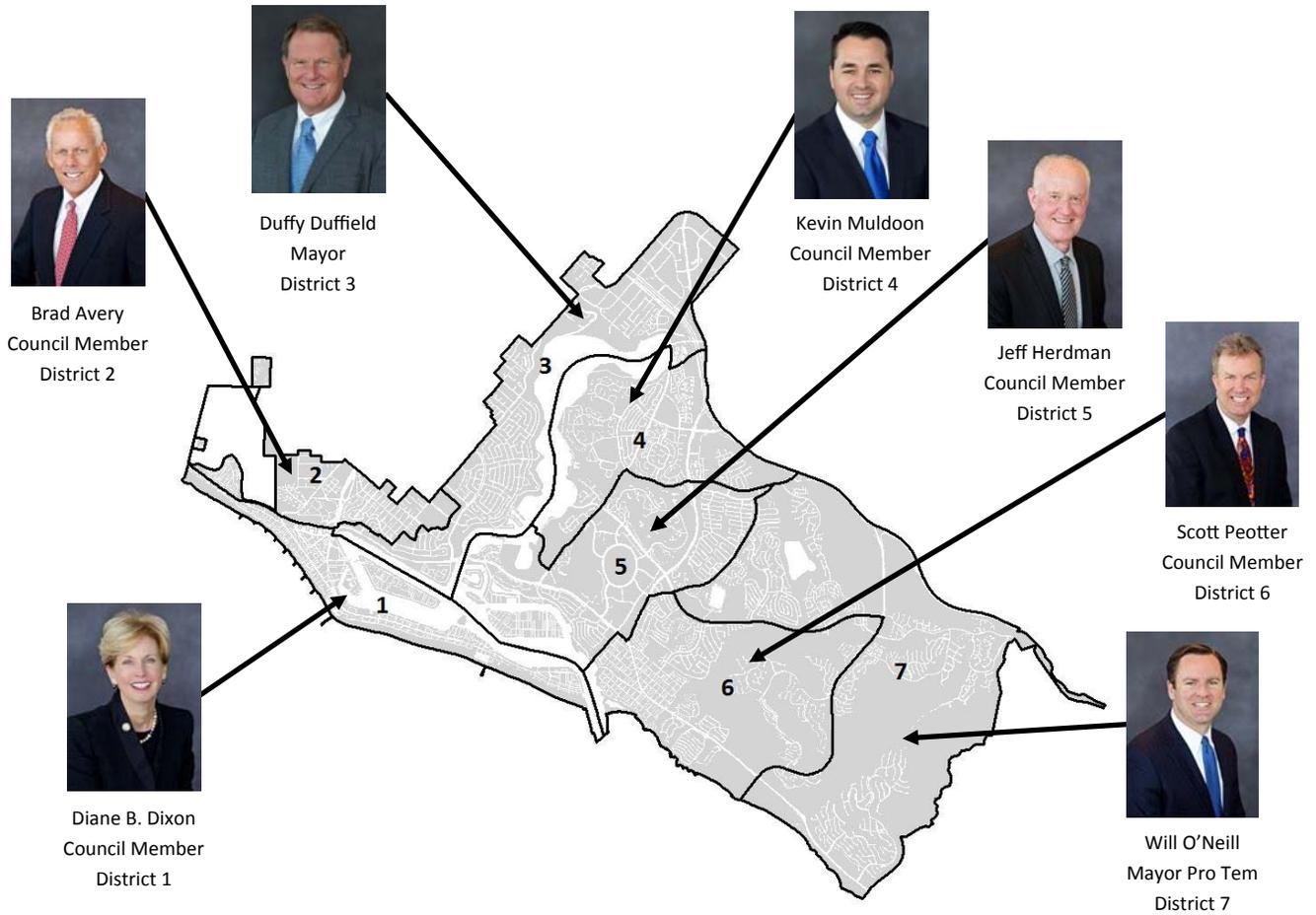
**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# Newport Beach City Officials

## City Council Members



## City Executive Staff



Aaron Harp  
City Attorney

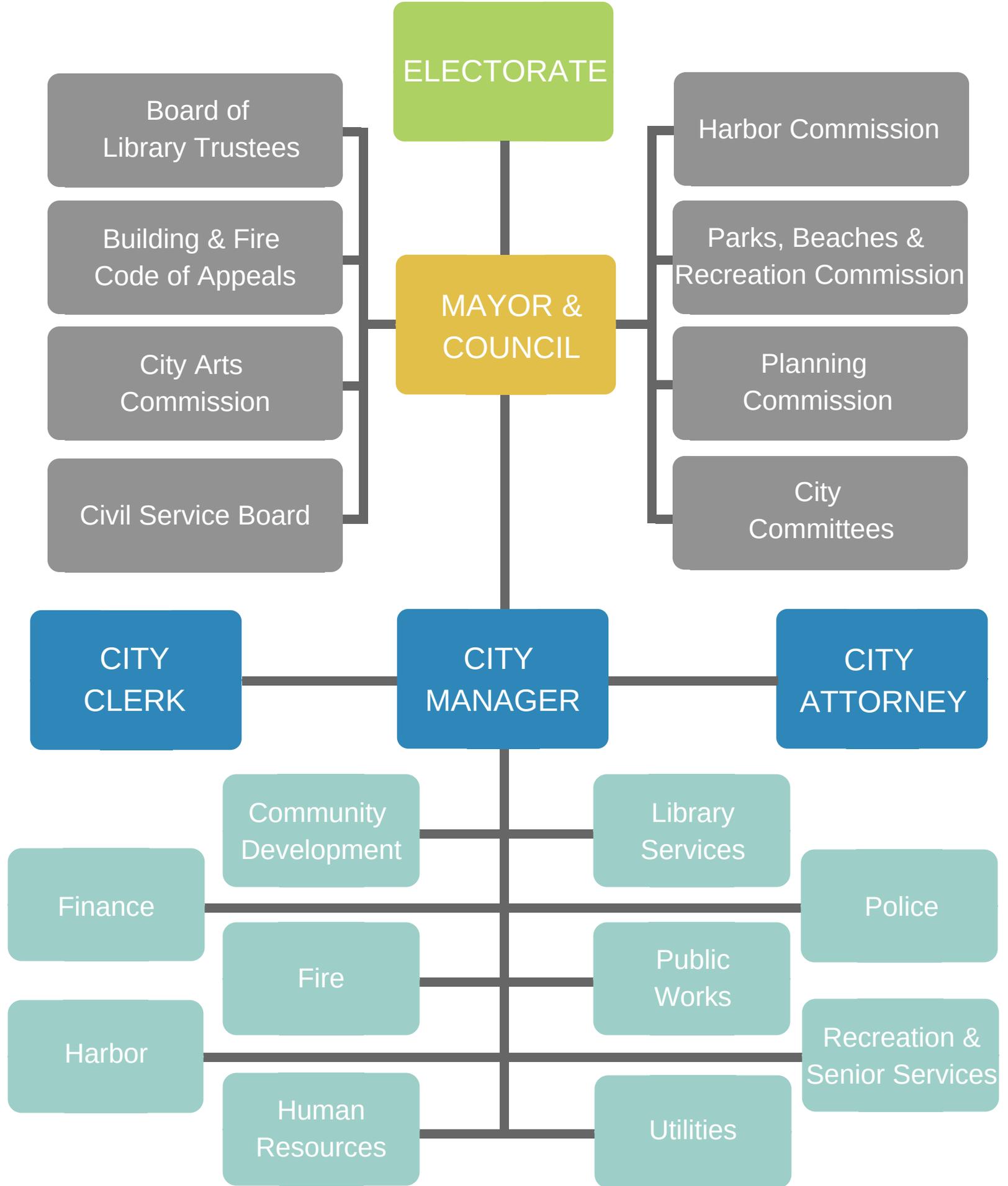


Grace K. Leung  
City Manager

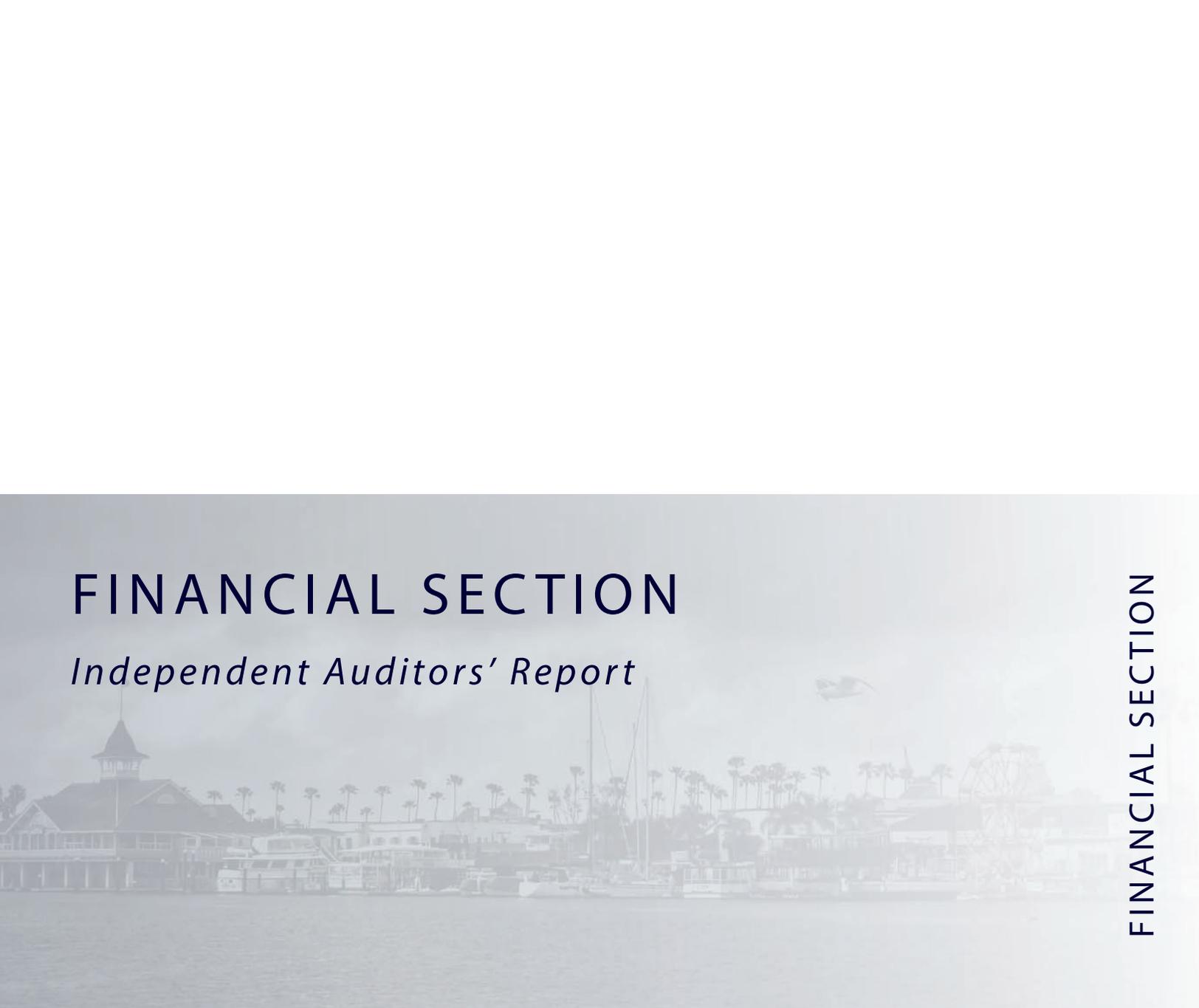


Leilani Brown  
City Clerk

- Carol Jacobs..... Assistant City Manager
- Dan Matusiewicz ..... Finance Director/Treasurer
- Seimone Jurjis ..... Community Development Director
- Chip Duncan ..... Fire Chief
- Kurt Borsting ..... City Harbormaster
- Barbara Salvini..... Human Resources Director
- Tim Hetherton..... Library Services Director
- Jon T. Lewis ..... Police Chief
- Dave Webb..... Public Works Director
- Laura Detweiler ..... Recreation & Senior Services Director
- Mark Vukojevic..... Utilities Director



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# FINANCIAL SECTION

*Independent Auditors' Report*

FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison statement for the General Fund, Tide and Submerged Land-Operating Special Revenue Fund, Tide and Submerged Land-Harbor Capital Special Revenue Fund, and Combined Transportation Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1d and 17 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement (GASB) No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a reduction of previously reported net position of the governmental activities, business-type activities, proprietary funds, and internal service funds. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Report on Required Supplementary Information*

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

### *Other Information*

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

## **Other Matters (Continued)**

### *Other Information (Continued)*

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

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

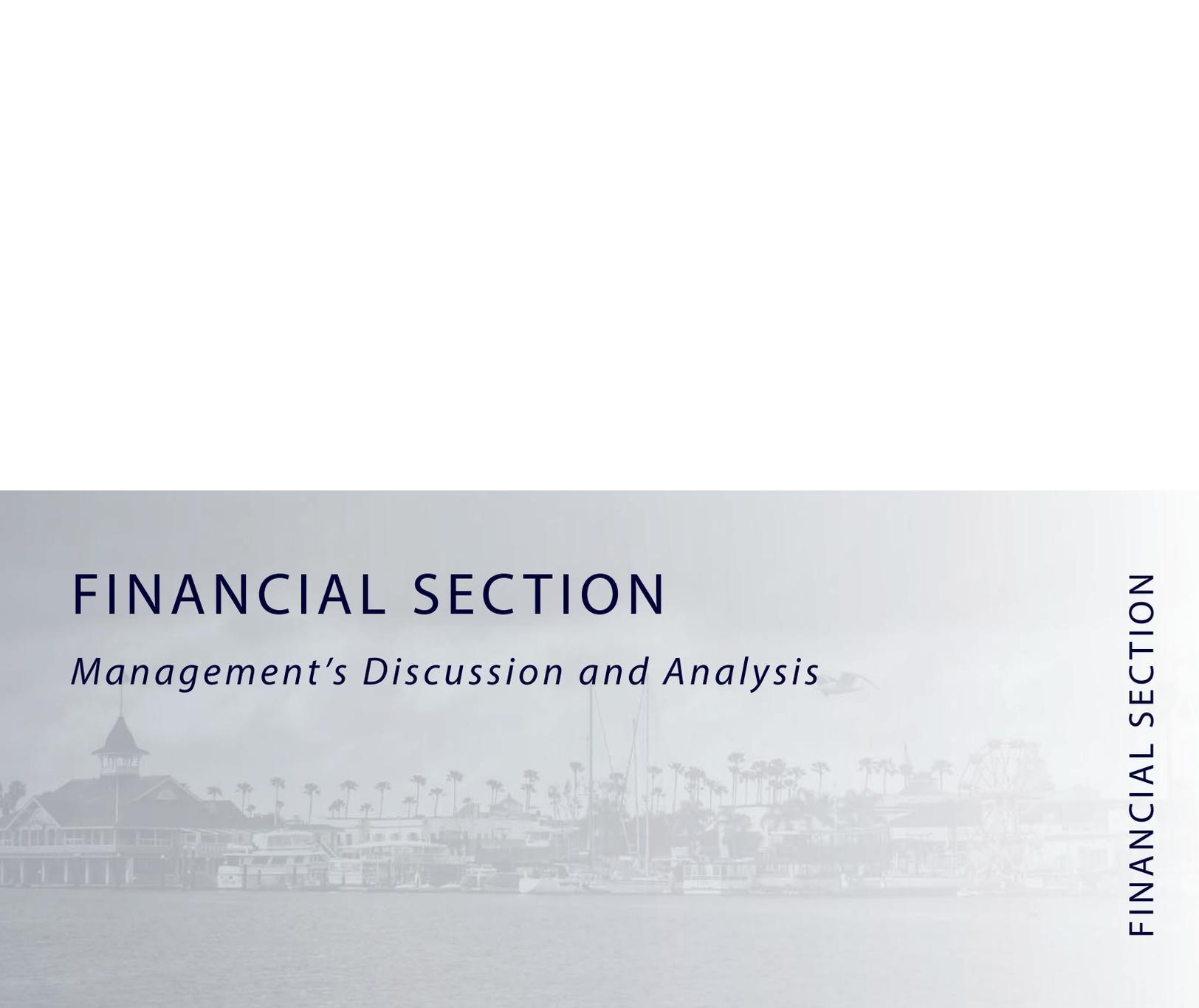
### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
December 19, 2018

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# FINANCIAL SECTION

*Management's Discussion and Analysis*

FINANCIAL SECTION



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Newport Beach's Comprehensive Annual Financial Report (CAFR) presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2018. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The City utilizes three broad categories of funds:

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

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

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

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

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

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

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

## **ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

### **Net Position Discussion**

As shown in Figure 1, the City's combined net position for the year ended June 30, 2018 was \$2.3 billion, increasing \$27.6 million or 1.2% over the prior year. Net position can serve as an important indicator of whether the City's overall financial condition is improving or deteriorating over time.

Current and other assets increased \$4.8 million. This increase is primarily due to increases in cash and investments, intergovernmental receivables and accrued investment earnings, offset by a decrease in accounts receivable (net of allowance). Capital assets increased \$6.5 million, much of which is related to the purchase of land and land improvements.

Current liabilities decreased \$2.6 million primarily due to a decrease in accounts payable, deposits payable, and unearned revenue, offset by an increase in accrued payroll.

Long-term liabilities increased \$47.6 million. The increase is primarily due to an increase in the net pension liability, and the addition of post-employment health care benefits (OPEB) obligation required with the implementation of GASB 75. See Note (10) and Note (11) of Notes to the Financial Statements for more information.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 248,811	\$ 252,447	\$ 40,257	\$ 41,402	\$ 289,068	\$ 293,849
Capital assets	2,312,396	2,316,550	116,239	118,625	2,428,635	2,435,175
Total assets	2,561,207	2,568,997	156,496	160,027	2,717,703	2,729,024
Deferred Outflows of Resources	58,783	90,905	2,050	3,183	60,833	94,088
Current liabilities	26,496	22,708	2,240	3,431	28,736	26,139
Long-term liabilities	442,478	488,000	9,451	11,556	451,929	499,556
Total liabilities	468,974	510,708	11,691	14,987	480,665	525,695
Deferred Inflows of Resources	11,484	10,388	483	415	11,967	10,803
<b>Net Position</b>						
Net investment in capital assets	2,201,553	2,208,832	116,239	118,625	2,317,792	2,327,457
Restricted	45,754	49,792	-	-	45,754	49,792
Unrestricted	(107,775)	(119,818)	30,134	29,183	(77,641)	(90,635)
Total net position, before restatement	2,139,532	2,138,806	146,373	147,808	2,285,905	2,286,614
Restatement	(25,686) <sup>1</sup>	-	(1,244) <sup>1</sup>	-	(26,930) <sup>1</sup>	-
Total net position, after restatement	<u>\$ 2,113,846</u>	<u>\$ 2,138,806</u>	<u>\$ 145,129</u>	<u>\$ 147,808</u>	<u>\$ 2,258,975</u>	<u>\$ 2,286,614</u>

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

- The largest portion of the City's net position, at \$2.3 billion of net position reflects the net investment in capital assets (e.g., land, right of way, street trees, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to residents. Therefore, they do not represent a financial resource to the City and consequently are not readily available for funding current obligations.
- Restricted net position totaled only \$49.8 million of net position.
- As of June 30, 2018, unrestricted net position has a deficit of \$90.6. The deficit increased \$13.0 million from the prior year mainly due to an increase in the pension liability and the addition of the net OPEB obligation, combined with a decrease in capital grants and contributions.

## GOVERNMENTAL ACTIVITIES

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

**Figure 2**  
**Changes in Net Position**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 54,694	\$ 55,810	\$ 28,532	\$ 30,377	\$ 83,226	\$ 86,187
Operating grants and capital contributions	11,632	11,944	-	-	11,632	11,944
Capital grants and contributions	27,993	1,815	-	-	27,993	1,815
Total program revenues	94,319	69,569	28,532	30,377	122,851	99,946
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes	96,964	101,593	-	-	96,964	101,593
Sales tax	33,703	36,373	-	-	33,703	36,373
Transient occupancy taxes	22,382	22,858	-	-	22,382	22,858
Other taxes	8,533	11,858	-	-	8,533	11,858
Investment related income	590	633	78	185	668	818
Other	2,291	3,416	-	-	2,291	3,416
Total general revenues	164,463	176,731	78	185	164,541	176,916
Total revenues	258,782	246,300	28,610	30,562	287,392	276,862
<b>Expenses:</b>						
General government	20,444	19,011	-	-	20,444	19,011
Public safety	102,494	107,648	-	-	102,494	107,648
Public works	54,040	47,615	-	-	54,040	47,615
Community development	12,056	12,377	-	-	12,056	12,377
Community services	26,583	27,307	-	-	26,583	27,307
Interest	7,472	7,382	-	-	7,472	7,382
Water	-	-	22,004	23,725	22,004	23,725
Wastewater	-	-	4,219	4,158	4,219	4,158
Total expenses	223,089	221,340	26,223	27,883	249,312	249,223
Excess (deficiency) of revenues over expenses	35,693	24,960	2,387	2,679	38,080	27,639
Transfers	(3,500)	-	3,500	-	-	-
Increases in net position	32,193	24,960	5,887	2,679	38,080	27,639
Net position at beginning of year	2,109,565	2,139,532	140,576	146,373	2,250,141	2,285,905
Restatement	(2,226) <sup>1</sup>	(25,686) <sup>2</sup>	(90) <sup>1</sup>	(1,244) <sup>2</sup>	(2,316) <sup>1</sup>	(26,930) <sup>2</sup>
Net position at beginning of year, as restated	2,107,339	2,113,846	140,486	145,129	2,247,825	2,258,975
Net position at end of year	\$ 2,139,532	\$ 2,138,806	\$ 146,373	\$ 147,808	\$ 2,285,905	\$ 2,286,614

<sup>1</sup> Prior year net position was restated to adjust for deferred outflow of PERS contribution in FY15-16.

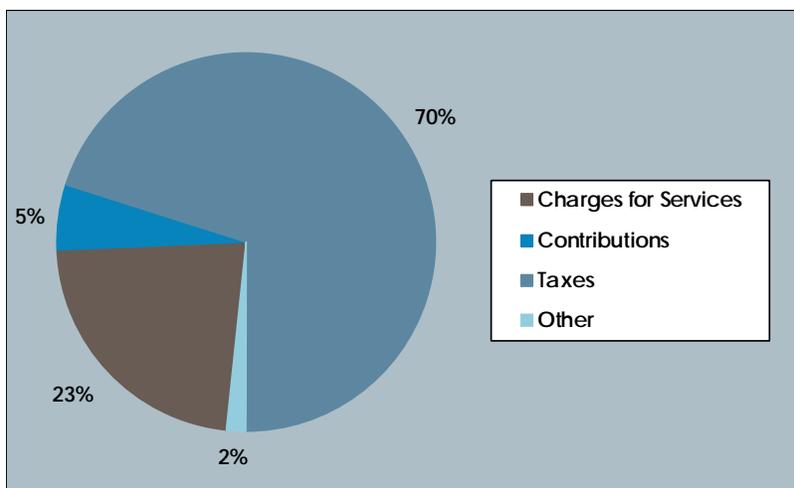
<sup>2</sup> Prior year net position was restated to adjust for deferred outflow of OPEB contribution in FY16-17.

## Revenues Associated with Governmental Activities Discussion

Figure 2 illustrates in detail how the \$246.3 million in Governmental Activities revenue was derived. Figure 3 summarizes this revenue by major source. As shown on Figures 2 and 3, \$55.8 million or 22.7% of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another \$13.8 million or 5.6% 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 \$176.7 million or 71.7%

represented general revenues of the City including taxes, intergovernmental revenues, and other miscellaneous revenues.

**Figure 3**  
**Governmental Activities Revenue Sources**  
**Year Ended June 30, 2018**



As illustrated in Figure 2, program revenues related to Governmental Activities decreased \$24.8 million from the prior year. This decrease was primarily attributable to fees related to a large development agreement that was collected in the prior year.

The City's general revenues related to Governmental Activities increased \$12.3 million from the prior year due to increases in property taxes, sales taxes, transient occupancy taxes, other taxes and other miscellaneous revenues.

Property tax is the largest individual revenue source for the City and collections finished the year \$4.6 million higher than the previous year. This increase was mostly due to an increase in secured taxes as a robust demand for coastal property continued driving property values higher.

At \$36.4 million, sales taxes represent the second largest individual revenue source for the City. Sales taxes increased \$2.7 million from the previous year due to growth in auto leases and sales, department store sales and fine dining.

Transient occupancy taxes (TOT), the City's third largest revenue source, finished the year at \$22.9 million, which is an increase of \$475,376 from the previous fiscal year. The increase stems from a net increase in residential and commercial TOT due to rising occupancy rates in vacation rentals.

### **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 Municipal Operations) providing engineering, construction and maintenance of public streets, highways, buildings, beaches, parks, and related infrastructure; as well as traffic engineering, and street lighting.

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

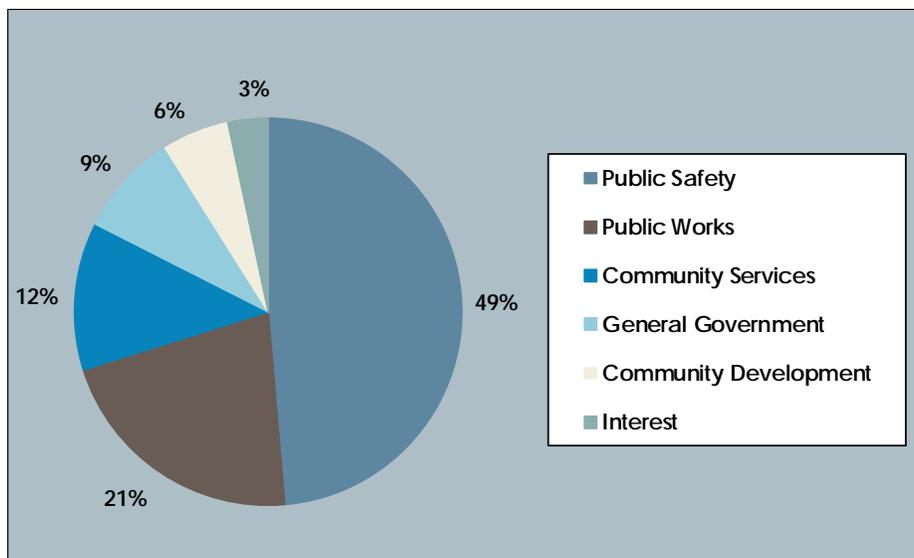
Community Services is comprised of two departments (Library Services and Recreation & Senior Services) providing library services, cultural and arts programs, recreation services, and senior social and transportation services.

Business Enterprise Operations are overseen by the Municipal Operations 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 \$221.3 million of Governmental Activities expense was derived. The decrease of \$1.7 million from the prior year is mostly due to a combination of a reduction in capital outlay, offset by an increase in public safety expenses. The increase in public safety expenses is mostly related to the addition of discretionary pension payments in order to pay down the pension liability sooner.

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

**Figure 4**  
**Governmental Activities Functional Expenses**  
**Year Ended June 30, 2018**

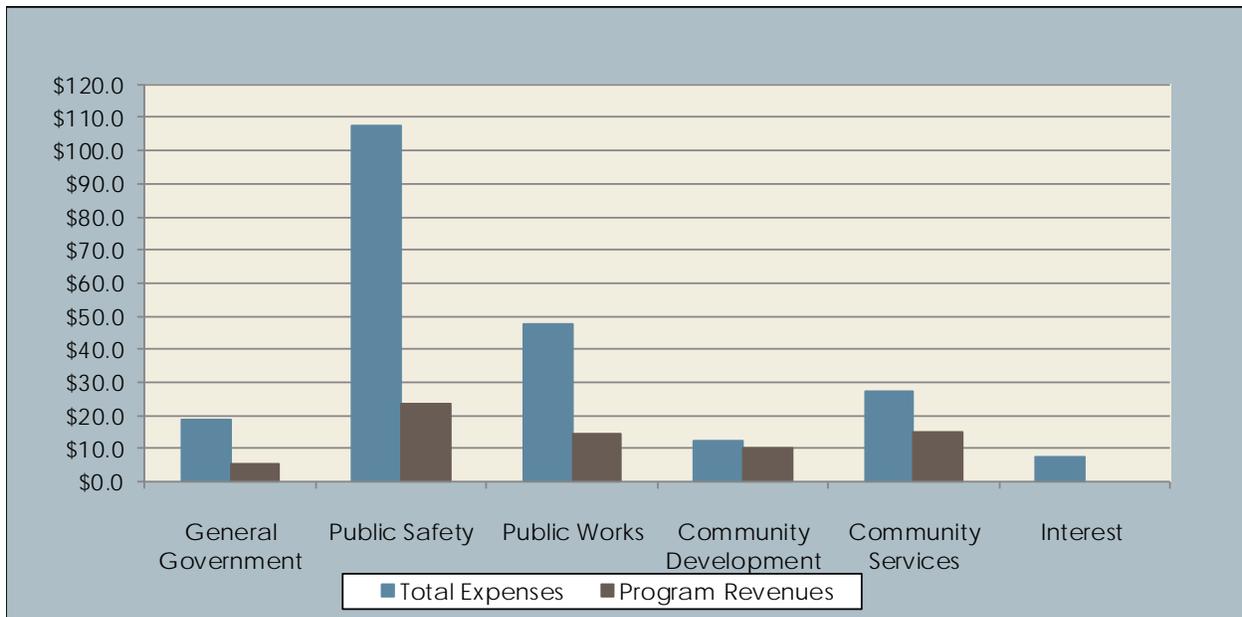


Figures 5 and 6 illustrate the net cost of each service. The net cost represents the extent to which governmental activities are subsidized by taxes and other general revenues of the City.

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

	2017		2018	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 20,444	\$ (15,354)	\$ 19,011	\$ (13,654)
Public safety	102,494	(80,354)	107,648	(83,891)
Public works	54,040	(12,946)	47,615	(32,870)
Community development	12,056	(1,029)	12,377	(1,888)
Community services	26,583	(11,614)	27,307	(12,086)
Interest	7,472	(7,472)	7,382	(7,382)
	<u>\$ 223,089</u>	<u>\$ (128,769)</u>	<u>\$ 221,340</u>	<u>\$ (151,771)</u>

**Figure 6  
Program Expenses and Revenue – Governmental Activities  
Year Ended June 30, 2018  
(in millions)**



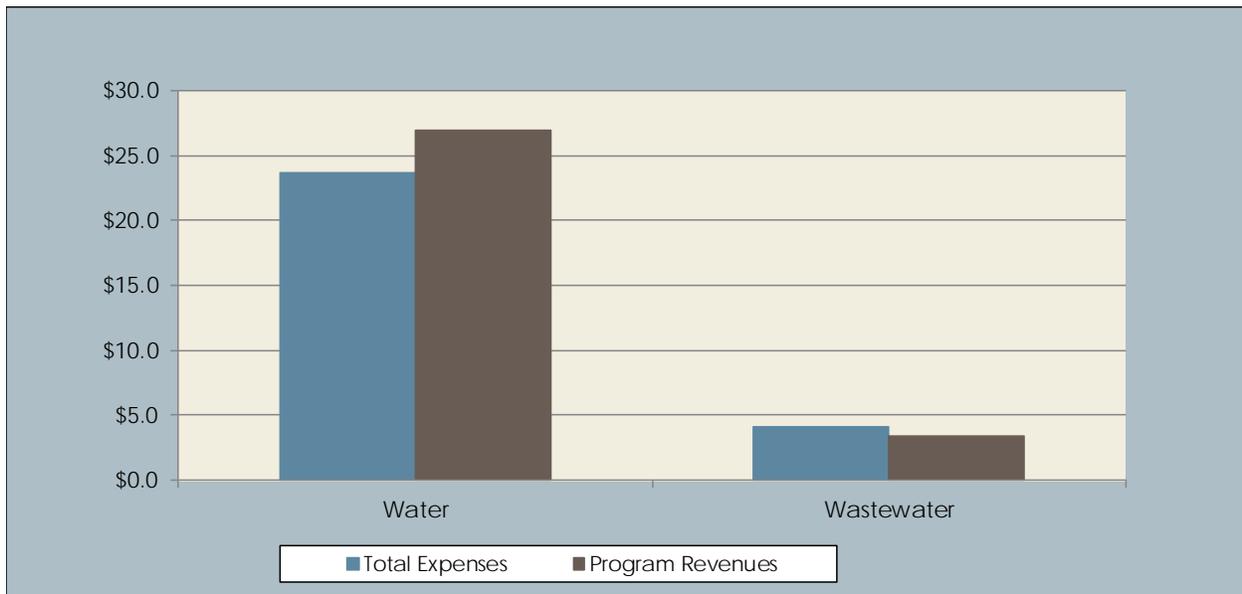
## BUSINESS-TYPE ACTIVITIES

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 \$30.6 million, of which, \$30.4 million is related to program revenues. As shown below in Figure 7, Water activities represents about \$27.0 million (88.7%) of program revenues, while Wastewater activities represents \$3.4 million (11.3%) of program revenues.

**Figure 7**  
**Program Expenses and Revenue – Business-type Activities**  
**Year Ended June 30, 2018**  
**(in millions)**



### Expenses Associated with Business-Type Activities Discussion

Current year expenses for Business-type activities totaled \$27.9 million, an increase of \$1.7 million over prior year. This is attributable to an increase in purchases of water offset by a decrease in supplies and general and system maintenance.

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

#### Water

Of the \$23.7 million in water related expenses, \$11.1 million (46.9%) is for the purchase of water, \$4.7 million (19.8%) covers employee related costs, \$3.8 million (16.0%) is for maintenance,

supplies, and depreciation of the water system, \$2.0 million (8.4%) is for professional services, and the remaining \$2.1 million (8.9%) is collectively attributable to miscellaneous other expenses.

### Wastewater

Of the \$4.2 million in wastewater related expenses, \$1.9 million (45.7%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.6 million (38.5%) is for employee related costs, and the remaining \$666,437 (15.8%) is attributable to professional services and other miscellaneous expenses.

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

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

### **Governmental Funds**

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

**Fund Balance** – As shown in Figure 8, the City's Governmental Funds reported combined fund balances of \$178.7 million, an increase of \$9.5 million from the prior year. The increase is the net result of increases in fund balances in the General Fund, Tide and Submerged Land – Operating Fund, Tide and Submerged Land – Harbor Capital Fund, Combined Transportation Fund, Civic Center COP Fund, non-major special revenue funds, and non-major permanent funds in aggregate; offset by decreases in the Facilities Financial Planning Reserve Fund and the non-major capital project funds in aggregate. The General Fund represented \$93.9 million or 52.6% of the combined fund balances of the Governmental Funds.

**Figure 8**  
**Governmental Funds Fund Balance**  
**(in thousands)**

	2017	2018	Change
General Fund	\$ 89,378	\$ 93,913	\$ 4,535
Tide and Submerged Land - Operating	4,501	5,322	821
Tide and Submerged Land - Harbor Capital	(5,721)	251	5,972
Combined Transportation	169	3,051	2,882
Facilities Financial Planning Reserve	30,644	29,494	(1,150)
Civic Center COP	2,364	2,384	20
Non-major special revenue	16,700	18,541	1,841
Non-major capital projects	24,975	19,514	(5,461)
Non-major permanent	6,186	6,215	29
	<u>\$ 169,196</u>	<u>\$ 178,685</u>	<u>\$ 9,489</u>

**Nonspendable Fund Balance** – The City has \$18.8 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$18.8 million nonspendable fund balance, \$1.1 million is for prepaid items, \$229,196 is for inventories, \$12.9 million is for long-term loan receivables, and \$4.6 million is for permanent endowments.

**Restricted Fund Balance** – The City has \$43.0 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 \$43.0 million restricted fund balance, \$4.4 million is restricted in the General Fund, of which \$1.5 million is for Affordable Housing, \$1.5 million is for Oceanfront Encroachment and \$1.4 million is restricted for support of public access channel programming; \$4.7 million is restricted in the Tide and Submerged Land – Operating Fund, of which \$3.8 million is restricted for capital projects and maintenance and repairs, and \$867,149 is restricted for the Upper Newport Bay restoration; \$251,262 is restricted in the Tidelands and Submerged Land – Harbor Capital Fund for capital projects; \$3.0 million is restricted in the Combined Transportation Fund; \$2.4 million is restricted for Civic Center COP debt service; and \$7.2 million is restricted in the Facilities Financial Planning Reserve Fund for park improvements. Of the remaining \$21.1 million in restricted fund balance, \$18.5 million is restricted for various special revenue funds, \$967,113 is restricted for the Assessment District Fund, and \$1.6 million of fund balance is restricted for permanent funds.

**Committed Fund Balance** – The City has \$55.2 million in fund balance classified as committed to indicate that the City Council has committed how the money will be spent. Of the \$55.2 million committed fund balance, \$13.4 million is committed to the General Fund, of which \$4.0 million is for seawall construction/maintenance, \$3.0 million is for pension related items, \$3.0 million is for general liability, \$1.0 million is for neighborhood projects and \$2.4 million is for encumbrances and miscellaneous projects; \$640,000 is committed to the Tide and Submerged Land – Operating; \$22.3 million is committed to the Facilities Financial Planning Reserve Fund; \$8.3 million is committed to the Unrestricted Capital Improvements Fund; \$4.3 million is committed to the Fire Station Fund; \$1.7 million is committed to the Civic Center and Park Fund; \$1.1 million is committed to Neighborhood Enhancement Fund; \$1.3 million is committed to the Facilities Maintenance Fund; \$915,377 is committed to Balboa Village Parking Management District; \$939,967 is committed to Parks and Community Centers and \$173,621 is committed to various capital projects.

**Assigned Fund Balance** – The City has \$590,368 in fund balance which is not restricted or committed and is classified as assigned to indicate the City Manager’s intent to be used for specific purposes.

**Unassigned Fund Balance** – The remaining \$61.0 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted, committed, or assigned.

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

Major Governmental Funds results for the year included the following:

- Overall General Fund revenues finished \$12.1 million or 5.9% higher than the prior year, while expenditures finished \$13.2 million or 7.8% higher than the prior year. The net result is that General Fund income before transfers and other financing sources and uses decreased by \$1.1 million. Actual General Fund revenues were \$7.3 million over the estimated revenues primarily due to conservative property, sales and transient occupancy

tax estimates. Higher than expected revenues came in for other taxes, intergovernmental, licenses, permits, and fees, charges for services, property income and other revenues, offset by decrease in fines and forfeitures and investment income. Expenditures came in at \$9.1 million under budget primarily due to lower labor costs, a reduction in professional and contract services, outside counsel, utilities, supplies and equipment, maintenance and special department expenses. In total, the General Fund increased \$4.5 million ending the year with \$93.9 million in fund balance.

- The Tide and Submerged Land - Operating Fund increased \$820,356 and ended the current year with \$5.3 million in fund balance.
- The Tide and Submerged Land – Harbor Capital Fund increased \$6.0 million ending with \$251,262 in fund balance. This was largely due to a transfer from the General Fund for Balboa Island seawall construction/maintenance project.
- The Combined Transportation Fund increased \$2.9 million to \$3.1 million in fund balance due to capital projects being delayed to next year.
- The Facilities Financial Planning Reserve Fund decreased \$1.1 million to \$29.5 million in fund balance. This was largely due to cash funding facility improvement and replacement.

### **Proprietary Funds**

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

Enterprise Fund results for the year included the following:

- Net position in the Water Fund increased \$3.7 million mainly due to water rates including a charge for future major water capital improvements according to the Water Master Plan.
- Net position in the Wastewater Fund decreased \$662,347 due to mid-year implementation of a rate increase.

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

- Total net position in the Internal Service Funds increased \$2.6 million in the current year. This was mostly due to an operating income of \$1.6 million, which was a result of an increase in information technology charges and a reduction in claims and judgments. The remaining \$1.0 million was due to non-operating revenues and net transfers.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

#### Changes to Original Budget

Final budgeted revenues for the General Fund decreased \$119,295 from the original budget during the year ended June 30, 2018. Significant factors contributing to this fluctuation are highlighted as follows:

- Final budgeted sales tax decreased \$1.4 million from the original budget due to economic indicators showing a growing trend in on-line sales, which results in less tax remittance when compared to direct point-of-sales within the City.
- Transient occupancy tax budgets were decreased \$3.2 million due to concerns that reduced room inventory due to major hotel renovations might impact tax revenue collection the second half of the year.
- Other taxes increased by \$3.0 million due to property transfer tax being reclassified from the property taxes category to the other taxes category. However, property taxes' final budget remained about the same due to budgetary increases in secured property tax.
- Final budgeted intergovernmental revenue increased \$635,918 due to an anticipated increase in grants from other governmental agencies.
- Final budgeted charges for services increased \$304,034 from the original budget mostly from miscellaneous charges.
- Other revenue increased by \$413,900 from the original budget primarily due to higher than expected private donations to the library.

Final budgeted expenditures for the General Fund decreased \$11.5 million from the original budget during the year ended June 30, 2018. The fluctuation is the result of the routine reclassification of General Fund expenditures as Tidelands expenditures. This reclassification occurs at year end once all such eligible expenditures can be properly attributed to Tidelands activity. These amounts were offset by anticipated increases in parking operations, and library services arising from higher than expected library donations.

#### Variance with Final Budget

Actual revenues came in at \$7.3 million above final budgeted revenues for the year ended June 30, 2018. Significant factors contributing to this favorable variance are summarized as follows:

- A favorable variance of \$1.4 million in property taxes was due to valuation changes caused by an increase in property renovations and the restoration of home values to their true valuations, and an increase in residual pass-through taxes arising from the dissolution of the Redevelopment Agencies.
- A favorable variance totaling \$2.3 million in sales tax and transient occupancy was due to higher than anticipated luxury vehicle sales and leases, increased department store sales, and the opening of the new Lido House luxury hotel in April 2018.
- Intergovernmental revenues came in \$1.2 million higher than budgeted due to unanticipated grants.
- Property income came in \$768,489 higher than expected due to an increase in facilities rentals and parking revenues.
- A favorable variance of \$1.2 million in other revenues was due to an increase in public education and governmental (PEG) fees and unexpected private refunds and rebates.

Actual General Fund expenditures of \$182.1 million were significantly less than final budgetary estimates of \$191.2 million. Significant factors contributing to this \$9.1 million variance are summarized as follows:

- A \$2.4 million favorable variance was realized in General Government due to salary savings, reductions in professional services and outside legal counsel.
- A \$1.0 million favorable variance in Public Safety was generated by a reduction in professional services, contracts and maintenance and repairs.
- A \$1.9 million favorable variance in Public Works was due to salary savings, a reduction in professional and contract services, maintenance and repairs and utilities.
- A \$1.2 million favorable variance in Community Development was due to salary savings and a reduction in professional and contract services.
- A \$2.6 million favorable variance in Community Services was generated due to salary savings, a reduction in professional services and contract services, contract recreation instructors and supplies, maintenance and repairs and equipment.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for governmental and business-type activities as of June 30, 2018, amounts to \$2.4 billion, net of accumulated depreciation. This investment is comprised of a broad range of capital assets including land, buildings, machinery and equipment, park facilities, road improvements, storm drains, piers, oil wells, sound walls, an 800 MHz radio communications system, parking pay stations and meters, and bridges. The total net investment in capital assets increased \$6.5 million over the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 1,890,292	\$ 1,897,376	\$ 2,219	\$ 2,219	\$ 1,892,511	\$ 1,899,595
Structures	194,602	191,376	471	455	195,073	191,831
Equipment	20,989	19,738	159	138	21,148	19,876
Infrastructure	194,475	199,718	113,123	112,123	307,598	311,841
Work in progress	12,038	8,341	267	3,690	12,305	12,031
<b>Totals</b>	<b>\$ 2,312,396</b>	<b>\$ 2,316,549</b>	<b>\$ 116,239</b>	<b>\$ 118,625</b>	<b>\$ 2,428,635</b>	<b>\$ 2,435,174</b>

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

- Capital asset additions totaled \$36.5 million in both the Governmental and Business Type Activities in the current year. Of the \$36.5 million, \$18.3 million represents additions of non-depreciable assets such as land and rights of way and work in progress. The remaining \$18.2 million is comprised of additions from infrastructure of \$13.5 million, equipment of \$2.9 million, and structures of \$1.8 million.
- Of the \$31.7 million of additions in governmental assets in the current year, additions in infrastructure contributed \$12.1 million, which was mostly due to upgrades in the road system. The remaining \$19.6 million added in the current year as governmental assets, is comprised of \$7.8 million of work in progress, \$7.1 million of land acquisitions and improvements, \$2.9 million of equipment and \$1.8 million of structure additions.
- The \$4.8 million of business-type asset additions in the current year is comprised of \$3.4 million in work in progress additions related to water system improvements and \$1.4 million water system infrastructure additions.

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

## Long-term Debt

**Figure 10**  
**Outstanding Debt at Year End**  
**(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Certificates of participation	\$ 110,595	\$ 107,410	\$ -	\$ -	\$ 110,595	\$ 107,410
Bond premium	362	241	-	-	362	241
Pre-annexation agreement	-	-	-	-	-	-
CDBG Loan	1,066	916	-	-	1,066	916
Totals	<u>\$ 112,023</u>	<u>\$ 108,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,023</u>	<u>\$ 108,567</u>

The City's total debt decreased \$3.5 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 United States is in the midst of the second-longest expansion in the nation's history at 111 months. If it continues through July 2019, it would become the longest on record. Many wonder if growth will continue through that time. Experts agree it is likely as the U.S. economy has been on a solid upswing. While 2018 looks solid, some economists predict slower growth in 2019 when compared to recent years. The long-term stressors of heavy federal borrowing, rising interest

rates and ongoing political turmoil make it clear that even though there is no reason to expect a recession soon, we should remain vigilant in watching for unanticipated shocks. With sights turning toward the last part of the year, the California economic engine continues to hum along. Job gains have been steady, and the state's leading industries have expanded despite ongoing concerns on the international trade front. Good news notwithstanding, anxieties linger about California's extremely tight housing market and the affordability challenges it presents, and about the long-term consequences of slow growth in the state's labor force.

### Local Revenue Trend

Despite an increase in disposable income from recently enacted tax reform, the outlook for the local real estate market remains mixed. Economists indicate that there has been a great disconnect between housing and local economic performance. Home sales have been notably weak over the last couple of years, despite improvements in the local economy, and affordability is increasingly a concern. With these factors in mind, economists expect price growth to remain stable but home sales to remain tepid. Simply put, limited sales activity will restrict the extent to which assessed valuation can grow. For all of 2017–18, home resales in the City of Newport Beach declined 0.8% from the prior fiscal year, while prices increased 6.9%.

Real estate driven revenues are being affected by temporary conditions, such as disappointing home sales from a lack of inventory, rather than by a more systemic problem in the local economy. This is not limited to the City of Newport Beach and is being seen across the state and even the nation. In spite of these conditions, it is important to note that the fundamentals in the local economy are strong. Overall, economic activity is heading in the right direction as businesses continue to hire, albeit at a slower pace than in previous years. Despite a modest slowdown expected in the coming years, management expects overall growth for the City's revenue streams to remain in positive territory.

### Discretionary Appropriations

The annual budget serves as the foundation for financial planning and control, and allows the City Council to prioritize expenditures in alignment with core community values. The budget as adopted is reflective of strong revenues, healthy reserves, and a sound debt position. This budget reflects a strong local economy that continues to provide stable revenues which support a wide variety of programs and initiatives. It also includes competitive wages for City employees that will further our goal of attracting and retaining a well-qualified workforce to meet the high expectations of our community.

The City Council adopted an FY 2018-2019 budget that maintains a deliberate resource balance between these important municipal expenses:

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

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

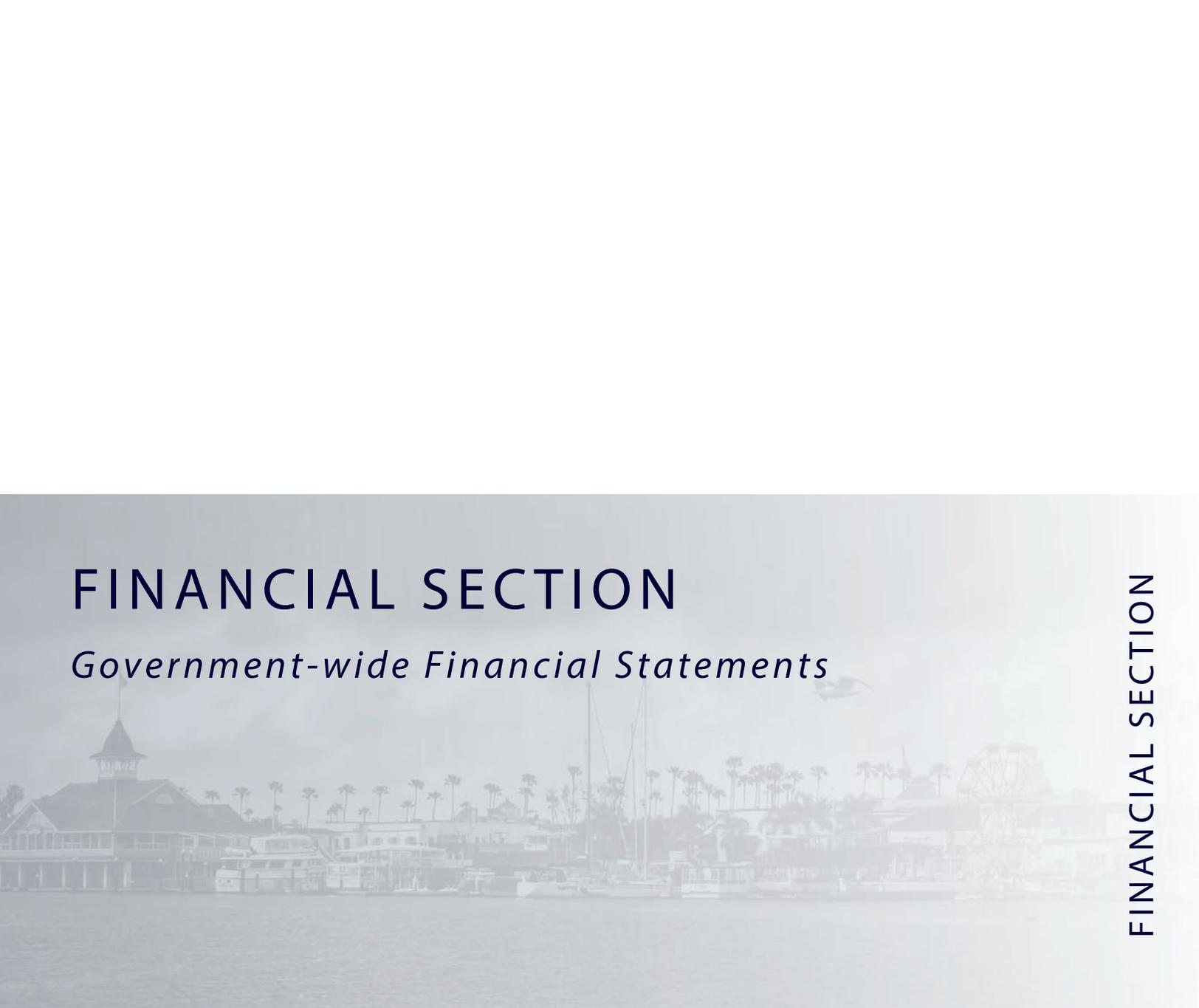
Fiscal Year 2018-2019 will mark another year of an accelerated plan to pay down the City's unfunded pension liability. Increasing the City's pension contribution now will result in a lower, level-dollar payment in the future, so the adopted budget also includes an additional \$8.8 million to discretionary payment towards the City's unfunded liability. Additional contributions should save \$60 million over 16 years. Employee pension contributions are increasing \$230,000 to a total of \$10.3 million per year. Overall, the City's total debt burden is low and remains affordable. The economy benefits from the City's mature, wealthy tax base and strong employment among a diversity of business sectors, as well as retail shopping and tourism activity. Residential and commercial property values are among the highest in the country. Our overall assessed valuation (AV) has been stable despite the economic downturn of between 2009 and 2012, with growth in the each of the last 23 years.

A strong financial profile is a particularly important factor considered by rating agencies in their evaluation of the creditworthiness of local government debt. The rating agencies Fitch, Moody's, and Standard & Poor's which have all assigned the City the highest quality credit rating of AAA. Moody's reaffirmed their AAA ratings in 2018. Expenditure controls within the past decade have included early retirement incentive plans, increased employee contributions to pension plans, contracting services, and freezing vacant positions when necessary, usually during recessionary periods. Financial operations produced net surpluses (after transfers) in the last eight years due to conservative budgeting, successful negotiation of labor concessions, and a stable and growing tax revenue base. The City has used surpluses for important one-time things, like paying more towards retirement obligations or investing in IT and communications. Financial management policies are robust and have continued to improve in recent years.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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# FINANCIAL SECTION

*Government-wide Financial Statements*

FINANCIAL SECTION



**CITY OF NEWPORT BEACH**  
**Statement of Net Position**  
**June 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments (note 4)	\$ 219,351,879	\$ 35,763,944	\$ 255,115,823
Receivables:			
Accounts (net of allowance)	7,438,320	5,511,494	12,949,814
Interest	1,107,895	-	1,107,895
Intergovernmental receivables	14,171,914	92,788	14,264,702
Cash with fiscal agent (note 4)	8,138,751	-	8,138,751
Internal balances	(34,351)	34,351	-
Investment in joint ventures (note 14)	134,013	-	134,013
Inventory	635,997	-	635,997
Prepaid items	1,502,471	-	1,502,471
Capital assets (note 5):			
Non-depreciable	1,905,717,587	5,909,691	1,911,627,278
Depreciable	641,411,515	182,499,556	823,911,071
Accumulated depreciation	<u>(230,579,128)</u>	<u>(69,784,576)</u>	<u>(300,363,704)</u>
Total assets	<u>2,568,996,863</u>	<u>160,027,248</u>	<u>2,729,024,111</u>
<b>Deferred Outflows of Resources:</b>			
Deferred amount from pension plans (note 10)	85,869,907	2,908,445	88,778,352
Deferred amount from OPEB (note 11)	<u>5,035,349</u>	<u>274,277</u>	<u>5,309,626</u>
Total deferred outflows of resources	<u>90,905,256</u>	<u>3,182,722</u>	<u>94,087,978</u>
<b>Liabilities:</b>			
Accounts payable	8,124,580	3,298,900	11,423,480
Accrued payroll	3,992,999	111,232	4,104,231
Accrued interest payable	3,646,168	-	3,646,168
Deposits payable	3,005,098	20,744	3,025,842
Unearned revenue	3,938,893	-	3,938,893
Noncurrent liabilities (note 6):			
Due within one year	14,225,527	-	14,225,527
Due in more than one year:			
Net pension liability (note 10)	315,405,596	10,237,515	325,643,111
Net OPEB liability (note 11)	24,201,323	1,318,253	25,519,576
Other	<u>134,167,317</u>	<u>-</u>	<u>134,167,317</u>
Total liabilities	<u>510,707,501</u>	<u>14,986,644</u>	<u>525,694,145</u>
<b>Deferred Inflows of Resources:</b>			
Deferred amount from pension plans (note 10)	9,741,645	382,579	10,124,224
Deferred amount from OPEB (note 11)	600,208	32,694	632,902
Deferred amount from gain on refunding	46,320	-	46,320
Total deferred inflows of resources	<u>10,388,173</u>	<u>415,273</u>	<u>10,803,446</u>
<b>Net Position:</b>			
Net investment in capital assets	2,208,832,391	118,624,671	2,327,457,062
Restricted for:			
Public safety	1,144,799	-	1,144,799
Public works	29,889,244	-	29,889,244
Community services	9,890,104	-	9,890,104
Community development	2,653,077	-	2,653,077
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,584,903	-	1,584,903
Unrestricted	<u>(119,817,854)</u>	<u>29,183,382</u>	<u>(90,634,472)</u>
Total net position	<u>\$ 2,138,806,445</u>	<u>\$ 147,808,053</u>	<u>\$ 2,286,614,498</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Statement of Activities**  
**Year Ended June 30, 2018**

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	\$ 19,011,099	\$ 5,355,887	\$ 1,000	\$ -	\$ 5,356,887
Public safety	107,647,562	20,733,883	3,023,173	-	23,757,056
Public works	47,615,000	5,789,579	7,579,263	1,376,602	14,745,444
Community development	12,377,394	9,956,226	526,654	6,192	10,489,072
Community services	27,307,115	13,974,329	813,851	432,670	15,220,850
Interest on long-term debt	7,381,743	-	-	-	-
Total governmental activities	<u>221,339,913</u>	<u>55,809,904</u>	<u>11,943,941</u>	<u>1,815,464</u>	<u>69,569,309</u>
Business-type activities:					
Water	23,724,918	26,931,193	-	-	26,931,193
Wastewater	4,158,155	3,445,772	-	-	3,445,772
Total business-type activities	<u>27,883,073</u>	<u>30,376,965</u>	<u>-</u>	<u>-</u>	<u>30,376,965</u>
Total primary government	<u>\$ 249,222,986</u>	<u>\$ 86,186,869</u>	<u>\$ 11,943,941</u>	<u>\$ 1,815,464</u>	<u>\$ 99,946,274</u>

General revenues:  
Taxes:  
Property tax  
Sales tax  
Transient occupancy tax  
Business license tax  
Franchise tax  
Other taxes  
Investment income  
Other  
Total general revenues  
Change in net position

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

Net Position at end of year

See accompanying notes to basic financial statements

**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (13,654,212)	\$ -	\$ (13,654,212)
(83,890,506)	-	(83,890,506)
(32,869,556)	-	(32,869,556)
(1,888,322)	-	(1,888,322)
(12,086,265)	-	(12,086,265)
(7,381,743)	-	(7,381,743)
<u>(151,770,604)</u>	<u>-</u>	<u>(151,770,604)</u>
-	3,206,275	3,206,275
-	(712,383)	(712,383)
-	<u>2,493,892</u>	<u>2,493,892</u>
<u>(151,770,604)</u>	<u>2,493,892</u>	<u>(149,276,712)</u>
101,593,290	-	101,593,290
36,373,253	-	36,373,253
22,857,737	-	22,857,737
4,282,935	-	4,282,935
4,228,469	-	4,228,469
3,346,987	-	3,346,987
632,808	184,906	817,714
3,416,348	-	3,416,348
<u>176,731,827</u>	<u>184,906</u>	<u>176,916,733</u>
24,961,223	2,678,798	27,640,021
<u>2,113,845,222</u>	<u>145,129,255</u>	<u>2,258,974,477</u>
<u>\$ 2,138,806,445</u>	<u>\$ 147,808,053</u>	<u>\$ 2,286,614,498</u>

See accompanying notes to basic financial statements

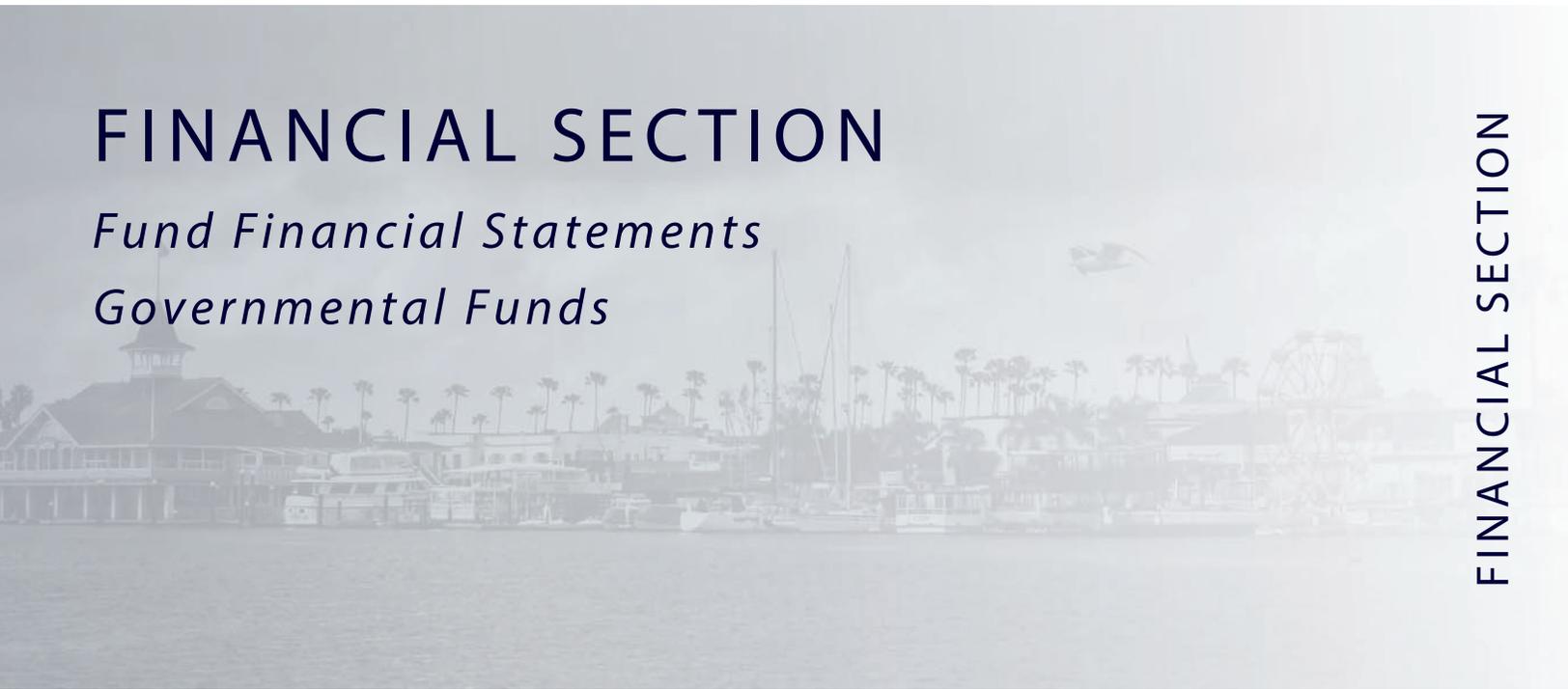
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# FINANCIAL SECTION

*Fund Financial Statements*

*Governmental Funds*

FINANCIAL SECTION





# GOVERNMENTAL FUNDS

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## Major Funds

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

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

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

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

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

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

## Other Governmental Funds

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

**CITY OF NEWPORT BEACH**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	Special Revenue Funds		
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital
<b>Assets</b>			
Cash and investments (note 4)	\$ 75,491,561	\$ 6,427,227	\$ 13,340,004
Receivables:			
Accounts (net of allowance)	4,932,016	1,178,508	-
Interest	1,107,895	-	-
Intergovernmental receivables	9,207,638	-	-
Cash with fiscal agent (note 4)	-	-	-
Advance to other funds (note 12)	12,926,659	-	-
Due from other funds (note 12)	3,584,795	-	-
Prepaid items	895,075	-	-
Inventory	229,196	-	-
Total assets	<u>\$ 108,374,835</u>	<u>\$ 7,605,735</u>	<u>\$ 13,340,004</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 4,650,781	\$ 879,903	\$ 162,083
Accrued payroll	3,787,302	19,250	-
Deposits payable	2,717,312	168,786	-
Unearned revenue	1,971,897	550,595	-
Advance from other funds (note 12)	-	-	12,926,659
Due to other funds (note 12)	-	-	-
Total liabilities	<u>13,127,292</u>	<u>1,618,534</u>	<u>13,088,742</u>
Deferred Inflows of Resources:			
Unavailable revenue	<u>1,334,407</u>	<u>665,439</u>	<u>-</u>
Total deferred inflows of resources	<u>1,334,407</u>	<u>665,439</u>	<u>-</u>
Fund balances (deficits):			
Nonspendable:			
Prepaid items	895,075	-	-
Inventories	229,196	-	-
Long-term loan receivable	12,926,659	-	-
Permanent endowment	-	-	-
Restricted:			
Affordable housing	1,460,908	-	-
Oceanfront encroachment	1,498,789	-	-
Upper Newport Bay restoration	-	867,149	-
Other	1,452,605	3,814,613	251,262
Committed:			
Seawalls	4,000,000	-	-
PERS	3,000,000	-	-
General liability	3,000,000	-	-
Oil and gas	-	640,000	-
Other	3,444,487	-	-
Assigned:	590,368	-	-
Unassigned:	<u>61,415,049</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>93,913,136</u>	<u>5,321,762</u>	<u>251,262</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 108,374,835</u>	<u>\$ 7,605,735</u>	<u>\$ 13,340,004</u>

See accompanying notes to basic financial statements

<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
<u>Combined Transportation</u>	<u>Facilities Financial Planning Reserve</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ 1,282,741	\$ 23,610,217	\$ -	\$ 48,522,836	\$ 168,674,586
-	20,009	-	1,278,739	7,409,272
-	-	-	-	1,107,895
2,065,281	-	-	548,005	11,820,924
-	-	8,138,751	-	8,138,751
-	-	-	-	12,926,659
-	5,884,394	-	-	9,469,189
-	-	-	157,462	1,052,537
-	-	-	-	229,196
<u>\$ 3,348,022</u>	<u>\$ 29,514,620</u>	<u>\$ 8,138,751</u>	<u>\$ 50,507,042</u>	<u>\$ 220,829,009</u>
\$ 137,026	\$ -	\$ 44	\$ 1,816,097	\$ 7,645,934
-	-	-	-	3,806,552
-	-	-	119,000	3,005,098
-	20,200	-	1,396,201	3,938,893
-	-	-	-	12,926,659
-	-	5,754,369	1,611,313	7,365,682
<u>137,026</u>	<u>20,200</u>	<u>5,754,413</u>	<u>4,942,611</u>	<u>38,688,818</u>
<u>160,147</u>	<u>-</u>	<u>-</u>	<u>1,294,820</u>	<u>3,454,813</u>
<u>160,147</u>	<u>-</u>	<u>-</u>	<u>1,294,820</u>	<u>3,454,813</u>
-	-	-	157,462	1,052,537
-	-	-	-	229,196
-	-	-	-	12,926,659
-	-	-	4,629,781	4,629,781
-	-	-	-	1,460,908
-	-	-	-	1,498,789
-	-	-	-	867,149
3,050,849	7,201,050	2,384,338	21,060,158	39,214,875
-	-	-	-	4,000,000
-	-	-	-	3,000,000
-	-	-	-	3,000,000
-	-	-	-	640,000
-	22,293,370	-	18,798,372	44,536,229
-	-	-	-	590,368
-	-	-	(376,162)	61,038,887
<u>3,050,849</u>	<u>29,494,420</u>	<u>2,384,338</u>	<u>44,269,611</u>	<u>178,685,378</u>
<u>\$ 3,348,022</u>	<u>\$ 29,514,620</u>	<u>\$ 8,138,751</u>	<u>\$ 50,507,042</u>	<u>\$ 220,829,009</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, 2018**

Fund balances of governmental funds	\$	178,685,378
<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>		2,300,846,060
<p>Long-term debts have not been reported in the governmental fund activity. Amounts exclude long-term debt activity from internal service funds which have been added below:</p>		
Certificates of participation payable		(107,410,000)
Premium on certificates		(241,106)
CDBG loan		(916,000)
<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		83,956,928
Deferred inflows of resources		(9,490,009)
Pension liability		(308,672,055)
<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		4,854,949
Deferred inflows of resources		(578,705)
OPEB liability		(23,334,264)
Deferred inflows related to gain on refunding is not reported on governmental funds		(46,320)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(3,646,168)
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.		3,454,813
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.		21,243,282
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.		134,013
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.		(34,351)
Net position of governmental activities	\$	<u>2,138,806,445</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2018**

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Tide and Submerged Land - Operating</u>	<u>Tide and Submerged Land - Harbor Capital</u>
<b>Revenues:</b>			
Taxes and assessments:			
Property tax	\$ 101,593,290	\$ -	\$ -
Sales tax	35,038,846	-	-
Transient occupancy tax	22,857,737	-	-
Other taxes	11,858,391	-	-
Intergovernmental	3,680,149	-	-
Licenses, permits and fees	4,832,873	57,303	-
Charges for services	19,817,014	11,772	-
Fines and forfeitures	3,164,927	16,896	-
Investment income	612,053	54,365	70,320
Property income	10,920,496	11,850,661	2,659,060
Donations	129,881	-	-
Other	2,010,809	-	-
<b>Total revenues</b>	<b>216,516,466</b>	<b>11,990,997</b>	<b>2,729,380</b>
<b>Expenditures:</b>			
Current:			
General government	15,041,710	1,057,600	-
Public safety	97,806,150	11,494,114	-
Public works	34,297,228	3,231,161	-
Community development	11,644,988	23,549	-
Community services	23,084,476	2,453,640	-
Capital outlay	-	1,139,965	2,734,855
Debt service (note 6):			
Principal	-	-	-
Interest and fiscal charges	247,335	-	-
<b>Total expenditures</b>	<b>182,121,887</b>	<b>19,400,029</b>	<b>2,734,855</b>
Excess (deficiency) of revenues over expenditures	34,394,579	(7,409,032)	(5,475)
<b>Other financing sources (uses):</b>			
Transfers in (note 13)	561,000	8,229,388	6,000,000
Transfers out (note 13)	(30,420,483)	-	(22,183)
<b>Total other financing sources (uses)</b>	<b>(29,859,483)</b>	<b>8,229,388</b>	<b>5,977,817</b>
<b>Net change in fund balances</b>	<b>4,535,096</b>	<b>820,356</b>	<b>5,972,342</b>
Fund balances (deficits), beginning	89,378,040	4,501,406	(5,721,080)
<b>Fund balances, ending</b>	<b>\$ 93,913,136</b>	<b>\$ 5,321,762</b>	<b>\$ 251,262</b>

See accompanying notes to basic financial statements

<u>Special Revenue</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
<u>Combined Transportation</u>	<u>Facilities Financial Planning Reserve</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 101,593,290
-	-	-	-	35,038,846
-	-	-	-	22,857,737
-	-	-	633,976	12,492,367
3,428,745	-	2,367,873	6,671,987	16,148,754
-	705,327	-	810,165	6,405,668
-	-	-	-	19,828,786
-	-	-	-	3,181,823
12,836	165,117	20,755	207,764	1,143,210
-	-	-	-	25,430,217
-	241,086	-	43,156	414,123
-	-	-	882,961	2,893,770
<u>3,441,581</u>	<u>1,111,530</u>	<u>2,388,628</u>	<u>9,250,009</u>	<u>247,428,591</u>
-	-	-	-	16,099,310
-	-	-	459,865	109,760,129
-	-	-	483,841	38,012,230
-	-	-	1,311,119	12,979,656
-	-	-	850	25,538,966
625,684	-	-	19,554,362	24,054,866
-	-	3,185,000	150,000	3,335,000
-	-	7,344,293	25,479	7,617,107
<u>625,684</u>	<u>-</u>	<u>10,529,293</u>	<u>21,985,516</u>	<u>237,397,264</u>
<u>2,815,897</u>	<u>1,111,530</u>	<u>(8,140,665)</u>	<u>(12,735,507)</u>	<u>10,031,327</u>
66,027	9,907,865	8,160,969	12,383,613	45,308,862
-	(12,168,826)	-	(3,239,470)	(45,850,962)
<u>66,027</u>	<u>(2,260,961)</u>	<u>8,160,969</u>	<u>9,144,143</u>	<u>(542,100)</u>
2,881,924	(1,149,431)	20,304	(3,591,364)	9,489,227
168,925	30,643,851	2,364,034	47,860,975	169,196,151
<u>\$ 3,050,849</u>	<u>\$ 29,494,420</u>	<u>\$ 2,384,338</u>	<u>\$ 44,269,611</u>	<u>\$ 178,685,378</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, 2018**

Net change in fund balances - total governmental funds \$ 9,489,227

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 5,234,138

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

Repayment of principal 3,335,000

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

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

Accrued interest for debt service is the net change in accrued interest for the current period. 64,282

Pension expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. 2,660,765

OPEB expense reported in the governmental funds includes the employer contributions made. In the Statement of Activities, OPEB expense includes the change in the net OPEB liability and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources. 2,957,352

Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds. This is the net change in unearned revenue for the current period. (1,921,994)

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported in the statement of activities. 2,636,079

Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities. (11,378)

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. 346,670

Change in net position of governmental activities \$ 24,961,223

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**General Fund**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues:</b>				
Taxes and assessments:				
Property	\$ 99,878,340	\$ 100,146,449	\$ 101,593,290	\$ 1,446,841
Sales	35,932,370	34,498,007	35,038,846	540,839
Transient occupancy	24,332,966	21,137,676	22,857,737	1,720,061
Other taxes	8,329,956	11,329,956	11,858,391	528,435
Intergovernmental	1,815,021	2,450,939	3,680,149	1,229,210
Licenses, permits and fees	4,427,889	4,427,889	4,832,873	404,984
Charges for services	19,017,877	19,321,911	19,817,014	495,103
Fines and forfeitures	3,869,053	3,750,900	3,164,927	(585,973)
Investment income	1,000,000	1,000,000	612,053	(387,947)
Property income	10,152,007	10,152,007	10,920,496	768,489
Donations	140,000	146,550	129,881	(16,669)
Other	424,836	838,736	2,010,809	1,172,073
	<u>209,320,315</u>	<u>209,201,020</u>	<u>216,516,466</u>	<u>7,315,446</u>
<b>Total revenues</b>				
<b>Expenditures:</b>				
General government:				
City council	1,008,533	1,258,541	1,032,234	226,307
City clerk	1,043,415	1,068,286	998,277	70,009
City attorney	2,526,908	2,526,908	2,233,510	293,398
City manager	3,112,978	2,780,647	2,116,795	663,852
Finance	7,368,263	6,652,170	5,793,505	858,665
Human resources	3,130,353	3,204,620	2,867,389	337,231
Total General government	<u>18,190,450</u>	<u>17,491,172</u>	<u>15,041,710</u>	<u>2,449,462</u>
Public safety:				
Police	60,632,280	57,802,869	56,001,655	1,801,214
Fire	48,353,522	41,004,925	41,804,495	(799,570)
Total Public safety	<u>108,985,802</u>	<u>98,807,794</u>	<u>97,806,150</u>	<u>1,001,644</u>
Public works:				
MOD- general services	29,587,790	27,498,207	26,136,975	1,361,232
Public works	8,899,729	8,772,317	8,160,253	612,064
Total Public works	<u>38,487,519</u>	<u>36,270,524</u>	<u>34,297,228</u>	<u>1,973,296</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**General Fund**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2018**  
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community development:				
Community development	11,808,402	11,992,231	10,858,621	1,133,610
Code and water quality enforcement	807,711	865,093	786,367	78,726
Total Community development	<u>12,616,113</u>	<u>12,857,324</u>	<u>11,644,988</u>	<u>1,212,336</u>
Community services:				
Parking operations	2,242,467	2,607,995	1,754,798	853,197
Library services	8,638,644	9,495,892	8,901,646	594,246
Recreation and senior services	13,549,465	13,639,827	12,428,032	1,211,795
Total community services	<u>24,430,576</u>	<u>25,743,714</u>	<u>23,084,476</u>	<u>2,659,238</u>
Debt service:				
Interest and fiscal charges	46,896	46,896	247,335	(200,439)
Total expenditures	<u>202,757,356</u>	<u>191,217,424</u>	<u>182,121,887</u>	<u>9,095,537</u>
Excess (deficiency) of revenues over expenditures	<u>6,562,959</u>	<u>17,983,596</u>	<u>34,394,579</u>	<u>16,410,983</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	561,000	561,000	-
Transfers out	-	(30,420,483)	(30,420,483)	-
Total other financing sources (uses)	<u>-</u>	<u>(29,859,483)</u>	<u>(29,859,483)</u>	<u>-</u>
Net change in fund balance	6,562,959	(11,875,887)	4,535,096	16,410,983
Fund balance, beginning	<u>89,378,040</u>	<u>89,378,040</u>	<u>89,378,040</u>	<u>-</u>
Fund balance, ending	<u>\$ 95,940,999</u>	<u>\$ 77,502,153</u>	<u>\$ 93,913,136</u>	<u>\$ 16,410,983</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Tide and Submerged Land - Operating**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Licenses, permits and fees	\$ 158,500	\$ 158,500	\$ 57,303	\$ (101,197)
Charges for services	8,000	8,000	11,772	3,772
Fines and forfeitures	5,000	10,500	16,896	6,396
Investment income	22,054	22,054	54,365	32,311
Property income	11,867,949	11,882,949	11,850,661	(32,288)
	<u>12,061,503</u>	<u>12,082,003</u>	<u>11,990,997</u>	<u>(91,006)</u>
Total revenues				
<b>Expenditures:</b>				
General government	-	1,057,600	1,057,600	-
Public safety	-	11,494,114	11,494,114	-
Public works	739,790	3,404,867	3,231,161	173,706
Community development	-	-	23,549	(23,549)
Community services	2,399,013	2,663,817	2,453,640	210,177
Capital outlay	-	4,806,706	1,139,965	3,666,741
Total expenditures	<u>3,138,803</u>	<u>23,427,104</u>	<u>19,400,029</u>	<u>4,027,075</u>
Excess (deficiency) of revenues over expenditures	<u>8,922,700</u>	<u>(11,345,101)</u>	<u>(7,409,032)</u>	<u>3,936,069</u>
<b>Other financing sources:</b>				
Transfers in	-	8,229,388	8,229,388	-
Total other financing sources	<u>-</u>	<u>8,229,388</u>	<u>8,229,388</u>	<u>-</u>
Net change in fund balance	8,922,700	(3,115,713)	820,356	3,936,069
Fund balance, beginning	<u>4,501,406</u>	<u>4,501,406</u>	<u>4,501,406</u>	<u>-</u>
Fund balance, ending	<u>\$ 13,424,106</u>	<u>\$ 1,385,693</u>	<u>\$ 5,321,762</u>	<u>\$ 3,936,069</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Tide and Submerged Land - Harbor Capital**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income	\$ 33,850	\$ 33,850	\$ 70,320	\$ 36,470
Property income	<u>2,248,578</u>	<u>2,248,578</u>	<u>2,659,060</u>	<u>410,482</u>
Total revenues	<u>2,282,428</u>	<u>2,282,428</u>	<u>2,729,380</u>	<u>446,952</u>
<b>Expenditures:</b>				
Capital outlay	<u>-</u>	<u>4,797,693</u>	<u>2,734,855</u>	<u>2,062,838</u>
Excess (deficiency) of revenues over expenditures	2,282,428	(2,515,265)	(5,475)	2,509,790
<b>Other financing sources</b>				
Transfers in	-	6,000,000	6,000,000	-
Transfers out	<u>-</u>	<u>(22,183)</u>	<u>(22,183)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>5,977,817</u>	<u>5,977,817</u>	<u>-</u>
Net change in fund balance	2,282,428	3,462,552	5,972,342	2,509,790
Fund balance (deficit), beginning	<u>(5,721,080)</u>	<u>(5,721,080)</u>	<u>(5,721,080)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (3,438,652)</u>	<u>\$ (2,258,528)</u>	<u>\$ 251,262</u>	<u>\$ 2,509,790</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH  
 Combined Transportation  
 Budgetary Comparison Statement  
 For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 2,285,454	\$ 2,523,757	\$ 3,428,745	\$ 904,988
Investment income	43,254	23,501	12,836	(10,665)
Total revenues	<u>2,328,708</u>	<u>2,547,258</u>	<u>3,441,581</u>	<u>894,323</u>
<b>Expenditures:</b>				
Capital outlay	<u>-</u>	<u>4,965,222</u>	<u>625,684</u>	<u>4,339,538</u>
Excess (deficiency) of revenues over expenditures	2,328,708	(2,417,964)	2,815,897	5,233,861
<b>Other financing uses:</b>				
Transfers in	<u>-</u>	<u>66,027</u>	<u>66,027</u>	<u>-</u>
Net change in fund balance	2,328,708	(2,351,937)	2,881,924	5,233,861
Fund balance, beginning	<u>168,925</u>	<u>168,925</u>	<u>168,925</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 2,497,633</u>	<u>\$ (2,183,012)</u>	<u>\$ 3,050,849</u>	<u>\$ 5,233,861</u>



# FINANCIAL SECTION

*Fund Financial Statements*

*Proprietary Funds*

FINANCIAL SECTION

# PROPRIETARY FUNDS

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## **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, 2018**

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
<b>Assets and Deferred Outflows of Resources</b>				
Current assets:				
Cash and investments	\$ 32,298,461	\$ 3,465,483	\$ 35,763,944	\$ 50,677,293
Receivables:				
Accounts (net of allowance)	4,856,239	655,255	5,511,494	29,048
Intergovernmental receivables	92,788	-	92,788	2,350,990
Inventories	-	-	-	406,801
Prepaid items	-	-	-	449,934
Total current assets	37,247,488	4,120,738	41,368,226	53,914,066
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	24,993
Equipment	226,055	34,107	260,162	37,278,084
Software	-	-	-	3,510,251
Infrastructure	134,339,673	47,211,325	181,550,998	-
Work in progress	3,690,241	-	3,690,241	-
Less accumulated depreciation	(51,555,794)	(18,228,782)	(69,784,576)	(25,109,414)
Total capital assets (net of accumulated depreciation)	89,608,021	29,016,650	118,624,671	15,703,914
Total assets	126,855,509	33,137,388	159,992,897	69,617,980
Deferred outflows of resources:				
Deferred amount from pension plans	2,101,429	807,016	2,908,445	1,912,979
Deferred amount from OPEB	198,173	76,104	274,277	180,400
Total deferred outflows of resources	2,299,602	883,120	3,182,722	2,093,379
<b>Liabilities and Deferred Inflows of Resources</b>				
Current liabilities:				
Accounts payable	3,218,499	80,401	3,298,900	478,646
Accrued payroll	83,681	27,551	111,232	186,447
Deposits payable	20,744	-	20,744	-
Due to other funds (note 12)	-	-	-	2,103,507
Workers' compensation - current	-	-	-	3,206,356
General liability - current	-	-	-	5,425,985
Compensated absences - current	-	-	-	2,123,186
Total current liabilities	3,322,924	107,952	3,430,876	13,524,127
Noncurrent liabilities:				
Workers' compensation (note 6)	-	-	-	13,282,644
General liability (note 6)	-	-	-	7,518,406
Compensated absences (note 6)	-	-	-	8,269,161
Net pension liability (note 10)	7,396,886	2,840,629	10,237,515	6,733,541
Net OPEB liability	952,474	365,779	1,318,253	867,059
Total noncurrent liabilities	8,349,360	3,206,408	11,555,768	36,670,811
Total liabilities	11,672,284	3,314,360	14,986,644	50,194,938
Deferred inflows of resources:				
Deferred amount from pension plans	276,424	106,155	382,579	251,636
Deferred amount from OPEB	23,622	9,072	32,694	21,503
Total deferred inflows of resources	300,046	115,227	415,273	273,139
<b>Net Position</b>				
Net investment in capital assets	89,608,021	29,016,650	118,624,671	15,703,914
Unrestricted	27,574,760	1,574,271	29,149,031	5,539,368
Total net position	\$ 117,182,781	\$ 30,590,921	147,773,702	\$ 21,243,282
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			34,351	
Net position of business-type activities			\$ 147,808,053	

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, 2018**

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 26,891,164	\$ -	\$ 26,891,164	\$ -
Charges for services	-	-	-	24,747,771
Sewer service and connection fees	-	3,445,772	3,445,772	-
Retiree reimbursements	-	-	-	253,523
Employee contributions	-	-	-	103,446
Other	40,029	-	40,029	1,534,205
Total operating revenues	26,931,193	3,445,772	30,376,965	26,638,945
Operating expenses:				
Purchase of water	11,092,163	-	11,092,163	-
Salaries and benefits	4,732,810	1,574,893	6,307,703	3,418,465
Depreciation	1,783,022	631,867	2,414,889	3,341,488
Professional services	1,991,738	404,227	2,395,965	67,885
Maintenance and supplies	1,648,060	913,487	2,561,547	2,312,513
System maintenance	382,968	371,471	754,439	-
Fleet parts and supplies	-	-	-	373,416
800 MHz	-	-	-	1,197,157
Telecommunication	-	-	-	210,145
Hardware	-	-	-	240,047
Software	-	-	-	647,301
Workers' compensation	-	-	-	1,932,818
Claims and judgments	-	-	-	4,856,434
Compensated absences	-	-	-	1,423,058
OPEB ARC - Cash subsidy	-	-	-	4,983,486
Other	1,778,874	230,823	2,009,697	-
Total operating expenses	23,409,635	4,126,768	27,536,403	25,004,213
Operating income (loss)	3,521,558	(680,996)	2,840,562	1,634,732
Nonoperating revenues (expenses):				
Investment income	166,257	18,649	184,906	262,664
Gain on sale of capital assets	-	-	-	196,583
Total nonoperating revenues (expenses)	166,257	18,649	184,906	459,247
Income (loss) before transfers	3,687,815	(662,347)	3,025,468	2,093,979
Transfers in (note 13)	-	-	-	542,100
Total transfers in	-	-	-	542,100
Change in net position	3,687,815	(662,347)	3,025,468	2,636,079
Net position, beginning of year	114,393,605	31,598,373		22,277,827
Restatement (note 17)	(898,639)	(345,105)		(3,670,624)
Net position, beginning of year as restated	113,494,966	31,253,268		18,607,203
Net position, end of year	\$ 117,182,781	\$ 30,590,921		\$ 21,243,282
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(346,670)	
Change in net position of business-type activities			\$ 2,678,798	

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

	<u>Enterprise Funds</u>			<b>Governmental Activities Internal Service Funds</b>
	<u>Water</u>	<u>Wastewater</u>	<b>Total Enterprise Funds</b>	
Cash flows from operating activities:				
Cash received from customers or user departments	\$ 27,640,443	\$ 3,474,633	\$ 31,115,076	\$ 24,997,790
Cash payments to employees for services	(4,970,697)	(1,666,757)	(6,637,454)	(9,021,003)
Cash payments to suppliers for goods and services	(13,870,941)	(1,745,436)	(15,616,377)	(14,131,732)
Cash received (payments made) for other operating activities	(1,738,845)	(230,823)	(1,969,668)	1,650,859
Net cash provided (used) by operating activities	<u>7,059,960</u>	<u>(168,383)</u>	<u>6,891,577</u>	<u>3,495,914</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	1,554,599
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,554,599</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,800,616)	-	(4,800,616)	(2,261,630)
Proceeds from sale of capital assets	-	-	-	196,582
Net cash used for capital and related financing activities	<u>(4,800,616)</u>	<u>-</u>	<u>(4,800,616)</u>	<u>(2,065,048)</u>
Cash flows from investing activities:				
Investment income	166,257	18,649	184,906	262,664
Net cash provided by investing activities	<u>166,257</u>	<u>18,649</u>	<u>184,906</u>	<u>262,664</u>
Net increase (decrease) in cash and cash equivalents	2,425,601	(149,734)	2,275,867	3,248,129
Cash and cash equivalents, beginning	<u>29,872,860</u>	<u>3,615,217</u>	<u>33,488,077</u>	<u>47,429,164</u>
Cash and cash equivalents, ending	<u>\$ 32,298,461</u>	<u>\$ 3,465,483</u>	<u>\$ 35,763,944</u>	<u>\$ 50,677,293</u>
Reconciliation of cash equivalents to the statement of net position:				
Cash and investments reported on statement of net position	<u>\$ 32,298,461</u>	<u>\$ 3,465,483</u>	<u>\$ 35,763,944</u>	<u>\$ 50,677,293</u>
Cash and cash equivalents	<u>\$ 32,298,461</u>	<u>\$ 3,465,483</u>	<u>\$ 35,763,944</u>	<u>\$ 50,677,293</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 3,521,558</u>	<u>\$ (680,996)</u>	<u>\$ 2,840,562</u>	<u>\$ 1,634,732</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,783,022	631,867	2,414,889	3,341,488
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable	847,515	28,861	876,376	(872,141)
(Increase) in intergovernmental receivable	(92,788)	-	(92,788)	-
(Increase) in inventories	-	-	-	(51,507)
Decrease in prepaid items	-	-	-	1,053,674
Increase (decrease) in accounts payable and accrued payroll	1,250,827	(54,132)	1,196,695	(204,711)
(Decrease) in deposits payable	(5,448)	-	(5,448)	-
(Decrease) in workers' compensation	-	-	-	(928,000)
Increase in general liability	-	-	-	862,085
(Decrease) in compensated absences	-	-	-	(1,116,928)
(Decrease) in net of pension liability and deferred cash flows	(124,010)	(47,625)	(171,635)	(112,890)
(Decrease) in restated net OPEB liability and deferred cash flows	(120,716)	(46,358)	(167,074)	(109,888)
Total adjustments	<u>3,538,402</u>	<u>512,613</u>	<u>4,051,015</u>	<u>1,861,182</u>
Net cash provided (used) by operating activities	<u>\$ 7,059,960</u>	<u>\$ (168,383)</u>	<u>\$ 6,891,577</u>	<u>\$ 3,495,914</u>

See accompanying notes to basic financial statements

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# FINANCIAL SECTION

*Fund Financial Statements*

*Fiduciary Funds*

FINANCIAL SECTION

## **FIDUCIARY FUNDS**

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

**CITY OF NEWPORT BEACH**  
**Agency Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2018**

**Assets**

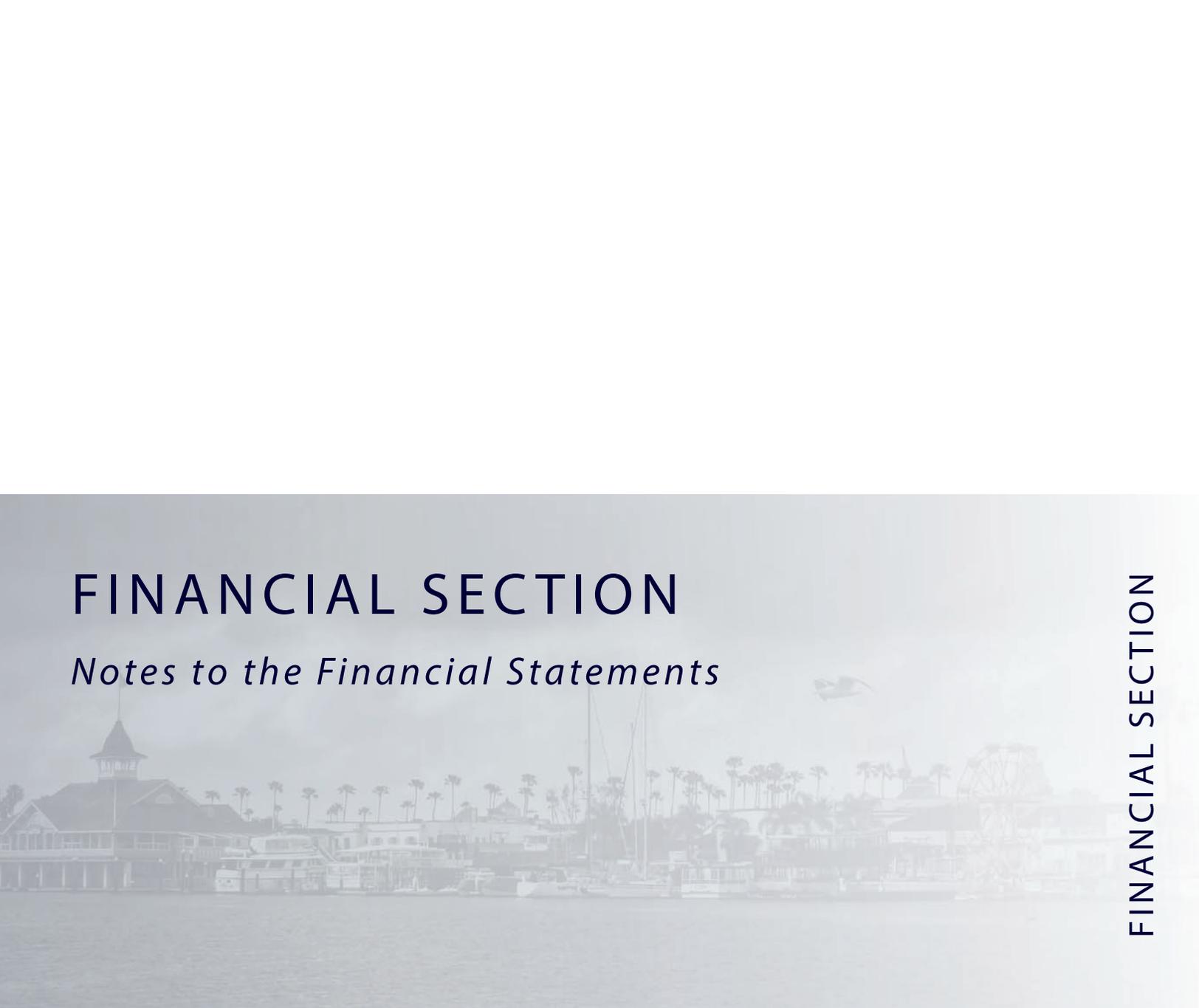
Cash and investments (note 4)	\$ 2,218,077
Cash with fiscal agent (note 4)	2,161,873
Intergovernmental receivable	<u>8,752</u>
Total assets	<u><u>\$ 4,388,702</u></u>

**Liabilities**

Due to bondholders	\$ 3,890,055
Due to others	<u>498,647</u>
Total liabilities	<u><u>\$ 4,388,702</u></u>

See accompanying notes to basic financial statements

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# FINANCIAL SECTION

*Notes to the Financial Statements*

FINANCIAL SECTION

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

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

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

**a. Reporting Entity**

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

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

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

**Blended Component Unit**

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

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

**b. Basis of Accounting and Measurement Focus**

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

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

**Government-wide Financial Statements**

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

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

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

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

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

Fund Financial Statements

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

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

Governmental Funds

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

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the City.

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

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

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

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

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

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The amount of net appreciation on investments that is available to support City programs is \$1,584,903. The amount of investment earnings available for expenditure is reported as Restricted Fund Balance in the fund level financial

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

statements. The endowment principal is reported as Nonspendable for Permanent Endowments in the Balance Sheet. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504. The authority for spending investment earnings for scholarships resides with the City Manager and for periodic maintenance dredging in the Newport Bay resides with the City Council.

Proprietary & Fiduciary Funds

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

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

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

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

**c. Fund Classifications**

The City utilizes the following broad categories of funds:

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

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

General Fund

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

Special Revenue Funds

Tide and Submerged Land – Operating

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

Tide and Submerged Land – Harbor Capital

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

Combined Transportation Fund

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

Capital Project Funds

Facilities Financial Planning Reserve Fund

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

Debt Service Fund

Civic Center COP

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

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

Water Fund

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

Wastewater Fund

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

**Other Governmental Funds** – Other Governmental Funds are those funds which do not meet the criteria of a major fund. The following governmental fund types are used for non-major funds:

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

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

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

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

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

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d. **New Accounting Pronouncements**

Current Year Standards

In fiscal year 2017-2018, the City implemented the following Government Accounting Standards Board (GASB) Statements:

- GASB Statement No. 75 – “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, effective for periods beginning after June 15, 2017. The result of the implementation of this statement decreased the net position at July 1, 2017 of the governmental activities, business-type activities, enterprise funds, and internal service funds by \$25,685,996, \$1,243,744, \$1,243,744, and \$3,670,624, respectively.
- GASB Statement No. 82 – “Pension Issues”, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions. This statement did not impact the City.
- GASB Statement No. 85 – “*Omnibus 2017*”, effective for periods beginning after June 15, 2017. This statement did not impact the City.
- GASB Statement No. 86 – “*Certain Debt Extinguishment Issues*”, effective for periods beginning after June 15, 2017. This statement did not impact the City.

Pending Accounting Standards

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

- GASB Statement No. 83 – “*Certain Asset Retirement Obligations*”, effective for periods beginning after June 15, 2018.
- GASB Statement No. 84 – “Fiduciary Activities”, effective for periods beginning after December 15, 2018.
- GASB Statement No. 87 – “Leases”, effective for periods beginning after December 15, 2019.
- GASB Statement No. 88 – “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”, effective for periods beginning after June 15, 2018.
- GASB Statement No. 89 – “Accounting for Interest Cost Incurred before the End of a Construction Period”, effective for periods beginning after December 15, 2019.

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- GASB Statement No. 90 – “*Majority Equity Interests*”, effective for periods beginning after December 15, 2018.

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

Accounts receivables represent all service and capital project billings other than intergovernmental receivables stated below. The City set up an allowance for doubtful accounts to accurately reflect the estimated accounts receivable deemed to be uncollectible and ensure that the income statement and balance sheet are fairly stated at the amount expected to be collected in receivables. The estimated allowance is based upon historical data and bad debt experience. Invoices with an outstanding balance over 90 days past due are analyzed the following year to calculate the percent collected within one year. The percentage is then applied to current year past due invoices and a bad debt expense is charged to departments with outstanding balances. Receivables with governmental organizations are excluded from the allowance as they are more likely to be received due to the governments’ credit worthiness. As of June 30, 2018, the balance for Allowance for Doubtful Accounts was as follows:

General Fund:	\$887,237
Tide and Submerged Land – Operating:	\$27,089
Environmental Liability:	\$1,405
Water Fund:	\$302,600
Waste Water Fund:	\$47,128
Equipment Maintenance Internal Service Fund:	\$11,782

**f. Cash and Investments**

Cash and Cash Equivalents

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

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.

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The City's investment in LAIF is \$29,244,567 at June 30, 2018. This investment value is based on information provided by the State Treasurer's Office. The carrying value of the City's position in the fund is materially consistent with the fair value of the fund shares. This pool is under the regulatory oversight of the State Treasurer's Office. The LAIF Board consists of five members as designated by Statute. The Chairman is the State Treasurer, or his designated representative. Two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers or business managers employed by any County, City or local district or municipal corporation of this state, are appointed by the State Treasurer. The term of each appointment is two years, or at the pleasure of the appointing authority.

**g. Intergovernmental Receivables**

Intergovernmental receivables represent grant reimbursement requests, capital project billings, and pending transfers of taxes and fees collected by other government agencies. As of June 30, 2018, the balance of these accounts totaled \$14,264,702.

**h. Inventories**

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

**i. Capital Assets**

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

Major capital outlay for capital assets and improvements are capitalized as projects are constructed. Capital assets acquired through lease obligations are valued at the present value of future lease payments at the date acquired. Contributed capital assets are valued at their estimated acquisition value at the date of contribution.

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

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

**j. Claims and Judgments**

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

**k. Property Taxes**

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

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

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

**m. Deposits Payable**

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

**n. Unearned Revenue**

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

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

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

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employment health care benefits (OPEB) which is the amount equal to employer contributions made after the measurement date of the net OPEB liability.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has five items that qualify for reporting in this category. The first item is *unavailable revenues*, which is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: sales tax receivable, grants receivable, and rent collections. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding debt. The third item is a deferred inflow related to pensions resulting from the difference 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 fourth 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 fifth item is a deferred inflow related to net OPEB liability 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.

**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.

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Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

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

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

**q. Estimates**

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

**r. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Newport Beach's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the

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Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

**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, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

**(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 \$178,685,378 differs from "net position" of governmental activities \$2,138,806,445 reported in the statement of net position. This difference primarily results from the long-term

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economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital Related Items

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$2,506,315,774
Accumulated depreciation	<u>(205,469,714)</u>
Total capital assets, net*	<u>\$2,300,846,060</u>

\*Amount excludes net capital assets of \$15,703,914 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, 2018 were:

Certificates of participation	\$107,410,000
Bond premium	241,106
CDBG loan	<u>916,000</u>
Total	<u>\$108,567,106</u>

Deferred Inflows - Refunding

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

Deferred inflows - Refunding	<u>(\$46,320)</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>\$3,646,168</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>\$134,013</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>\$3,454,813</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>\$21,243,282</u>
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Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability – GASB 68

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

Deferred Outflows of Resources	\$83,956,928
Deferred Inflows of Resources	(9,490,009)
Pension Liability	(308,672,055)

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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 pension are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.

Deferred Outflows of Resources	\$4,854,949
Deferred Inflows of Resources	(578,705)
OPEB Liability	(23,334,264)

Internal Balance

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

Internal Balance	<u>(\$34,351)</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**

	<u>Total Governmental Funds</u>	<u>Capital Related Items</u>	<u>Accumulated Depreciation</u>	<u>Long-term Debt Transactions</u>
<b>Assets and Deferred Outflows of Resources</b>				
Cash and investments	\$ 168,674,586	\$ -	\$ -	\$ -
Receivables:				
Accounts (net of allowance)	7,409,272	-	-	-
Advances to other funds	12,926,659	-	-	-
Interest	1,107,895	-	-	-
Intergovernmental receivables	11,820,924	-	-	-
Cash with fiscal agent	8,138,751	-	-	-
Interfund balances	9,469,189	-	-	-
Investment in joint venture	-	-	-	-
Inventory	229,196	-	-	-
Prepaid items	1,052,537	-	-	-
Capital assets	-	2,506,315,774	-	-
Accumulated depreciation	-	-	(205,469,714)	-
	<u>\$ 220,829,009</u>	<u>\$ 2,506,315,774</u>	<u>\$ (205,469,714)</u>	<u>\$ -</u>
<b>Deferred Outflows of Resources:</b>				
Deferred amount from pension plans	-	-	-	83,956,928
Deferred amount from OPEB	-	-	-	4,854,949
	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,811,877</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,811,877</u>
Total assets and deferred outflows of resources	<u>\$ 220,829,009</u>	<u>\$ 2,506,315,774</u>	<u>\$ (205,469,714)</u>	<u>\$ 88,811,877</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,645,934	\$ -	\$ -	\$ -
Accrued payroll	3,806,552	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	3,005,098	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Unearned revenue	3,938,893	-	-	-
Due to other funds	7,365,682	-	-	-
Advance from other funds	12,926,659	-	-	-
Long-term liabilities	-	-	-	440,573,425
	<u>38,688,818</u>	<u>-</u>	<u>-</u>	<u>440,573,425</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	3,454,813	-	-	-
Deferred amount from pension plans	-	-	-	9,490,009
Deferred amount from OPEB	-	-	-	578,705
Deferred gain from refunding	-	-	-	46,320
	<u>3,454,813</u>	<u>-</u>	<u>-</u>	<u>10,115,034</u>
Total deferred inflows of resources	<u>3,454,813</u>	<u>-</u>	<u>-</u>	<u>10,115,034</u>
Fund balances / net position	<u>178,685,378</u>	<u>2,506,315,774</u>	<u>(205,469,714)</u>	<u>(361,876,582)</u>
Total liabilities, deferred inflows of resources and fund balances / net position	<u>\$ 220,829,009</u>	<u>\$ 2,506,315,774</u>	<u>\$ (205,469,714)</u>	<u>\$ 88,811,877</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>
\$ -	\$ -	\$ -	\$ 50,677,293	\$ -	\$ 219,351,879
-	-	-	29,048	-	7,438,320
-	-	-	-	(12,926,659)	-
-	-	-	-	-	1,107,895
-	-	-	2,350,990	-	14,171,914
-	-	-	-	-	8,138,751
-	-	-	-	(9,503,540)	(34,351)
-	134,013	-	-	-	134,013
-	-	-	406,801	-	635,997
-	-	-	449,934	-	1,502,471
-	-	-	40,813,328	-	2,547,129,102
-	-	-	(25,109,414)	-	(230,579,128)
<u>\$ -</u>	<u>\$ 134,013</u>	<u>\$ -</u>	<u>\$ 69,617,980</u>	<u>\$ (22,430,199)</u>	<u>\$ 2,568,996,863</u>
-	-	-	1,912,979	-	85,869,907
-	-	-	180,400	-	5,035,349
-	-	-	2,093,379	-	90,905,256
<u>\$ -</u>	<u>\$ 134,013</u>	<u>\$ -</u>	<u>\$ 71,711,359</u>	<u>\$ (22,430,199)</u>	<u>\$ 2,659,902,119</u>
\$ -	\$ -	\$ -	\$ 478,646	\$ -	\$ 8,124,580
-	-	-	186,447	-	3,992,999
3,646,168	-	-	-	-	3,646,168
-	-	-	-	-	3,005,098
-	-	-	5,425,985	-	5,425,985
-	-	-	3,206,356	-	3,206,356
-	-	-	2,123,186	-	2,123,186
-	-	-	-	-	3,938,893
-	-	-	2,103,507	(9,469,189)	-
-	-	-	-	(12,926,659)	-
-	-	-	36,670,811	-	477,244,236
<u>3,646,168</u>	<u>-</u>	<u>-</u>	<u>50,194,938</u>	<u>(22,395,848)</u>	<u>510,707,501</u>
-	-	(3,454,813)	-	-	-
-	-	-	251,636	-	9,741,645
-	-	-	21,503	-	600,208
-	-	-	-	-	46,320
<u>-</u>	<u>-</u>	<u>(3,454,813)</u>	<u>273,139</u>	<u>-</u>	<u>10,388,173</u>
<u>(3,646,168)</u>	<u>134,013</u>	<u>3,454,813</u>	<u>21,243,282</u>	<u>(34,351)</u>	<u>2,138,806,445</u>
<u>\$ -</u>	<u>\$ 134,013</u>	<u>\$ -</u>	<u>\$ 71,711,359</u>	<u>\$ (22,430,199)</u>	<u>\$ 2,659,902,119</u>

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

Net position of the City's Enterprise Funds of \$147,773,702 differs from net position of the business-type activities of \$147,808,053 reported in the government-wide statement of net position. The difference, \$34,351 results from the consolidation of internal service fund activities related to the enterprise funds.

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

	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Government-wide Statement of Net Position</b>
<b>Assets and Deferred Outflows of Resources</b>			
Cash and investments	\$ 35,763,944	\$ -	\$ 35,763,944
Receivables:			
Accounts (net of allowance)	5,511,494	-	5,511,494
Intergovernmental receivables	92,788		92,788
Interfund balances	-	34,351	34,351
Capital assets, net	118,624,671	-	118,624,671
Total assets	<u>159,992,897</u>	<u>34,351</u>	<u>160,027,248</u>
Deferred outflows of resources:			
Deferred amount from pension plans	2,908,445	-	2,908,445
Deferred amount from OPEB	274,277	-	274,277
Total deferred outflows of resources	<u>3,182,722</u>	<u>-</u>	<u>3,182,722</u>
Total assets and deferred outflows of resources	<u>\$ 163,175,619</u>	<u>\$ 34,351</u>	<u>\$ 163,209,970</u>
<b>Liabilities and Deferred Inflows of Resources</b>			
Liabilities:			
Accounts payable	\$ 3,298,900	\$ -	\$ 3,298,900
Accrued payroll	111,232	-	111,232
Deposits payable	20,744	-	20,744
Net pension liability	10,237,515	-	10,237,515
Net OPEB liability	1,318,253	-	1,318,253
Total liabilities	<u>14,986,644</u>	<u>-</u>	<u>14,986,644</u>
Deferred inflows of resources:			
Deferred amount from pension plans	382,579	-	382,579
Deferred amount from OPEB	32,694	-	32,694
Total deferred inflows of resources	<u>415,273</u>	<u>-</u>	<u>415,273</u>
Total liabilities and deferred inflows of resources	<u>\$ 15,401,917</u>	<u>\$ -</u>	<u>\$ 15,401,917</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 118,624,671	\$ -	\$ 118,624,671
Unrestricted	29,149,031	34,351	29,183,382
Total net position	<u>\$ 147,773,702</u>	<u>\$ 34,351</u>	<u>\$ 147,808,053</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

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

The “net change in fund balances” for governmental funds \$9,489,227 differs from the “change in net position” for governmental activities \$24,961,223 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the difference is illustrated below.

Capital Related Items

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

Capital outlay	\$ 29,258,555
Transfers out of WIP	<u>(11,291,781)</u>
Capital outlays expended	<u>17,966,774</u>
Governmental funds - asset deletions	<u>(1,341,375)</u>
Net change in capital related items	<u>\$ 16,625,399</u>
Depreciation expense	\$ (11,871,388)
Deletions in governmental funds accumulated depreciation	<u>480,127</u>
Net change in accumulated depreciation	<u>\$ (11,391,261)</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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Long-Term Debt Transactions

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

Civic Center certificates of participation	\$3,185,000
CDBG loan	150,000
Amortization of gain on refunding	50,529
Amortization of debt premium	<u>120,553</u>
Total debt payments	<u>\$3,506,082</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>\$64,282</u>
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Investment in Joint Venture

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

Net change in investment in joint venture	<u>(\$11,378)</u>
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Unavailable Revenue

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

Net change in unavailable revenue	<u>(\$1,921,994)</u>
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CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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Pension Expense

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

Pension expense	<u>\$2,660,765</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>\$2,957,352</u>
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Internal Service Funds

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

Net change in internal service funds	<u>\$2,636,079</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>\$346,670</u>
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CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

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

	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Accumulated Depreciation</b>	<b>Long-term Debt Transactions</b>
Revenues:				
Taxes and assessments	\$ 171,982,240	\$ -	\$ -	\$ -
Intergovernmental	16,148,754	-	-	-
Licenses and permits	6,405,668	-	-	-
Charges for services	19,828,786	-	-	-
Fines and forfeitures	3,181,823	-	-	-
Investment income	1,143,210	-	-	-
Property income	25,430,217	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	414,123	-	-	-
Gain on sale of capital assets	-	-	-	-
Other	2,893,770	-	-	-
	<u>247,428,591</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	247,428,591	-	-	-
Expenditures:				
Current:				
General government	16,099,310	-	2,656,818	(686,180)
Public safety	109,760,129	301,704	491,086	(3,171,178)
Public works	38,012,230	1,008,987	5,906,082	(804,026)
Community development	12,979,656	-	5,082	(440,564)
Community services	25,538,966	30,684	2,332,193	(516,169)
Capital outlay	24,054,866	(17,966,774)	-	-
Debt service:				
Principal retirement	3,335,000	-	-	(3,335,000)
Interest and fiscal charges	7,617,107	-	-	-
Amortization of gain on refunding	-	-	-	(50,529)
Amortization of debt premium	-	-	-	(120,553)
	<u>237,397,264</u>	<u>(16,625,399)</u>	<u>11,391,261</u>	<u>(9,124,199)</u>
Total expenses	237,397,264	(16,625,399)	11,391,261	(9,124,199)
Other financing sources (uses):				
Transfers in	45,308,862	-	-	-
Transfers out	(45,850,962)	-	-	-
Total other financing sources (uses)	(542,100)	-	-	-
Net change in fund balances / net position	9,489,227	16,625,399	(11,391,261)	9,124,199
Fund balances / net position, beginning of year as restated	<u>169,196,151</u>	<u>2,489,690,375</u>	<u>(194,078,453)</u>	<u>(371,000,781)</u>
Fund balances / net position, end of year	<u>\$ 178,685,378</u>	<u>\$ 2,506,315,774</u>	<u>\$ (205,469,714)</u>	<u>\$ (361,876,582)</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 171,982,240
-	-	(1,921,994)	-	-	14,226,760
-	-	-	-	-	6,405,668
-	-	-	-	346,670	20,175,456
-	-	-	-	-	3,181,823
-	-	-	262,664	-	1,405,874
-	-	-	-	-	25,430,217
-	(11,378)	-	-	-	(11,378)
-	-	-	-	-	414,123
-	-	-	196,583	-	196,583
-	-	-	-	-	2,893,770
<u>-</u>	<u>(11,378)</u>	<u>(1,921,994)</u>	<u>459,247</u>	<u>346,670</u>	<u>246,301,136</u>
-	-	-	(205,990)	1,147,141	19,011,099
-	-	-	(899,149)	1,164,970	107,647,562
-	-	-	(170,248)	3,661,975	47,615,000
-	-	-	(166,780)	-	12,377,394
-	-	-	(192,565)	114,006	27,307,115
-	-	-	-	(6,088,092)	-
-	-	-	-	-	-
(64,282)	-	-	-	(171,082)	7,381,743
-	-	-	-	50,529	-
-	-	-	-	120,553	-
<u>(64,282)</u>	<u>-</u>	<u>-</u>	<u>(1,634,732)</u>	<u>-</u>	<u>221,339,913</u>
-	-	-	542,100	(45,850,962)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,850,962</u>	<u>-</u>
-	-	-	542,100	-	-
64,282	(11,378)	(1,921,994)	2,636,079	346,670	24,961,223
<u>(3,710,450)</u>	<u>145,391</u>	<u>5,376,807</u>	<u>18,607,203</u>	<u>(381,021)</u>	<u>2,113,845,222</u>
<u>\$ (3,646,168)</u>	<u>\$ 134,013</u>	<u>\$ 3,454,813</u>	<u>\$ 21,243,282</u>	<u>\$ (34,351)</u>	<u>\$ 2,138,806,445</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

**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 \$3,025,468 differs from the change in net position of the business-type activities \$2,678,798 reported in the government-wide statement of activities. The difference, \$346,670, results from the consolidation of internal service fund activities related to the enterprise funds.

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

	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>	<b>Business-type activities Statement of Activities</b>
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 26,891,164	\$ -	\$ 26,891,164
Sewer service and connection fees	3,445,772	-	3,445,772
Other	40,029	-	40,029
Total operating revenues	<u>30,376,965</u>	<u>-</u>	<u>30,376,965</u>
Operating expenses:			
Purchase of water	11,092,163	-	11,092,163
Salaries and wages	6,307,703	-	6,307,703
Depreciation	2,414,889	-	2,414,889
Professional services	2,395,965	-	2,395,965
Maintenance and supplies	2,561,547	346,670	2,908,217
System maintenance	754,439	-	754,439
Other	2,009,697	-	2,009,697
Total operating expenses	<u>27,536,403</u>	<u>346,670</u>	<u>27,883,073</u>
Operating income	2,840,562	(346,670)	2,493,892
Nonoperating revenues (expenses):			
Investment income	184,906	-	184,906
Change in net position	3,025,468	(346,670)	2,678,798
Net position, beginning of year, as restated	<u>144,748,234</u>	<u>381,021</u>	<u>145,129,255</u>
Net position, end of year	<u>\$ 147,773,702</u>	<u>\$ 34,351</u>	<u>\$ 147,808,053</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

**(3) Budgetary Control and Compliance**

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

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

Expenditures exceeded appropriations in the following governmental funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Supplemental Law Enforcement	\$ 165,000	\$ 181,075	\$(16,075)

The following funds reported deficit fund balances:

<u>Other Governmental Funds</u>	
OTS DUI Grant	\$ 69,338
Community Development Block Grant	\$ 54,877
West Newport Community Center	\$ 130,026
Newport Uptown Undergrounding	\$ 121,921
 <u>Internal Service Funds</u>	
Insurance Reserve	\$4,962,315
Compensated Absences	\$5,921,586

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

**(4) Cash and Investments**

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 255,115,823
Cash with fiscal agent	8,138,751
 Fiduciary funds:	
Cash and investments	2,218,077
Cash with fiscal agent	2,161,873
Total cash and investments	<u>\$ 267,634,524</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

Cash and investments as of June 30, 2018, consist of the following:

Cash on hand	\$	24,562
Deposits with financial institutions		5,383,551
Cash and receivables in investment accounts		5,803,549
Investments		256,422,862
Total cash and investments	\$	<u>267,634,524</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	No Limit
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	2 years	30%	5%
Repurchase Agreements	30 days	No Limit	5%
Reverse Repurchase Agreements	30 days	10%	5%
Medium-Term Notes	5 years	30%	5%
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	20%
Mortgage Pass-Through Securities	5 years	20%	5%
LA County Pooled Investment Funds	N/A	5%	5%
Local Agency Investment Fund (LAIF)	N/A	\$65 million	\$65 million
Supranationals	5 years	20%	10%

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

Investments Authorized by Debt Agreements

Investment 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 - 2025	No Limit	No Limit
U.S. Agency Securities	6 months - 2025	No Limit	No Limit
Banker's Acceptances	6 months	No Limit	No Limit
Commercial Paper	180 days - 6 months	No Limit	10%
Money Market Mutual Funds	N/A	No Limit	No Limit
Investment Agreements	6 months - 2025	No Limit	No Limit
Certificates of Deposit	6 months - 2025	No Limit	No Limit
Demand Deposits	6 months - 2025	No Limit	No Limit
Time Deposits	6 months - 2025	No Limit	No Limit
Local Agency Bonds	6 months - 2025	No Limit	No Limit
Forward Delivery Agreement	6 months	No Limit	No Limit
Forward Purchase Agreement	6 months	No Limit	No Limit
Repurchase Agreements	6 months - 2025	No Limit	No Limit
Local Agency Investment Fund (LAIF)	N/A	No Limit	No Limit
Municipal Obligations	6 months - 2025	No Limit	No Limit
County Pooled Investment Funds	N/A	No Limit	No Limit

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) 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, 2018

Investment Type	Investment Maturities (In Years)					Total
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 102,788	\$ 102,788	\$ -	\$ -	\$ -	\$ 102,788
U.S. Treasuries	40,409,324	6,357,274	18,687,442	15,364,609	-	40,409,324
U.S. Agency Bonds	75,536,388	21,559,466	49,394,254	4,582,669	-	75,536,388
Asset Backed Securities	13,467,091	76,272	7,667,553	5,723,265	-	13,467,091
Corporate Bonds	53,954,417	19,652,066	25,810,738	8,491,613	-	53,954,417
Certificates of Deposit	15,673,647	13,109,660	2,563,987	-	-	15,673,647
Commercial Papers	11,659,435	11,659,435	-	-	-	11,659,435
LAIF	29,244,567	29,244,567	-	-	-	29,244,567
Supranationals	11,837,662	3,962,168	7,875,494	-	-	11,837,662
Investments with Fiscal Agent:						
Money Market Funds	4,537,544	4,537,544	-	-	-	4,537,544
	<u>\$ 256,422,862</u>	<u>\$ 110,261,240</u>	<u>\$ 111,999,467</u>	<u>\$ 34,162,155</u>	<u>\$ -</u>	<u>\$ 256,422,862</u>

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

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

The City's asset backed securities pay monthly coupons, at which time principal may be paid down. As of June 30, 2018, the City held asset backed securities of \$13,467,091.

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, 2018, the City held corporate bonds with make whole call provisions as summarized below:

Maturity	Value
August 2018	\$ 499,330
November 2018	483,206
February 2019	1,054,753
March 2019	318,333
August 2019	2,181,024
September 2019	1,207,752
October 2019	490,640
December 2019	1,031,530
January 2020	1,613,549
February 2020	1,382,318
May 2020	122,876
June 2020	1,473,015
September 2020	628,107
February 2021	693,364
May 2021	3,026,510
July 2021	1,913,640
	<u>\$ 18,119,947</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
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Investments with call dates may be called anytime on or after the call date. As of June 30, 2018, the City held corporate bonds with call dates as summarized below:

<u>Maturity</u>	<u>Value</u>	<u>Call Date</u>
July 2018	\$ 2,024,534	June 2018
August 2018	499,815	July 2018
September 2018	1,994,860	August 2018
November 2018	997,830	October 2018
April 2019	1,045,968	March 2019
September 2019	1,292,967	August 2019
October 2019	247,705	September 2019
March 2020	488,506	February 2020
February 2021	437,625	January 2021
April 2021	1,472,400	March 2021
December 2021	975,170	November 2021
January 2022	978,410	December 2021
February 2022	731,273	January 2022
	<u>\$ 13,187,062</u>	

Investments may have both a make whole call provision and a regular call date. As of June 30, 2018, the City held corporate bonds with both a make whole call provision and a regular call date as summarized below:

<u>Maturity</u>	<u>Value</u>	<u>Call Date</u>
December 2020	\$ 983,760	November 2020
May 2021	3,568,260	April 2021
February 2022	1,945,680	November 2021
May 2022	1,947,440	March 2022
	<u>\$ 8,445,140</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2018, the City did not have any investments (including investments held by fiscal agent) whose fair values were highly sensitive to interest rate fluctuations.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

Disclosures Relating to Credit Risk

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

Investment Type	Fair Value	Minimum												
		Legal Rating	AAA	AAAm	AA+	AA	AA-	A-1+	A+	A	A-1	A-	Not Rated	
Money Market Funds	\$ 102,788	AAAm	\$ -	\$ 102,788	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasuries	40,409,324	N/A	-	-	40,409,324	-	-	-	-	-	-	-	-	-
U.S. Agency Bonds	75,536,388	N/A	-	-	75,536,388	-	-	-	-	-	-	-	-	-
Asset Backed Securities	13,467,091	AAA	6,766,034	-	-	-	-	-	-	-	-	-	-	6,701,057
Corporate Bonds	53,954,417	A	1,467,516	-	2,437,071	2,014,377	8,628,764	-	13,929,693	19,425,560	-	6,051,437	-	-
Certificates of Deposit	15,673,647	A-1	-	-	-	-	1,246,056	5,740,497	1,691,254	-	6,995,840	-	-	-
Commercial Papers	11,659,435	A-1	-	-	-	-	2,585,598	-	-	-	9,073,837	-	-	-
LAIF	29,244,567	N/A	-	-	-	-	-	-	-	-	-	-	-	29,244,567
Supranationals	11,837,662	AA	10,150,652	-	-	-	-	-	-	-	-	-	-	1,687,010
Investments with Fiscal Agent: Money Market Funds	4,537,544	AAm	-	4,537,544	-	-	-	-	-	-	-	-	-	-
	<b>\$ 256,422,862</b>		<b>\$ 18,384,201</b>	<b>\$ 4,640,332</b>	<b>\$ 118,382,783</b>	<b>\$ 2,014,377</b>	<b>\$ 9,874,819</b>	<b>\$ 8,326,094</b>	<b>\$ 15,620,947</b>	<b>\$ 19,425,560</b>	<b>\$ 16,069,677</b>	<b>\$ 6,051,437</b>	<b>\$ 37,632,634</b>	

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. 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>
FHLMC	Federal agency securities	\$ 24,010,301
FHLB	Federal agency securities	\$ 23,439,578
FNMA	Federal agency securities	\$ 23,319,422

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, 2018, 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 \$65 million. LAIF requests 24 hours advance notice for withdrawals over \$10 million.

#### 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.

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The City has the following recurring fair value measurements as of June 30, 2018:

	Fair Value	Investments That Are Not Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 102,788	\$ 102,788	\$ -	\$ -	\$ -
U.S. Treasuries	40,409,324	-	-	40,409,324	-
U.S. Agency Bonds	75,536,388	-	-	75,536,388	-
Asset Backed Securities	13,467,091	-	-	13,467,091	-
Corporate Bonds	53,954,417	-	-	53,954,417	-
Certificates of Deposit	15,673,647	-	-	15,673,647	-
Commercial Papers	11,659,435	-	-	11,659,435	-
LAIF	29,244,567	29,244,567	-	-	-
Supranationals	11,837,662	-	-	11,837,662	-
Investments with Fiscal Agent:					
Money Market Funds	4,537,544	4,537,544	-	-	-
	<u>\$ 256,422,862</u>	<u>\$ 33,884,900</u>	<u>\$ -</u>	<u>\$ 222,537,962</u>	<u>\$ -</u>

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**(5) Capital Assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2018
Non-depreciable:				
Land and rights of way	\$ 1,890,292,421	\$ 7,083,709	\$ -	\$ 1,897,376,130
Work in progress	12,037,721	7,760,006	(11,456,270)	8,341,457
	<u>1,902,330,142</u>	<u>14,843,715</u>	<u>(11,456,270)</u>	<u>1,905,717,587</u>
Depreciable:				
Structures	229,519,007	1,834,609	(321,681)	231,031,935
Equipment	48,187,930	2,882,943	(1,468,378)	49,602,495
Infrastructure	349,662,666	12,123,406	(1,008,987)	360,777,085
	<u>627,369,603</u>	<u>16,840,958</u>	<u>(2,799,046)</u>	<u>641,411,515</u>
Less accumulated depreciation for:				
Structures	(34,916,769)	(4,923,338)	184,662	(39,655,445)
Equipment	(27,199,290)	(4,133,923)	1,468,378	(29,864,835)
Infrastructure	(155,187,992)	(6,155,615)	284,759	(161,058,848)
	<u>(217,304,051)</u>	<u>(15,212,876)</u>	<u>1,937,799</u>	<u>(230,579,128)</u>
Net Depreciable	<u>410,065,552</u>	<u>1,628,082</u>	<u>(861,247)</u>	<u>410,832,387</u>
Net Capital Assets	<u>\$ 2,312,395,694</u>	<u>\$ 16,471,797</u>	<u>\$ (12,317,517)</u>	<u>\$ 2,316,549,974</u>

Governmental Activities capital assets net of accumulated depreciation at June 30, 2018 are comprised of the following:

General Capital Assets, net	\$ 2,300,846,060
Internal Service Fund Capital Assets, net	15,703,914
	<u>\$ 2,316,549,974</u>

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Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2018
Non-depreciable:				
Land and rights of way	\$ 2,219,450	\$ -	\$ -	\$ 2,219,450
Work in progress	267,397	3,422,844	-	3,690,241
	<u>2,486,847</u>	<u>3,422,844</u>	<u>-</u>	<u>5,909,691</u>
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	260,162	-	-	260,162
Infrastructure	180,173,226	1,377,772	-	181,550,998
	<u>181,121,784</u>	<u>1,377,772</u>	<u>-</u>	<u>182,499,556</u>
Less accumulated depreciation for:				
Structures	(218,070)	(15,357)	-	(233,427)
Equipment	(100,997)	(22,237)	-	(123,234)
Infrastructure	(67,050,620)	(2,377,295)	-	(69,427,915)
	<u>(67,369,687)</u>	<u>(2,414,889)</u>	<u>-</u>	<u>(69,784,576)</u>
Net Depreciable	<u>113,752,097</u>	<u>(1,037,117)</u>	<u>-</u>	<u>112,714,980</u>
Net Capital Assets	<u>\$ 116,238,944</u>	<u>\$ 2,385,727</u>	<u>\$ -</u>	<u>\$ 118,624,671</u>

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

	Governmental Activities*	Business-type Activities
General government	\$ 4,758,409	\$ -
Public safety	1,519,179	-
Public works	6,306,571	-
Community development	5,082	-
Community service	2,623,635	-
Water	-	1,783,022
Wastewater	-	631,867
	<u>\$ 15,212,876</u>	<u>\$ 2,414,889</u>

\*Internal Service Fund depreciation of \$3,341,488 is allocated to governmental functions above.

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**(6) Long-Term Liabilities**

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of participation payable	\$ 110,595,000	\$ -	\$ (3,185,000)	\$ 107,410,000	\$ 3,310,000
Bond premium	361,659	-	(120,553)	241,106	-
CDBG loan	1,066,000	-	(150,000)	916,000	160,000
Workers' compensation payable	17,417,000	1,932,818	(2,860,818)	16,489,000	3,206,356
Claims and judgments payable	12,082,306	4,856,434	(3,994,349)	12,944,391	5,425,985
Compensated absences	11,509,275	1,423,058	(2,539,986)	10,392,347	2,123,186
Total governmental activities	<u>\$ 153,031,240</u>	<u>\$ 8,212,310</u>	<u>\$ (12,850,706)</u>	<u>\$ 148,392,844</u>	<u>\$ 14,225,527</u>

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

Governmental Activities

- Certificates of Participation

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

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The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began January 1, 2011, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2010A Certificates carry interest rates from 2.00% to 4.00%, while the 2010B Certificates interest rates range from 4.45% to 7.17%. The City has designated the Series 2010B Certificates as “Build America Bonds” (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009. Thus, the City receives refundable credits from the United States Treasury on the interest paid on the 2010B Certificates. As of June 30, 2018 the City has received \$18,239,748 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 2010A, which commenced July 1, 2011 and continue through July 1, 2019, range from \$410,000 to \$425,000. The future principal payments for the Series 2010B Certificates, which commence July 1, 2018 and are payable through July 1, 2040, range from \$2,900,000 to \$7,245,000. The total outstanding balance at June 30, 2018 amounted to \$107,410,000.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 3,310,000	\$ 7,204,077	\$ 10,514,077
2020	3,405,000	7,052,048	10,457,048
2021	3,065,000	6,895,351	9,960,351
2022	3,165,000	6,733,265	9,898,265
2023	3,275,000	6,556,869	9,831,869
2024-2027	14,425,000	24,021,825	38,446,825
2028-2031	17,240,000	19,577,283	36,817,283
2032-2035	20,620,000	14,194,432	34,814,432
2036-2039	24,740,000	7,709,184	32,449,184
2040-2041	14,165,000	1,026,996	15,191,996
	<u>\$ 107,410,000</u>	<u>\$ 100,971,330</u>	<u>\$ 208,381,330</u>

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- CDBG Loan

In fiscal year 2003, the City received \$2,400,000 in Section 108 loan proceeds to assist with the funding for the Balboa Village Improvement Program. The loan is collateralized by future Community Development Block Grant allocations. The original loan was refinanced in fiscal year 2015 lowering the average interest rate from 6.5% to 1.5%. Future principal payments range from \$160,000 to \$208,000 through June 30, 2023. The outstanding balance at June 30, 2018, amounts to \$916,000.

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

Year Ending June 30	Principal	Interest	Total
2019	\$160,000	\$17,561	\$177,561
2020	171,000	14,890	185,890
2021	182,000	11,480	193,480
2022	195,000	7,387	202,387
2023	208,000	2,548	210,548
	<u>\$916,000</u>	<u>\$53,866</u>	<u>\$969,866</u>

- Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in Note (8). These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2018, 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, 2018, for general liability amounted to \$12,944,391 and for workers' compensation was \$16,489,000.

- Compensated Absences

The City's policies relating to compensated absences are described in Note (1). This liability, to be paid in future years from available and future resources, at June 30, 2018, is \$10,392,347. Compensated absences are liquidated from the Compensated Absences internal service fund.

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**(7) Limited Obligation Bonds**

Special Assessment Districts Bonds

The City has issued certain Assessment District and Community Facilities District Bonds. Although the City collects and disburses funds for these districts, the City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds, and therefore the bonded indebtedness is not shown in the financial statements of the City. The City holds reserve funds on behalf of bondholders, and the assets are recorded in the Special Assessment Agency Fund. Bonds outstanding at June 30, 2018, for each district under the Bond Acts of 1911 and 1915, and other special assessments, are as follows:

<u>Assessment District</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2018</u>
Reassessment District 2012	\$13,583,436	\$6,197,735

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

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

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

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

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

The Insurance Reserve fund was established to account for costs associated with general liability and workers’ compensation. The Insurance Reserve fund is accounted for as an internal service fund where assets are set aside for risk management, administration, claim settlements and benefit distribution. A premium is charged to each fund that accounts for part-time or full-time employees. The total charge allocated to each of the

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funds is calculated using trends in actual experience after considering unexpected and unusual claims.

Fund liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The total liability claims payable includes \$29,433,391, which represents the discounted present value at June 30, 2018. The claims are discounted using an interest rate of 3.0 percent.

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Unpaid claims, beginning of fiscal year	\$ 8,203,470	\$ 12,082,306	\$ 14,781,000	\$ 17,417,000
Incurred claims (including IBNR)	8,441,827	4,856,434	5,542,044	1,932,818
Claim payments	(4,562,991)	(3,994,349)	(2,906,044)	(2,860,818)
Unpaid claims, end of fiscal year	<u>\$ 12,082,306</u>	<u>\$ 12,944,391</u>	<u>\$ 17,417,000</u>	<u>\$ 16,489,000</u>

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

**(9) Deferred Compensation Plan**

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

Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries. Therefore, all employee assets held in Section 457 plans are not the property of the City and are not subject to the claims of the City's general creditors. The assets under the plan, which are not included in the accompanying financial statements, totaled \$109,934,830 at June 30, 2018.

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(10) **Pension Plans**

a. **General Information about the Pension Plans**

***Plan Descriptions*** – All qualified permanent and probationary employees are eligible to participate in the City of Newport Beach’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

***Benefits Provided*** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. PEPRAs miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, the Optional Settlement 2W Death Benefit, or the 1957 Survivor Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

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The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

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

**Employees Covered** – At the measurement date of June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	616	433
Inactive employees entitled to but not yet receiving benefits	544	91
Active employees	<u>517</u>	<u>264</u>
Total	<u><u>1,677</u></u>	<u><u>788</u></u>

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate

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

**b. Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The General fund and Tidelands funds have typically been used in prior years to liquidate the net pension liability. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.75%	2.75%
Payroll growth	3.00%	3.00%
Projected salary increase	Varies by Entry Age and Service	
Investment Rate of Return	7.5% <sup>(1)</sup>	7.5% <sup>(1)</sup>
Mortality Rate Table <sup>(2)</sup>	Derived using CalPERS' Membership Date for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.0% thereafter	

<sup>(1)</sup> Net of pension plan investment and administrative expenses, including inflation.

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

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

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**Changes of Assumptions** – The accounting discount rate reduced from 7.65% to 7.15% during the measurement period ending June 30, 2017. Deferred inflows of resources for changes of assumptions presented in the financial statements represent the unamortized portion of changes of assumptions related to prior measurement periods.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100%		

<sup>(1)</sup> An expected inflation of 2.5% used for this period.

<sup>(2)</sup> An expected inflation of 3.0% used for this period.

**Subsequent Events**

In December 2016, CALPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities. For the GASB Statement No. 68 accounting valuations, the discount rate will move to 7% starting with the June 30, 2017 measurement date reports and will result in an increase to employer's total pension liabilities.

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**c. Changes in the Net Pension Liability**

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

<u>Miscellaneous Plan:</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2016	\$365,942,077	\$254,106,953	\$111,835,124
Changes in the year:			
Service cost	7,151,754	-	7,151,754
Interest on the total pension liability	27,069,673	-	27,069,673
Changes in benefit terms	-	-	-
Changes of assumptions	22,616,424	-	22,616,424
Differences between actual and expected experience	(4,912,853)	-	(4,912,853)
Net Plan to Plan Resource	-	-	-
Contribution – employer	-	10,509,243	(10,509,243)
Contribution – employee	-	4,134,130	(4,134,130)
Net investment income	-	28,349,491	(28,349,491)
Benefit payments, including refunds of employee contributions	(17,249,398)	(17,249,398)	-
Administrative Expense	-	(375,172)	375,172
Net changes	34,675,600	25,368,294	9,307,306
Balance at June 30, 2017	\$400,617,677	\$279,475,247	\$121,142,430

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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, 2016	\$500,268,383	\$313,205,931	\$187,062,452
Changes in the year:			
Service cost	9,015,985	-	9,015,985
Interest on the total pension liability	37,083,966	-	37,083,966
Changes in benefit terms	-	-	-
Changes of assumptions	30,110,384	-	30,110,384
Differences between actual and expected experience	(2,192,667)	-	(2,192,667)
Net Plan to Plan Resource	-	-	-
Contribution – employer	-	19,260,537	(19,260,537)
Contribution – employee	-	2,967,318	(2,967,318)
Net investment income	-	34,814,011	(34,814,011)
Benefit payments, including refunds of employee contributions	(28,074,414)	(28,074,414)	-
Administrative Expense	-	(462,427)	462,427
Net changes	45,943,254	28,505,025	17,438,229
Balance at June 30, 2017	\$546,211,637	\$341,710,956	\$204,500,681

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$175,871,037	\$276,618,286
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$121,142,430	\$204,500,681
1% Increase	8.15%	8.15%
Net Pension Liability	\$76,035,873	\$145,010,432

**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, 2018, the City recognized pension expense of \$39,436,448. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 15,742,587	\$ -
Differences between actual and expected experience	-	(4,323,613)
Changes in assumptions	15,077,616	(203,525)
Net differences between projected and actual earnings on plan investments	3,595,979	-
Total Miscellaneous Plan	\$ 34,416,182	\$ (4,527,138)
	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 26,620,697	\$ -
Differences between actual and expected experience	-	(2,689,605)
Changes in assumptions	23,107,969	(2,907,481)
Net differences between projected and actual earnings on plan investments	4,633,504	-
Total Safety Plan	\$ 54,362,170	\$ (5,597,086)
Grand Total	\$ 88,778,352	\$ (10,124,224)

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\$42,363,284 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Misc.	Safety	Total Amount
2019	\$ 4,525,887	\$ 4,160,036	\$ 8,685,923
2020	10,150,940	10,305,458	20,456,398
2021	1,544,768	8,268,641	9,813,409
2022	(2,075,138)	(589,748)	(2,664,886)
Thereafter	-	-	-

**e. Payable to the Pension Plan**

At June 30, 2018, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**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, 2018, the City's covered payroll for employees participating in the plan was \$3,737,811. Employees made contributions of \$140,168 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,414,103 at June 30, 2018.

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

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

Plan Description

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

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

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

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

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Employees Covered

As of the measurement date June 30, 2017, the following current and former employees were covered by the benefit terms under the plan:

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

Contributions

Contribution requirements are established by City policy and may be amended by the City council. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the City's cash contributions were \$4,042,840 to the trust in premium payments, and the estimated implicit subsidy was \$634,433, resulting in total payment of \$5,309,626.

***Net OPEB Liability***

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

Actuarial Assumptions

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
<b><i>CERBT</i></b>		
US Equity	30.00%	4.85%
International Equity	27.00%	5.85%
REITs	8.00%	3.65%
US Fixed Income	27.00%	2.35%
Commodities	3.00%	1.75%
Inflation Assets	5.00%	1.50%
<b>Total</b>	<b><u>100.00%</u></b>	

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, 2016	\$ 44,819,178	\$ 16,147,240	\$ 28,671,938
Changes in the year:			
Service cost	478,341	-	478,341
Interest on the total OPEB liability	2,830,153	-	2,830,153
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	4,594,772	(4,594,772)
Contributions - employees	-	-	-
Net investment income	-	1,875,536	(1,875,536)
Benefit payments, including refunds of employee contributions	(3,513,406)	(3,513,406)	-
Administrative expenses	-	(9,452)	9,452
Other miscellaneous income	-	-	-
Net changes	(204,912)	2,947,450	(3,152,362)
Balance at June 30, 2017	<u>\$ 44,614,266</u>	<u>\$ 19,094,690</u>	<u>\$ 25,519,576</u>

Change of Assumptions

There was no change of assumptions.

Change of Benefit Terms

There was no change of benefit terms.

Subsequent Events

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

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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	\$ 30,102,451	\$ 25,519,576	\$ 21,642,080

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

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

	1% Decrease (5.0%HMO/5.5%PPO decreasing to 4.0%HMO/4.0%PPO)	Current Healthcare Cost Trend Rates (6.0%HMO/6.5%PPO decreasing to 5.0%HMO/5.0%PPO)	1% Increase (7.0%HMO/7.5%PPO decreasing to 6.0%HMO/6.0%PPO)
Net OPEB Liability	\$ 24,098,546	\$ 25,519,576	\$ 27,573,986

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$2,075,312. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 5,309,626	\$ -
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(632,902)
Total	\$ 5,309,626	\$ (632,902)

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

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An amount of \$5,309,626, which is reported as deferred outflows of resources related to contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

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

Year Ending June 30,	Amount
2019	(158,226)
2020	(158,226)
2021	(158,226)
2022	(158,224)

***Payable to the OPEB Plan***

At June 30, 2018, the City had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

**(12) Interfund Receivables and Payables**

At June 30, 2018, interfund advances receivable and payable were as follows:

	Advance from	Advance to
General Fund	\$12,926,659	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	12,926,659
Total	\$ 12,926,659	\$ 12,926,659

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

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

Fiscal Year	Advance #1 Dredging Projects Repayment	Advance #2 Marina Park Project Repayment	Total Repayment
2019	750,000	250,000	1,000,000
2020	750,000	500,000	1,250,000
2021	750,000	500,000	1,250,000
2022	750,000	500,000	1,250,000
2023	750,000	500,000	1,250,000
2024	750,000	500,000	1,250,000
2025	750,000	500,000	1,250,000
2026	750,000	500,000	1,250,000
2027	750,000	500,000	1,250,000
2028	426,659	500,000	926,659
2029	-	500,000	500,000
2030	-	500,000	500,000
<b>Total</b>	<b>\$ 7,176,659</b>	<b>\$5,750,000</b>	<b>\$ 12,926,659</b>

At June 30, 2018, interfund receivables and payable were as follows:

	Due from	Due to
General Fund	\$3,584,795	\$ -
Facilities Financial Planning Reserve Fund	5,884,394	-
Civic Center COP	-	5,754,369
Internal Service Funds	-	2,103,507
Nonmajor Funds	-	1,611,313
Total	<u>\$9,469,189</u>	<u>\$9,469,189</u>

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

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**(13) Interfund Transfers**

Interfund transfers at June 30, 2018, consisted of the following:

	Transfers In								Total
	General Fund	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Combined Transportation	Facilities Financial Planning Reserve	Civic Center COP	Internal Service Funds	Non-Major Funds	
General Fund	\$ -	\$ 8,229,388	\$ 6,000,000	\$ -	\$ 8,500,000	\$ -	\$ 519,917	\$ 7,171,178	\$ 30,420,483
Tide and Submerged Land - Harbor Capital	-	-	-	-	-	-	22,183	-	22,183
Facilities Financial Planning Reserve	-	-	-	-	-	8,160,969	-	4,007,857	12,168,826
Non-Major Funds	561,000	-	-	66,027	1,407,865	-	-	1,204,578	3,239,470
<b>Total</b>	<u>\$ 561,000</u>	<u>\$ 8,229,388</u>	<u>\$ 6,000,000</u>	<u>\$ 66,027</u>	<u>\$ 9,907,865</u>	<u>\$ 8,160,969</u>	<u>\$ 542,100</u>	<u>\$ 12,383,613</u>	<u>\$ 45,850,962</u>

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred \$8,229,388 to subsidize the maintenance and operation of the Tide and Submerged Land – Operating Fund; \$6,000,000 to the Tide and Submerged Land – Harbor Capital Fund to cash fund Harbor Capital projects; \$8,500,000 to the Facilities Financial Planning Reserve Fund to cash fund construction projects for General Fund supported facilities; \$519,917 to the Equipment Maintenance internal service fund which includes \$500,000 for 800 MHZ radios and \$19,917 for records management; \$7,171,178 to Non-major Funds which include \$400,000 to the Neighborhood Enhancement Fund, \$1,000,000 to the Facilities Maintenance Fund, and \$5,771,178 to the Unrestricted Capital Improvements Fund for General Fund capital improvements.

The Tide and Submerged Land – Harbor Capital transferred \$22,183 to the Equipment internal service fund.

The Facilities Financial Planning Reserve Fund transferred \$8,160,969 to the Civic Center COP Fund for the debt service payments related to the Civic Center Certificates of Participation; \$4,007,857 to Non-major funds which includes \$3,702,607 to the Fire Stations Fund; \$200,000 to the Parks and Community Centers Fund, \$78,000 to the Contributions Fund; and \$27,250 to the Corp Yard Consolidation Fund.

The Unrestricted Capital Improvements Fund transferred \$561,000 to the General Fund and \$54,063 to the Combined Transportation Fund.

Various other transfers from Non-Major Funds include \$11,964 from the State Gas Tax Fund to the Combined Transportation Fund; \$1,407,865 to the Facilities Financial Planning Reserve Fund which is comprised of \$1,347,067 from the Marina Park Fund, \$30,669 from the Contributions Fund, \$17,776 from the Lifeguard Headquarters Fund, and \$12,353 from the Sunset Ridge Park Fund; \$804,578 from the Public Arts and Cultural

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Facilities Fund to the Fire Stations Fund; and \$400,000 from the Building Excise Tax Fund to the Fire Stations Fund.

**(14) Joint Venture Agreements**

Bonita Canyon Public Facilities Financing Authority

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint venture formed by the City of Newport Beach, Irvine Unified School District, and Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within their boundaries. In 1998, the Authority issued \$45,000,000 of special tax bonds to be repaid by special assessments. The Authority paid the City \$30,577,712 (81.7%) to pay for the costs of acquiring and constructing public facilities including parks and road improvements. In Fiscal Year 2011-12, the Authority issued \$38,330,000 of special tax bonds to refinance the 1998 Series. In Fiscal Year 2017-18, the Authority issued \$28,245,000 of special tax bonds to refinance the 2012 series; the City is not obligated in any manner to repay the bonds. At June 30, 2018, the contributions from property owners have been fully spent and no funds are held in trust as cash with fiscal agent. The City does not make any annual contributions to this joint venture. The City does not include the Authority as a component unit, as the City is not financially accountable for the Authority's activities and the Authority is not fiscally dependent on the City. The City's equity interest in this joint venture is not readily determinable. Complete separate financial statements can be obtained at the Newport Mesa Unified School District, 2985 Bear Street, Suite 8M, Costa Mesa, California.

Metro Cities Fire Authority

The City of Newport Beach is a member of a joint venture agreement with the cities of Anaheim, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, and Orange for the operation of a communication network to provide fire suppression, emergency medical assistance, and rescue services. The oversight board consists of one voting member and one alternate appointed by the governing body of each member agency. The City of Newport Beach's costs are based each fiscal year upon the number of recorded incidents attributable to the City divided by the recorded incidents attributable to all members during the year, and are recorded in the General Fund as an expenditure for service. Upon termination of the agreement, the proceeds from the sale of the property and assets of the joint venture will be paid to each member agency pursuant to their fair share percentage. Annually, the amounts paid by the City to this joint venture are approximately \$602,425. The City's 9.69% interest in the net equity of this joint venture at June 30, 2018, amounts to \$134,013. Complete separate financial statements can be obtained at the Metro Cities Fire Authority offices at 201 S. Anaheim Boulevard, Suite 302, Anaheim, California.

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Integrated Law and Justice Agency of Orange County

The City is a participant in a joint venture agreement with several other public agencies in Orange County for the operation of the Integrated Law and Justice Agency of Orange County (ILJAOC). The ILJAOC went into effect in fiscal year 2007, and consists of 25 member agencies, with an oversight board consisting of 16 members from the participating agencies and 1 alternate. Annually, each member agency pays a percentage of the operating and replacement costs for the ILJAOC. The City's annual contribution and interest in the net equity of this joint venture was immaterial as of June 30, 2018. The City of Newport Beach acted as the Treasurer/Controller of the ILJAOC from inception through the end of fiscal year 2011-12. Beginning July 1, 2011, the City of Brea, another member agency, was appointed to serve as Treasurer/Controller, and assumed responsibility for all operating activities of the ILJAOC. Complete separate financial statements can be obtained from the City of Brea, 1 Civic Center Circle, Brea, California 92821.

**(15) Commitments and Contingencies**

Claims and Judgments

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

Operating Agreements

The City of Newport Beach first entered into an agreement with Visit Newport Beach Inc. (VNB), a legally separate non-profit marketing organization, in 1987. The primary responsibility of the VNB is to attract additional visitor business by promoting the City as the premier tourist and business destination in Orange County. The VNB is governed by an Executive Committee comprised of seven individuals not appointed by the City Council of the City of Newport Beach. The current agreement was entered into on September 27, 2011 and subsequently amended on January 28, 2014 extending the agreement through December 31, 2024. The City pays VNB 18% of the Total Transient Occupancy Tax collected during the fiscal year. For the Fiscal Year ending June 30, 2018, the City paid VNB \$5,002,151.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
CDM Fire Station 5 / Library	\$ 8,340,527	\$ 1,247,199	\$ 6,246,939
Lido Village Water Main Replacement	3,196,831	1,858,107	1,322,936
Ocean Piers Inspect / Maintenance	1,592,846	432,859	940,692
Slurry Seal Program	900,000	17,601	798,015
Storm Drain System Repair Rehab	868,937	81,436	635,615
West Coast Highway Median Landscap	1,000,000	113,200	541,853

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

	Major Governmental Funds				Non-Major Governmental Funds		Total
	General	Tide and Submerged Land Operating	Tide and Submerged Land Harbor Capital	Combined Transportation	Special Revenue Funds	Capital Project Funds	
Drainage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 635,615	\$ 635,615
Streets	-	97,315	-	274,463	714,529	1,776,045	2,862,352
Facilities	-	-	-	-	-	4,612,771	4,612,771
Miscellaneous and studies	-	-	-	-	-	17,307	17,307
Parks	-	-	-	-	-	101,785	101,785
Contract services	793,038	-	-	-	-	13,328	806,366
Supplies and materials	330,816	-	-	-	-	16,786	347,602
Maintenance and repairs	171,755	-	-	-	-	735,797	907,552
General	58,135	-	-	-	-	-	58,135
Beaches	-	150,559	186,302	-	-	-	336,861
Marinas	-	218,973	64,960	-	-	-	283,933
Dredging	-	69,569	-	-	-	-	69,569
Equipment	-	-	-	-	125,729	-	125,729
Total encumbrances	\$ 1,353,744	\$ 536,416	\$ 251,262	\$ 274,463	\$ 840,258	\$ 7,909,434	\$ 11,165,577

**CITY OF NEWPORT BEACH**  
**Notes to Basic Financial Statements**  
**June 30, 2018**

**(16) Fund Balance**

Governmental Fund Balance at June 30, 2018, is classified as follows:

							Non-Major Governmental Funds			Totals
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Combined Transportation	Facilities Financial Planning Reserve	Civic Center COP	Special Revenue Funds	Capital Project Funds	Permanent Funds	
<b>Nonspendable:</b>										
Prepaid items (legally restricted)	\$ 895,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,462	\$ -	\$ -	\$ 1,052,537
Inventories (legally restricted)	229,196	-	-	-	-	-	-	-	-	229,196
Long-term loan receivable (form restricted)	12,926,659	-	-	-	-	-	-	-	-	12,926,659
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
<b>Restricted:</b>										
Affordable housing	1,460,908	-	-	-	-	-	-	-	-	1,460,908
Oceanfront encroachment	1,498,789	-	-	-	-	-	-	-	-	1,498,789
Upper Newport bay restoration	-	867,149	-	-	-	-	-	-	-	867,149
Cable franchise reserve	1,452,605	-	-	-	-	-	-	-	-	1,452,605
Streets and highways	-	-	-	-	-	-	1,738,582	-	-	1,738,582
Public safety	-	-	-	-	-	-	933,112	-	-	933,112
Parks	-	-	-	-	7,201,050	-	184,677	-	-	7,385,727
Transportation	-	-	-	-	-	-	1,802,844	-	-	1,802,844
Air quality improvement	-	-	-	-	-	-	925,301	-	-	925,301
Environmental liability mitigation	-	-	-	-	-	-	7,023,179	-	-	7,023,179
Dredging	-	-	-	-	-	-	-	-	1,209,015	1,209,015
Libraries	-	-	-	-	-	-	-	-	162,212	162,212
Scholarships	-	-	-	-	-	-	-	-	213,676	213,676
Fiin	-	-	-	-	-	-	1,435,180	-	-	1,435,180
Debt service	-	-	-	-	-	-	-	-	-	2,384,338
Capital re-appropriations	-	3,278,197	-	2,776,386	-	-	3,625,009	967,113	-	10,646,705
<b>Encumbrance reserve:</b>										
Beaches	-	150,559	186,302	-	-	-	-	-	-	336,861
Marinas	-	218,973	64,960	-	-	-	-	-	-	283,933
Dredging	-	69,569	-	-	-	-	-	-	-	69,569
Streets	-	97,315	-	274,463	-	-	714,529	-	-	1,086,307
Equipment	-	-	-	-	-	-	125,729	-	-	125,729
<b>Committed:</b>										
Seawalls	4,000,000	-	-	-	-	-	-	-	-	4,000,000
PERS	3,000,000	-	-	-	-	-	-	-	-	3,000,000
General Liability	3,000,000	-	-	-	-	-	-	-	-	3,000,000
Neighborhood projects	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Miscellaneous	1,090,743	-	-	-	-	-	-	-	-	1,090,743
Facilities replacement	-	-	-	-	22,293,370	-	-	-	-	22,293,370
Facilities maintenance	-	-	-	-	-	-	-	1,192,936	-	1,192,936
Civic center and park	-	-	-	-	-	-	-	1,679,863	-	1,679,863
Oil and gas liabilities	-	640,000	-	-	-	-	-	-	-	640,000
Parks and community centers	-	-	-	-	-	-	-	789,967	-	789,967
Parking management	-	-	-	-	-	-	-	187,071	-	187,071
Neighborhood enhancement	-	-	-	-	-	-	-	20,819	-	20,819
Capital re-appropriations	-	-	-	-	-	-	-	7,018,282	-	7,018,282
<b>Encumbrance reserve:</b>										
Drainage	-	-	-	-	-	-	-	635,615	-	635,615
Streets	-	-	-	-	-	-	-	2,172,716	-	2,172,716
Facilities	-	-	-	-	-	-	-	4,612,771	-	4,612,771
Miscellaneous and studies	-	-	-	-	-	-	-	17,307	-	17,307
Parks	-	-	-	-	-	-	-	101,785	-	101,785
Contract services	793,038	-	-	-	-	-	-	13,328	-	806,366
Supplies and materials	330,816	-	-	-	-	-	-	16,786	-	347,602
Maintenance and repairs	171,755	-	-	-	-	-	-	339,126	-	510,881
General	58,135	-	-	-	-	-	-	-	-	58,135
<b>Assigned:</b>										
Recreation and senior services	590,368	-	-	-	-	-	-	-	-	590,368
<b>Unassigned:</b>										
	61,415,049	-	-	-	-	-	(124,215)	(251,947)	-	61,038,887
<b>Total fund balances</b>	<b>\$ 93,913,136</b>	<b>\$ 5,321,762</b>	<b>\$ 251,262</b>	<b>\$ 3,050,849</b>	<b>\$ 29,494,420</b>	<b>\$ 2,384,338</b>	<b>\$ 18,541,389</b>	<b>\$ 19,513,538</b>	<b>\$ 6,214,684</b>	<b>\$ 178,685,378</b>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2018

**(17) Net Position/Fund Balance Restatement**

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

Proprietary Funds:

	<u>Water</u>	<u>Wastewater</u>	<u>Internal Service Funds</u>
Net position at June 30, 2017, as previously reported	\$ 114,393,605	\$ 31,598,373	\$ 22,277,827
Adjustment for Implementation of GASB Statement No.75	(898,639)	(345,105)	(3,670,624)
Net position at July 1, 2017, as restated	<u>\$ 113,494,966</u>	<u>\$ 31,253,268</u>	<u>\$ 18,607,203</u>

Government-wide:

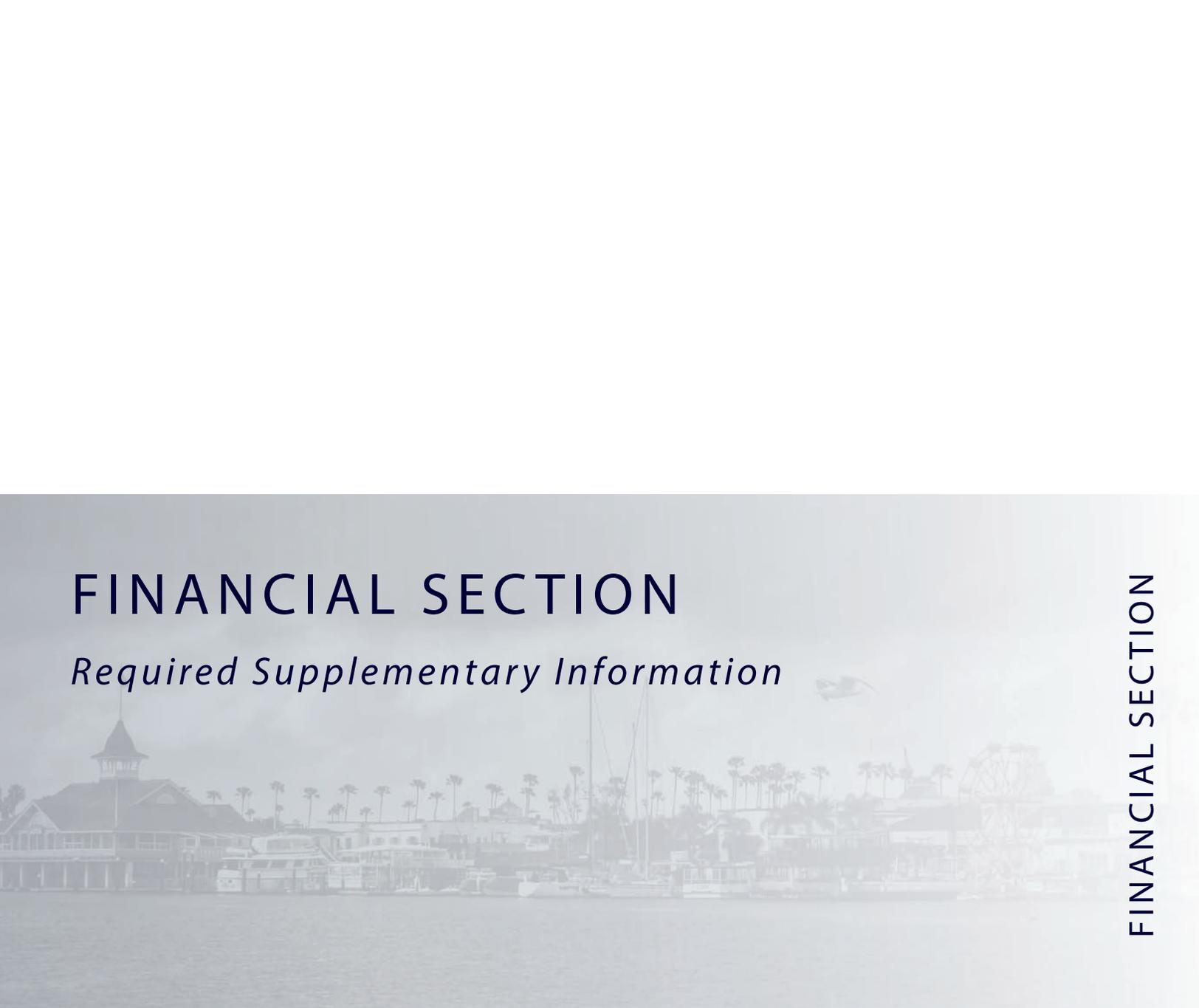
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at June 30, 2017, as previously reported	\$ 2,139,531,218	\$ 146,372,999
Adjustment for Implementation of GASB Statement No.75	(25,685,996)	(1,243,744)
Net position at July 1, 2017, as restated	<u>\$ 2,113,845,222</u>	<u>\$ 145,129,255</u>

**(18) Subsequent Event**

Limited Obligation Bond Issue for Assessment District No. 117

On July 25, 2018 the City issued \$2,955,000 of Assessment District No. 117 Limited Obligation Improvement Bonds pursuant to the provisions of the Improvement Bond Act of 1915. The bonds are issued in serial maturities over twenty years ranging from 2.0% to 3.4%. The bond proceeds will primarily be used to provide financing to underground power, telephone and cable facilities in the Improvement Area. Bond proceeds will also be used to establish a debt service reserve fund and pay costs of issuance and capitalized interest on the bonds. Although the City will be collecting and disbursing funds for this district, the City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds.

The City has evaluated other events and transactions for potential recognition disclosure through December 19, 2018, the date the financial statements were available to be issued.



# FINANCIAL SECTION

*Required Supplementary Information*

FINANCIAL SECTION

City of Newport Beach  
an Agent Multiple-Employer Defined Benefit Pension Plan  
As of June 30, 2018  
Last 10 Years \*

**Defined Benefit Plan for Miscellaneous Employees**

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

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

**Notes to Schedule:**

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

**Benefit Changes:**

There were no changes to benefits.

**Change in Assumptions:**

In 2017, the accounting discount rate 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, 2018  
Last 10 Years \*

**Defined Benefit Plan for Miscellaneous Employees**

**SCHEDULE OF CONTRIBUTIONS  
Last Ten Fiscal Years\***

	2018	2017	2016	2015
Actuarially determined contribution	\$ 11,924,053	\$ 10,412,963	\$ 9,943,342	\$ 7,117,065
Contributions in relation to the actuarially determined contributions	(15,742,587)	(10,412,963)	(9,943,342)	(7,117,065)
<b>Contribution deficiency (excess)</b>	<b>\$ (3,818,534)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered payroll	\$ 41,468,634	\$ 41,727,563	\$ 40,031,404	\$ 38,512,011
Contributions as a percentage of covered payroll	28.75%	24.95%	24.84%	18.48%

**Notes to Schedule:**

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

Single and Agent Employers Example	Entry age **
Amortization method	Level percentage of payroll, closed **
Remaining amortization period	27 years as of the Valuation Date
Asset valuation method	Market Value ***
Inflation	2.75% **
Salary increases	Depending on age, service, and type of employment** service, and type of employment **
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2.5%@55 and 2.0%@60) and 52 years (2.0%@62) **
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board**

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

\*\* The valuation for June 30, 2012, 2013, 2014 and 2015 (applicable to fiscal year ended June 30, 2015, 2017 and 2018, respectively) included the same actuarial assumptions.

\*\*\* The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15-Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014 and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017 and 2018, respectively).

City of Newport Beach  
an Agent Multiple-Employer Defined Benefit Pension Plan  
As of June 30, 2018  
Last 10 Years \*

**Defined Benefit Plan for Safety Employees**

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

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

**Notes to Schedule:**

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

**Benefit Changes:**

There were no changes to benefits.

**Change in Assumptions:**

In 2017, the accounting discount rate 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, 2018  
Last 10 Years \*

**Defined Benefit Plan for Safety Employees**

**SCHEDULE OF CONTRIBUTIONS**  
**Last Ten Fiscal Years\***

	2018	2017	2016	2015
Actuarially determined contribution	\$ 21,524,636	\$ 19,338,360	\$ 18,466,207	\$ 13,393,374
Contributions in relation to the actuarially determined contributions	<u>(26,620,697)</u>	<u>(19,338,360)</u>	<u>(18,466,207)</u>	<u>(13,393,374)</u>
<b>Contribution deficiency (excess)</b>	<b><u>\$ (5,096,061)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
Covered payroll	\$ 32,866,620	\$ 32,450,020	\$ 30,816,246	\$ 30,189,633
Contributions as a percentage of covered payroll	65.49%	59.59%	59.92%	44.36%

**Notes to Schedule:**

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

Single and Agent Employers Example	Entry age **
Amortization method	Level percentage of payroll, closed **
Remaining amortization period	27 years as of the Valuation Date
Asset valuation method	Market Value ***
Inflation	2.75% **
Salary increases	Depending on age, service, and type of employment**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (3.0% @50, 2.0% @50, 2.7% @57) **
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.**

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

\*\* The valuation for June 30, 2012 and 2013 (applicable to fiscal year ended June 30, 2015 and 2016, respectively) included the same actuarial assumptions.

\*\*\* The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15-Year Smoothed Market method. The market value asset valuation method was utilized for the June 30, 2013, 2014 and 2015 valuations (applicable to fiscal years ended June 30, 2016, 2017 and 2018, respectively).

City of Newport Beach  
 Post-Employment Health Care Benefits (OPEB) Retirement Plan  
 As of June 30, 2018  
 Last 10 Years \*

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

	2018
<b>Measurement Period</b>	June 30, 2017
<b>Total OPEB Liability</b>	
Service cost	\$ 478,341
Interest	2,830,153
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits terms	-
Benefit payments, including refunds of member contributions	(3,513,406)
<b>Net change in Total OPEB Liability</b>	(204,912)
<b>Total OPEB - beginning</b>	44,819,178
<b>Total OPEB Liability - ending (a)</b>	\$ 44,614,266
<b>Plan fiduciary net Position</b>	
Contributions - employer	\$ 4,594,772
Contributions - member	-
Net investment income	1,875,536
Benefit payments, including refunds of member contributions	(3,513,406)
Administrative expense	(9,452)
<b>Net change in plan fiduciary net position</b>	2,947,450
<b>Plan fiduciary net position - beginning</b>	16,147,240
<b>Plan fiduciary net position - ending (b)</b>	\$ 19,094,690
<b>City's Net OPEB liability - ending (a)-(b)</b>	\$ 25,519,576
Plan fiduciary net position as a percentage of the total OPEB liability	42.80%
Covered payroll	\$ 74,484,613
City's Net OPEB liability as percentage of covered payroll	34.26%

**Notes to Schedule:**

\* Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

City of Newport Beach  
 Post-Employment Health Care Benefits (OPEB) Retirement Plan  
 As of June 30, 2018  
 Last 10 Years \*

**SCHEDULE OF CONTRIBUTIONS**  
**Last Ten Fiscal Years\***

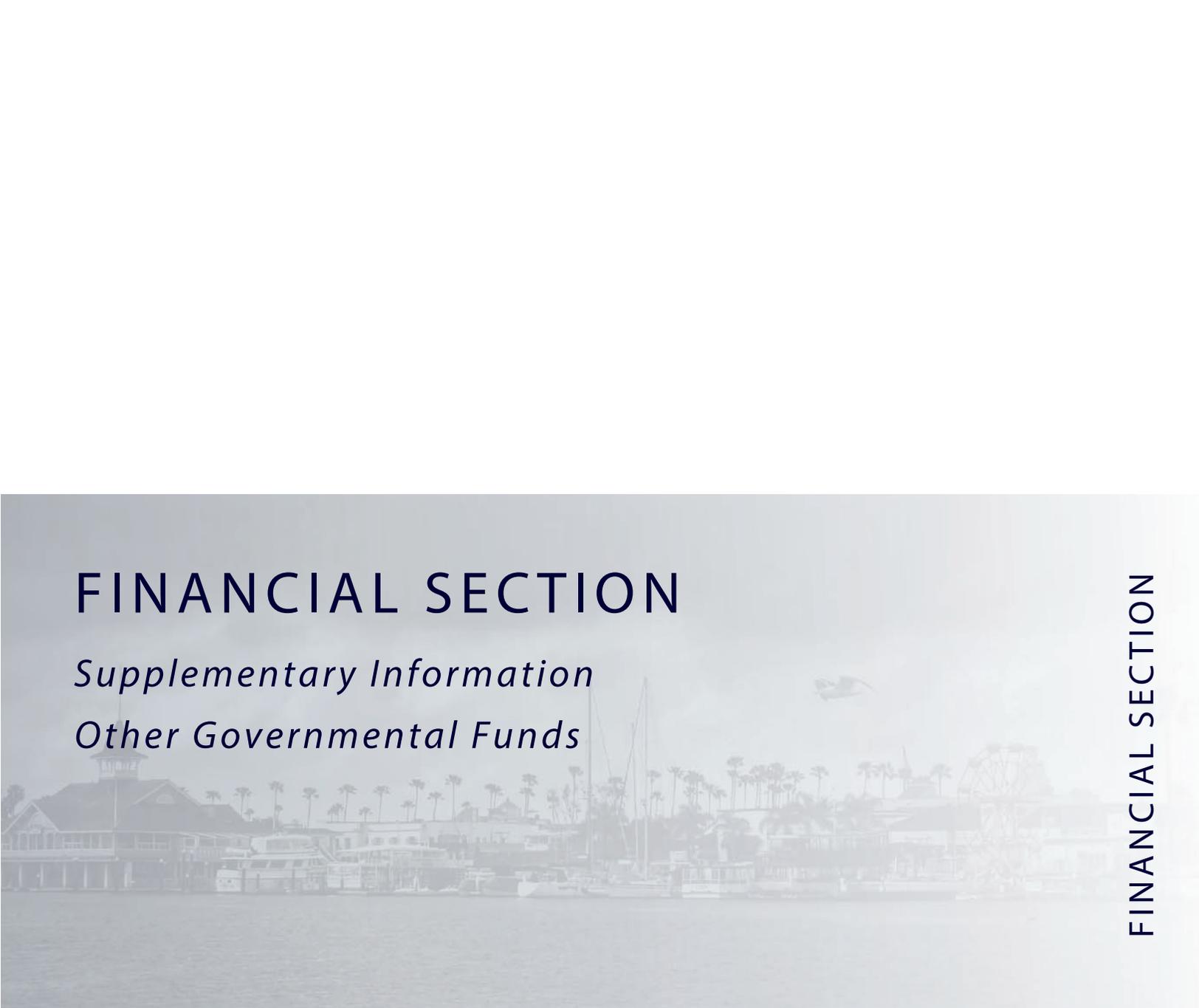
	2018
Actuarially determined contribution	\$ 3,925,087
Contributions in relation to the actuarially determined contributions	5,309,626
<b>Contribution deficiency (excess)</b>	<b>\$ (1,384,539)</b>
 Covered payroll	\$ 73,999,059
 Contributions as a percentage of covered payroll	7.18%

**Notes to Schedule:**

Valuation date: June 30, 2017

\* Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

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# FINANCIAL SECTION

*Supplementary Information  
Other Governmental Funds*

FINANCIAL SECTION



## OTHER GOVERNMENTAL FUNDS

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### Other Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Other Capital Projects Funds**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Other Permanent Funds**

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

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

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

**CITY OF NEWPORT BEACH**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2018**

	<b>Special Revenue</b>			
	<b>State Gas Tax</b>	<b>SB1 Gas Tax RMRA</b>	<b>Asset Forfeiture</b>	<b>OTS DUI Grant</b>
<b>Assets</b>				
Cash and investments	\$ 4,220,281	\$ 319,835	\$ 877,007	\$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	180,550	56,105	-
Prepaid items	-	-	-	-
	<u>\$ 4,220,281</u>	<u>\$ 500,385</u>	<u>\$ 933,112</u>	<u>\$ -</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 26,904	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	69,338
	<u>26,904</u>	<u>-</u>	<u>-</u>	<u>69,338</u>
Total liabilities				
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted:	4,193,377	500,385	933,112	-
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	-	(69,338)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,338)</u>
Total fund balances (deficits)	<u>4,193,377</u>	<u>500,385</u>	<u>933,112</u>	<u>(69,338)</u>
Total liabilities, deferred inflows of and fund balances	<u>\$ 4,220,281</u>	<u>\$ 500,385</u>	<u>\$ 933,112</u>	<u>\$ -</u>

**Special Revenue**

<b>Circulation and Transportation</b>	<b>Building Excise Tax</b>	<b>Community Development Block Grant</b>	<b>Air Quality Management District</b>	<b>Environmental Liability</b>
\$ 1,802,844	\$ 443,323	\$ -	\$ 1,051,211	\$ 7,267,907
-	-	-	-	3,177
-	-	257,180	27,956	-
-	-	-	-	157,462
<u>\$ 1,802,844</u>	<u>\$ 443,323</u>	<u>\$ 257,180</u>	<u>\$ 1,079,167</u>	<u>\$ 7,428,546</u>
\$ -	\$ 19,949	\$ 85,324	\$ 181	\$ 13,527
-	-	-	-	-
-	-	-	-	-
-	-	226,733	-	-
-	19,949	312,057	181	13,527
-	-	-	27,956	-
-	-	-	-	157,462
-	-	-	-	-
1,802,844	423,374	-	1,051,030	7,257,557
-	-	-	-	-
-	-	-	-	-
-	-	(54,877)	-	-
<u>1,802,844</u>	<u>423,374</u>	<u>(54,877)</u>	<u>1,051,030</u>	<u>7,415,019</u>
<u>\$ 1,802,844</u>	<u>\$ 443,323</u>	<u>\$ 257,180</u>	<u>\$ 1,079,167</u>	<u>\$ 7,428,546</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2018**  
(continued)

	<b>Special Revenue</b>		
	<b>Supplemental Law Enforcement</b>	<b>Contributions</b>	<b>FIIN</b>
<b>Assets</b>			
Cash and investments	\$ -	\$ 2,204,476	\$ 1,436,030
Receivables:			
Accounts (net of allowance)	-	1,266,864	-
Intergovernmental receivables	-	26,214	-
Prepaid items	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 3,497,554</u>	<u>\$ 1,436,030</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 79,601	\$ 850
Deposits payable	-	-	-
Unearned revenue	-	57,511	-
Due to other funds	-	1,182,295	-
Total liabilities	<u>-</u>	<u>1,319,407</u>	<u>850</u>
Deferred inflows of resources:			
Unavailable revenue	-	1,266,864	-
Fund balances (deficits):			
Nonspendable:			
Prepaid items	-	-	-
Permanent endowment	-	-	-
Restricted:			
911,283	-	911,283	1,435,180
Committed:	-	-	-
Assigned:	-	-	-
Unassigned:	-	-	-
Total fund balances (deficits)	<u>-</u>	<u>911,283</u>	<u>1,435,180</u>
Total liabilities, deferred inflows of and fund balances	<u>\$ -</u>	<u>\$ 3,497,554</u>	<u>\$ 1,436,030</u>

**Capital Projects**

<b>Assessment District</b>	<b>Fire Station</b>	<b>Facilities Maintenance</b>	<b>Misc SAH Projects</b>	<b>Civic Center and Park</b>
\$ 985,142	\$ 4,844,889	\$ 1,471,247	\$ 1,338,690	\$ 1,679,863
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 985,142</u>	<u>\$ 4,844,889</u>	<u>\$ 1,471,247</u>	<u>\$ 1,338,690</u>	<u>\$ 1,679,863</u>
\$ 18,029	\$ 572,168	\$ 147,478	\$ -	\$ -
-	-	-	-	-
-	-	-	1,338,690	-
-	-	-	-	-
<u>18,029</u>	<u>572,168</u>	<u>147,478</u>	<u>1,338,690</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
967,113	-	-	-	-
-	4,272,721	1,323,769	-	1,679,863
-	-	-	-	-
-	-	-	-	-
<u>967,113</u>	<u>4,272,721</u>	<u>1,323,769</u>	<u>-</u>	<u>1,679,863</u>
<u>\$ 985,142</u>	<u>\$ 4,844,889</u>	<u>\$ 1,471,247</u>	<u>\$ 1,338,690</u>	<u>\$ 1,679,863</u>

(continued)

CITY OF NEWPORT BEACH  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2018  
(continued)

	<b>Capital Projects</b>			
	<b>Sunset Ridge Park</b>	<b>Strategic Planning</b>	<b>Lifeguard Headquarters</b>	<b>Misc Facilities Financing</b>
<b>Assets</b>				
Cash and investments	\$ 104,927	\$ 40,801	\$ -	\$ 31,600
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Prepaid items	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 104,927</u>	<u>\$ 40,801</u>	<u>\$ -</u>	<u>\$ 31,600</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 3,707	\$ -	\$ -	\$ -
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>3,707</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Committed:	101,220	40,801	-	31,600
Assigned:	-	-	-	-
Unassigned:	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances (deficits)	<u>101,220</u>	<u>40,801</u>	<u>-</u>	<u>31,600</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of and fund balances	<u>\$ 104,927</u>	<u>\$ 40,801</u>	<u>\$ -</u>	<u>\$ 31,600</u>

**Capital Projects**

<b>Parks and Community Centers</b>	<b>West Newport Community Center</b>	<b>Corp Yard Consolidation</b>	<b>Public Art and Cultural Facilities</b>	<b>Marina Park</b>
\$ 953,977	\$ -	\$ -	\$ -	\$ 285
-	-	-	-	-
-	-	-	-	-
<u>\$ 953,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285</u>
\$ 14,010	\$ -	\$ -	\$ -	\$ 285
-	-	-	-	-
-	-	-	-	-
-	130,026	-	-	-
<u>14,010</u>	<u>130,026</u>	<u>-</u>	<u>-</u>	<u>285</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
939,967	-	-	-	-
-	-	-	-	-
-	(130,026)	-	-	-
<u>939,967</u>	<u>(130,026)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 953,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285</u>

(continued)

CITY OF NEWPORT BEACH  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2018  
(continued)

	Capital Projects			
	Newport Uptown Undergrounding	Balboa Village Parking Management District	Neighborhood Enhancement	Unrestricted Capital Improvements
<b>Assets</b>				
Cash and investments	\$ -	\$ 944,613	\$ 1,224,730	\$ 9,064,474
Receivables:				
Accounts (net of allowance)	-	8,698	-	-
Intergovernmental receivables	-	-	-	-
Prepaid items	-	-	-	-
	-	-	-	-
Total assets	\$ -	\$ 953,311	\$ 1,224,730	\$ 9,064,474
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ 37,934	\$ 75,898	\$ 720,252
Deposits payable	119,000	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	2,921	-	-	-
	121,921	37,934	75,898	720,252
Total liabilities	121,921	37,934	75,898	720,252
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid items	-	-	-	-
Permanent endowment	-	-	-	-
Restricted:				
Committed:	-	915,377	1,148,832	8,344,222
Assigned:	-	-	-	-
Unassigned:	(121,921)	-	-	-
	(121,921)	-	-	-
Total fund balances (deficits)	(121,921)	915,377	1,148,832	8,344,222
Total liabilities, deferred inflows of and fund balances	\$ -	\$ 953,311	\$ 1,224,730	\$ 9,064,474

<b>Permanent Fund</b>		<b>Total Other Governmental Funds</b>
<b>Bay Dredging</b>	<b>Ackerman Donation</b>	
\$ 5,066,015	\$ 1,148,669	\$ 48,522,836
-	-	1,278,739
-	-	548,005
-	-	157,462
<u>\$ 5,066,015</u>	<u>\$ 1,148,669</u>	<u>\$ 50,507,042</u>
\$ -	\$ -	\$ 1,816,097
-	-	119,000
-	-	1,396,201
-	-	1,611,313
-	-	4,942,611
-	-	1,294,820
-	-	157,462
3,857,000	772,781	4,629,781
1,209,015	375,888	21,060,158
-	-	18,798,372
-	-	-
-	-	(376,162)
<u>5,066,015</u>	<u>1,148,669</u>	<u>44,269,611</u>
<u>\$ 5,066,015</u>	<u>\$ 1,148,669</u>	<u>\$ 50,507,042</u>

**CITY OF NEWPORT BEACH**  
**Other Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	<b>Special Revenue</b>			
	<b>State Gas Tax</b>	<b>SB1 Gas Tax RMRA</b>	<b>Asset Forfeiture</b>	<b>OTS DUI Grant</b>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,808,263	499,152	117,321	172,618
Licenses, permits and fees	-	-	-	-
Investment income	19,704	1,233	4,471	-
Donations	-	-	-	-
Other	-	-	-	-
	1,827,967	500,385	121,792	172,618
Total revenues				
<b>Expenditures:</b>				
Current:				
Public safety	-	-	36,834	241,956
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	625,324	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	625,324	-	36,834	241,956
Total expenditures				
Excess (deficiency) of revenues over expenditures	1,202,643	500,385	84,958	(69,338)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(11,964)	-	-	-
	(11,964)	-	-	-
Total other financing sources (uses)				
Net change in fund balances	1,190,679	500,385	84,958	(69,338)
Fund balances (deficits), beginning	3,002,698	-	848,154	-
Fund balances (deficits), ending	\$ 4,193,377	\$ 500,385	\$ 933,112	\$ (69,338)

**Special Revenue**

<b>Circulation and Transportation</b>	<b>Building Excise Tax</b>	<b>Community Development Block Grant</b>	<b>Air Quality Management District</b>	<b>Environmental Liability</b>
\$ -	\$ -	\$ -	\$ -	\$ 633,976
-	-	516,511	106,510	-
179,273	220,293	-	-	-
9,540	4,141	3,436	5,941	38,236
-	-	-	-	-
-	-	-	-	50,793
<u>188,813</u>	<u>224,434</u>	<u>519,947</u>	<u>112,451</u>	<u>723,005</u>
-	-	-	-	-
-	-	-	114,593	253,856
-	-	1,306,219	-	-
-	-	-	-	-
45,413	571,991	-	-	-
-	-	150,000	-	-
-	-	19,322	-	-
<u>45,413</u>	<u>571,991</u>	<u>1,475,541</u>	<u>114,593</u>	<u>253,856</u>
<u>143,400</u>	<u>(347,557)</u>	<u>(955,594)</u>	<u>(2,142)</u>	<u>469,149</u>
-	-	-	-	-
-	(400,000)	-	-	-
-	(400,000)	-	-	-
143,400	(747,557)	(955,594)	(2,142)	469,149
<u>1,659,444</u>	<u>1,170,931</u>	<u>900,717</u>	<u>1,053,172</u>	<u>6,945,870</u>
<u>\$ 1,802,844</u>	<u>\$ 423,374</u>	<u>\$ (54,877)</u>	<u>\$ 1,051,030</u>	<u>\$ 7,415,019</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Other Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**  
(continued)

	<b>Special Revenue</b>		
	<b>Supplemental Law Enforcement</b>	<b>Contributions</b>	<b>FIIN</b>
	<b>Enforcement</b>	<b>Contributions</b>	<b>FIIN</b>
<b>Revenues:</b>			
Other taxes	\$ -	\$ -	\$ -
Intergovernmental	181,075	3,270,537	-
Licenses, permits and fees	-	-	-
Investment income	-	9,336	7,712
Donations	-	43,156	-
Other	-	-	-
Total revenues	<u>181,075</u>	<u>3,323,029</u>	<u>7,712</u>
<b>Expenditures:</b>			
Current:			
Public safety	181,075	-	-
Public works	-	-	-
Community development	-	-	-
Community services	-	-	850
Capital outlay	-	2,149,790	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>181,075</u>	<u>2,149,790</u>	<u>850</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>1,173,239</u>	<u>6,862</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	78,000	-
Transfers out	-	(30,669)	-
Total other financing sources (uses)	<u>-</u>	<u>47,331</u>	<u>-</u>
Net change in fund balances	-	1,220,570	6,862
Fund balances (deficits), beginning	<u>-</u>	<u>(309,287)</u>	<u>1,428,318</u>
Fund balances (deficits), ending	<u>\$ -</u>	<u>\$ 911,283</u>	<u>\$ 1,435,180</u>

**Capital Projects**

<b>Assessment District</b>	<b>Fire Station</b>	<b>Facilities Maintenance</b>	<b>Misc SAH Projects</b>	<b>Civic Center and Park</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
5,621	20,647	10,869	-	8,772
-	-	-	-	-
832,168	-	-	-	-
<u>837,789</u>	<u>20,647</u>	<u>10,869</u>	<u>-</u>	<u>8,772</u>
-	-	-	-	-
114,159	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	6,435,092	1,296,221	-	1,723
-	-	-	-	-
-	-	-	-	6,157
<u>114,159</u>	<u>6,435,092</u>	<u>1,296,221</u>	<u>-</u>	<u>7,880</u>
<u>723,630</u>	<u>(6,414,445)</u>	<u>(1,285,352)</u>	<u>-</u>	<u>892</u>
-	4,907,185	1,000,000	-	-
-	-	-	-	-
-	4,907,185	1,000,000	-	-
723,630	(1,507,260)	(285,352)	-	892
<u>243,483</u>	<u>5,779,981</u>	<u>1,609,121</u>	<u>-</u>	<u>1,678,971</u>
<u>\$ 967,113</u>	<u>\$ 4,272,721</u>	<u>\$ 1,323,769</u>	<u>\$ -</u>	<u>\$ 1,679,863</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Other Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**  
(continued)

	<b>Capital Projects</b>			
	<b>Sunset Ridge Park</b>	<b>Strategic Planning</b>	<b>Lifeguard Headquarters</b>	<b>Misc Facilities Financing</b>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	453	219	93	170
Donations	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Total revenues	453	219	93	170
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	25,274	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	-	-	-	-
Total expenditures	25,274	-	-	-
Excess (deficiency) of revenues over expenditures	(24,821)	219	93	170
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(12,353)	-	(17,776)	-
	-	-	-	-
Total other financing sources (uses)	(12,353)	-	(17,776)	-
Net change in fund balances	(37,174)	219	(17,683)	170
Fund balances (deficits), beginning	138,394	40,582	17,683	31,430
Fund balances (deficits), ending	\$ 101,220	\$ 40,801	\$ -	\$ 31,600

**Capital Projects**

<b>Parks and Community Centers</b>	<b>West Newport Community Center</b>	<b>Corp Yard Consolidation</b>	<b>Public Art and Cultural Facilities</b>	<b>Marina Park</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
4,926	-	-	-	7,023
-	-	-	-	-
-	-	-	-	-
<u>4,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,023</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
199,993	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>199,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(195,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,023</u>
200,000	-	27,250	-	-
-	-	-	(804,578)	(1,347,067)
<u>200,000</u>	<u>-</u>	<u>27,250</u>	<u>(804,578)</u>	<u>(1,347,067)</u>
4,933	-	27,250	(804,578)	(1,340,044)
<u>935,034</u>	<u>(130,026)</u>	<u>(27,250)</u>	<u>804,578</u>	<u>1,340,044</u>
<u>\$ 939,967</u>	<u>\$ (130,026)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Other Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**  
(continued)

	<b>Capital Projects</b>			
	<b>Newport Uptown Undergrounding</b>	<b>Balboa Village Parking Management District</b>	<b>Neighborhood Enhancement</b>	<b>Unrestricted Capital Improvements</b>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	410,599	-	-
Investment income	-	3,870	7,956	-
Donations	-	-	-	-
Other	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>414,469</b>	<b>7,956</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Public works	1,233	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	85,871	534,537	7,583,133
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>1,233</b>	<b>85,871</b>	<b>534,537</b>	<b>7,583,133</b>
Excess (deficiency) of revenues over expenditures	(1,233)	328,598	(526,581)	(7,583,133)
<b>Other financing sources (uses):</b>				
Transfers in	-	-	400,000	5,771,178
Transfers out	-	-	-	(615,063)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>400,000</b>	<b>5,156,115</b>
<b>Net change in fund balances</b>	<b>(1,233)</b>	<b>328,598</b>	<b>(126,581)</b>	<b>(2,427,018)</b>
Fund balances (deficits), beginning	(120,688)	586,779	1,275,413	10,771,240
Fund balances (deficits), ending	<u>\$ (121,921)</u>	<u>\$ 915,377</u>	<u>\$ 1,148,832</u>	<u>\$ 8,344,222</u>

<b>Permanent Funds</b>		<b>Total Other Governmental Funds</b>
<b>Bay Dredging</b>	<b>Ackerman Donation</b>	
\$ -	\$ -	\$ 633,976
-	-	6,671,987
-	-	810,165
27,203	6,192	207,764
-	-	43,156
-	-	882,961
<u>27,203</u>	<u>6,192</u>	<u>9,250,009</u>
-	-	459,865
-	-	483,841
-	4,900	1,311,119
-	-	850
-	-	19,554,362
-	-	150,000
-	-	25,479
-	4,900	21,985,516
<u>27,203</u>	<u>1,292</u>	<u>(12,735,507)</u>
-	-	12,383,613
-	-	(3,239,470)
-	-	9,144,143
27,203	1,292	(3,591,364)
<u>5,038,812</u>	<u>1,147,377</u>	<u>47,860,975</u>
<u>\$ 5,066,015</u>	<u>\$ 1,148,669</u>	<u>\$ 44,269,611</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**State Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 1,787,153	\$ 1,863,413	\$ 1,808,263	\$ (55,150)
Investment income	29,939	29,939	19,704	(10,235)
Total revenues	<u>1,817,092</u>	<u>1,893,352</u>	<u>1,827,967</u>	<u>(65,385)</u>
<b>Expenditures:</b>				
Capital outlay	-	3,193,983	625,324	2,568,659
Total Expenditures	<u>-</u>	<u>3,193,983</u>	<u>625,324</u>	<u>2,568,659</u>
Excess (deficiency) of revenues over expenditures	1,817,092	(1,300,631)	1,202,643	2,503,274
<b>Other financing sources (uses):</b>				
Transfers out	-	(11,964)	(11,964)	-
Net change in fund balance	1,817,092	(1,312,595)	1,190,679	2,503,274
Fund balance, beginning	<u>3,002,698</u>	<u>3,002,698</u>	<u>3,002,698</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,819,790</u>	<u>\$ 1,690,103</u>	<u>\$ 4,193,377</u>	<u>\$ 2,503,274</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**SB1 Gas Tax RMRA Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 485,832	\$ 499,152	\$ 13,320
Investment income	-	-	1,233	1,233
Total revenues	-	485,832	500,385	14,553
<b>Expenditures:</b>				
Capital outlay	-	481,309	-	481,309
Net change in fund balance	-	4,523	500,385	495,862
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ 4,523</u>	<u>\$ 500,385</u>	<u>\$ 495,862</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Asset Forfeiture Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 117,321	\$ 117,321
Investment income	5,855	5,855	4,471	(1,384)
Total revenues	<u>5,855</u>	<u>5,855</u>	<u>121,792</u>	<u>115,937</u>
<b>Expenditures:</b>				
Public safety	<u>602,396</u>	<u>602,396</u>	<u>36,834</u>	<u>565,562</u>
Net change in fund balance	(596,541)	(596,541)	84,958	681,499
Fund balance, beginning	<u>848,154</u>	<u>848,154</u>	<u>848,154</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 251,613</u></u>	<u><u>\$ 251,613</u></u>	<u><u>\$ 933,112</u></u>	<u><u>\$ 681,499</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**OTS DUI Grant Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	<u>\$ 362,500</u>	<u>\$ 241,956</u>	<u>\$ 172,618</u>	<u>\$ (69,338)</u>
<b>Expenditures:</b>				
Public safety	<u>94,045</u>	<u>241,956</u>	<u>241,956</u>	<u>-</u>
Net change in fund balance	268,455	-	(69,338)	(69,338)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ 268,455</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (69,338)</u></u>	<u><u>\$ (69,338)</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Circulation and Transportation Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Licenses, permits and fees	\$ 350,000	\$ 350,000	\$ 179,273	\$ (170,727)
Investment income	6,057	6,057	9,540	3,483
Total revenues	<u>356,057</u>	<u>356,057</u>	<u>188,813</u>	<u>(167,244)</u>
<b>Expenditures:</b>				
Capital outlay	<u>-</u>	<u>126,426</u>	<u>45,413</u>	<u>81,013</u>
Net change in fund balance	356,057	229,631	143,400	(86,231)
Fund balance, beginning	<u>1,659,444</u>	<u>1,659,444</u>	<u>1,659,444</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 2,015,501</u></u>	<u><u>\$ 1,889,075</u></u>	<u><u>\$ 1,802,844</u></u>	<u><u>\$ (86,231)</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Building Excise Tax Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Licenses, permits and fees	\$ 179,000	\$ 179,000	\$ 220,293	\$ 41,293
Investment income	3,711	3,711	4,141	430
Total revenues	<u>182,711</u>	<u>182,711</u>	<u>224,434</u>	<u>41,723</u>
<b>Expenditures:</b>				
Capital outlay	<u>-</u>	<u>813,772</u>	<u>571,991</u>	<u>241,781</u>
Excess (deficiency) of revenues over expenditures	182,711	(631,061)	(347,557)	283,504
<b>Other financing sources (uses)</b>				
Transfers out	<u>-</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balance	182,711	(1,031,061)	(747,557)	283,504
Fund balance, beginning	<u>1,170,931</u>	<u>1,170,931</u>	<u>1,170,931</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 1,353,642</u></u>	<u><u>\$ 139,870</u></u>	<u><u>\$ 423,374</u></u>	<u><u>\$ 283,504</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 359,743	\$ 551,162	\$ 516,511	\$ (34,651)
Investment income	-	-	3,436	3,436
	<u>359,743</u>	<u>551,162</u>	<u>519,947</u>	<u>(31,215)</u>
<b>Expenditures:</b>				
Community development	117,311	1,377,641	1,306,219	71,422
Debt service:				
Principal	150,000	150,000	150,000	-
Interest and fiscal charges	19,322	19,323	19,322	1
	<u>286,633</u>	<u>1,546,964</u>	<u>1,475,541</u>	<u>71,423</u>
Net change in fund balance	73,110	(995,802)	(955,594)	40,208
Fund balance, beginning	<u>900,717</u>	<u>900,717</u>	<u>900,717</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 973,827</u>	<u>\$ (95,085)</u>	<u>\$ (54,877)</u>	<u>\$ 40,208</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Air Quality Management District Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 106,510	\$ 6,510
Investment income	5,120	5,120	5,941	821
Total revenues	<u>105,120</u>	<u>105,120</u>	<u>112,451</u>	<u>7,331</u>
<b>Expenditures:</b>				
Public works	<u>78,000</u>	<u>235,338</u>	<u>114,593</u>	<u>120,745</u>
Net change in fund balance	27,120	(130,218)	(2,142)	128,076
Fund balance, beginning	<u>1,053,172</u>	<u>1,053,172</u>	<u>1,053,172</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,080,292</u>	<u>\$ 922,954</u>	<u>\$ 1,051,030</u>	<u>\$ 128,076</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Environmental Liability Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Other taxes	\$ 578,752	\$ 578,752	\$ 633,976	\$ 55,224
Investment income	31,588	31,588	38,236	6,648
Other revenue	<u>35,000</u>	<u>35,000</u>	<u>50,793</u>	<u>15,793</u>
Total revenues	<u>645,340</u>	<u>645,340</u>	<u>723,005</u>	<u>77,665</u>
<b>Expenditures:</b>				
Public works	351,030	351,030	253,856	97,174
Capital outlay	<u>-</u>	<u>225,000</u>	<u>-</u>	<u>225,000</u>
Total expenditures	<u>351,030</u>	<u>576,030</u>	<u>253,856</u>	<u>322,174</u>
Net change in fund balance	294,310	69,310	469,149	399,839
Fund balance, beginning	<u>6,945,870</u>	<u>6,945,870</u>	<u>6,945,870</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 7,240,180</u></u>	<u><u>\$ 7,015,180</u></u>	<u><u>\$ 7,415,019</u></u>	<u><u>\$ 399,839</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Supplemental Law Enforcement Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 165,000	\$ 165,000	\$ 181,075	\$ 16,075
<b>Expenditures:</b>				
Public safety	165,000	165,000	181,075	(16,075)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

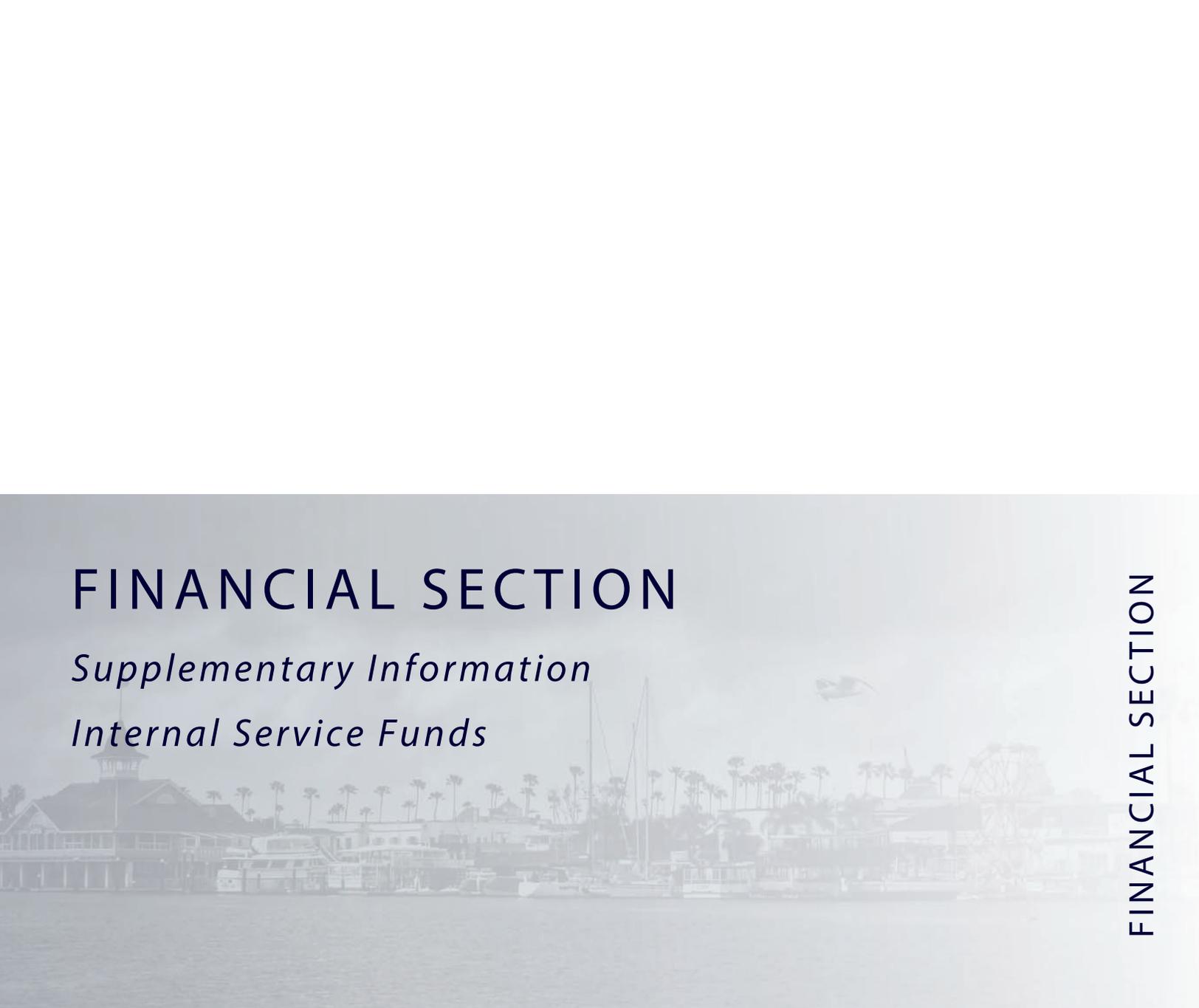
**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Contributions Fund Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 5,691,995	\$ 7,734,653	\$ 3,270,537	\$ (4,464,116)
Investment income	18,250	20,457	9,336	(11,121)
Donations	-	-	43,156	43,156
Total revenues	<u>5,710,245</u>	<u>7,755,110</u>	<u>3,323,029</u>	<u>(4,432,081)</u>
<b>Expenditures:</b>				
Capital outlay	-	4,630,849	2,149,790	2,481,059
Excess (deficiency) of revenues over expenditures	<u>5,710,245</u>	<u>3,124,261</u>	<u>1,173,239</u>	<u>(1,951,022)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	78,000	78,000	-
Transfers out	-	(30,669)	(30,669)	-
Total other financing sources (uses)	<u>-</u>	<u>47,331</u>	<u>47,331</u>	<u>-</u>
Net change in fund balance	5,710,245	3,171,592	1,220,570	(1,951,022)
Fund balance (deficit), beginning	<u>(309,287)</u>	<u>(309,287)</u>	<u>(309,287)</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,400,958</u>	<u>\$ 2,862,305</u>	<u>\$ 911,283</u>	<u>\$ (1,951,022)</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**FIIN Special Revenue Fund**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income	\$ 7,851	\$ 7,851	\$ 7,712	\$ (139)
<b>Expenditures:</b>				
Community services	157,255	13,000	850	12,150
Net change in fund balance	(149,404)	(5,149)	6,862	12,011
Fund balance, beginning	1,428,318	1,428,318	1,428,318	-
Fund balance, ending	<u>\$ 1,278,914</u>	<u>\$ 1,423,169</u>	<u>\$ 1,435,180</u>	<u>\$ 12,011</u>

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# FINANCIAL SECTION

*Supplementary Information*

*Internal Service Funds*

FINANCIAL SECTION

## INTERNAL SERVICE FUNDS

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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**  
**All Internal Service Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

<b>Assets</b>	<b>Insurance Reserve</b>	<b>Compensated Absences</b>	<b>Retiree Insurance</b>	<b>Equipment Maintenance</b>	<b>Information Technology</b>	<b>Total Internal Service Funds</b>
<b>Current assets:</b>						
Cash and investments	\$ 24,462,519	\$ 4,560,734	\$ -	\$ 14,714,278	\$ 6,939,762	\$ 50,677,293
Receivables:						
Accounts (net of allowance)	-	-	29,048	-	-	29,048
Intergovernmental receivables	-	-	2,350,990	-	-	2,350,990
Inventories	-	-	-	406,801	-	406,801
Prepaid items	22,940	-	242,253	-	184,741	449,934
Total current assets	<u>24,485,459</u>	<u>4,560,734</u>	<u>2,622,291</u>	<u>15,121,079</u>	<u>7,124,503</u>	<u>53,914,066</u>
<b>Noncurrent assets:</b>						
Capital assets:						
Equipment	-	-	-	34,110,789	3,167,295	37,278,084
Structures	-	-	-	24,993	-	24,993
Software	-	-	-	-	3,510,251	3,510,251
Less accumulated depreciation	-	-	-	(21,202,425)	(3,906,989)	(25,109,414)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,933,357</u>	<u>2,770,557</u>	<u>15,703,914</u>
Total assets	<u>24,485,459</u>	<u>4,560,734</u>	<u>2,622,291</u>	<u>28,054,436</u>	<u>9,895,060</u>	<u>69,617,980</u>
<b>Deferred outflows of resources:</b>						
Deferred amount from pension plans	-	-	-	636,725	1,276,254	1,912,979
Deferred amount from OPEB	-	-	-	60,045	120,355	180,400
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>696,770</u>	<u>1,396,609</u>	<u>2,093,379</u>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	9,352	89,973	-	287,354	91,967	478,646
Accrued payroll	5,031	-	118,920	19,328	43,168	186,447
Due to other funds	-	-	2,103,507	-	-	2,103,507
Workers' compensation - current	3,206,356	-	-	-	-	3,206,356
General liability - current	5,425,985	-	-	-	-	5,425,985
Compensated absences - current	-	2,123,186	-	-	-	2,123,186
Total current liabilities	<u>8,646,724</u>	<u>2,213,159</u>	<u>2,222,427</u>	<u>306,682</u>	<u>135,135</u>	<u>13,524,127</u>
<b>Noncurrent liabilities:</b>						
Workers' compensation	13,282,644	-	-	-	-	13,282,644
General liability	7,518,406	-	-	-	-	7,518,406
Compensated absences	-	8,269,161	-	-	-	8,269,161
Net pension liability	-	-	-	2,241,224	4,492,317	6,733,541
Net OPEB liability	-	-	-	288,596	578,463	867,059
Total noncurrent liabilities	<u>20,801,050</u>	<u>8,269,161</u>	<u>-</u>	<u>2,529,820</u>	<u>5,070,780</u>	<u>36,670,811</u>
Total liabilities	<u>29,447,774</u>	<u>10,482,320</u>	<u>2,222,427</u>	<u>2,836,502</u>	<u>5,205,915</u>	<u>50,194,938</u>
<b>Deferred inflows of resources:</b>						
Deferred amount from pension plans	-	-	-	83,755	167,881	251,636
Deferred amount from OPEB	-	-	-	7,157	14,346	21,503
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,912</u>	<u>182,227</u>	<u>273,139</u>
<b>Net Position</b>						
Invested in capital assets	-	-	-	12,933,357	2,770,557	15,703,914
Unrestricted	(4,962,315)	(5,921,586)	399,864	12,890,435	3,132,970	5,539,368
Total net position	<u>\$ (4,962,315)</u>	<u>\$ (5,921,586)</u>	<u>\$ 399,864</u>	<u>\$ 25,823,792</u>	<u>\$ 5,903,527</u>	<u>\$ 21,243,282</u>

**CITY OF NEWPORT BEACH**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**  
**For the Year Ended June 30, 2018**

	<u>Insurance Reserve</u>	<u>Compensated Absences</u>	<u>Retiree Insurance</u>	<u>Equipment Maintenance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Operating revenues:						
Charges for services	\$ 6,822,155	\$ 2,509,458	\$ 4,042,838	\$ 5,617,164	\$ 5,756,156	\$ 24,747,771
Retiree reimbursements	-	-	253,523	-	-	253,523
Employee contributions	-	-	103,446	-	-	103,446
Other	<u>1,127,068</u>	<u>-</u>	<u>398,589</u>	<u>7,982</u>	<u>566</u>	<u>1,534,205</u>
Total operating revenues	<u>7,949,223</u>	<u>2,509,458</u>	<u>4,798,396</u>	<u>5,625,146</u>	<u>5,756,722</u>	<u>26,638,945</u>
Operating expenses:						
Salaries and wages	-	-	-	1,068,705	2,349,760	3,418,465
Depreciation	-	-	-	2,577,556	763,932	3,341,488
Professional services	-	-	-	2,995	64,890	67,885
Maintenance and supplies	-	-	-	1,362,700	949,813	2,312,513
Fleet parts and supplies	-	-	-	373,416	-	373,416
800 MHz	-	-	-	1,197,157	-	1,197,157
Telecommunication	-	-	-	-	210,145	210,145
Hardware	-	-	-	-	240,047	240,047
Software	-	-	-	-	647,301	647,301
Workers' compensation	1,932,818	-	-	-	-	1,932,818
Claims and judgments	4,856,434	-	-	-	-	4,856,434
Compensated absences	-	1,423,058	-	-	-	1,423,058
OPEB	-	-	4,983,486	-	-	4,983,486
Total operating expenses	<u>6,789,252</u>	<u>1,423,058</u>	<u>4,983,486</u>	<u>6,582,529</u>	<u>5,225,888</u>	<u>25,004,213</u>
Operating income (loss)	<u>1,159,971</u>	<u>1,086,400</u>	<u>(185,090)</u>	<u>(957,383)</u>	<u>530,834</u>	<u>1,634,732</u>
Nonoperating revenues:						
Investment income	122,026	24,221	64	81,473	34,880	262,664
Gain on sale of capital assets	-	-	-	196,583	-	196,583
Total nonoperating revenues	<u>122,026</u>	<u>24,221</u>	<u>64</u>	<u>278,056</u>	<u>34,880</u>	<u>459,247</u>
Income (loss) before transfers	<u>1,281,997</u>	<u>1,110,621</u>	<u>(185,026)</u>	<u>(679,327)</u>	<u>565,714</u>	<u>2,093,979</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,183</u>	<u>19,917</u>	<u>542,100</u>
Change in net position	1,281,997	1,110,621	(185,026)	(157,144)	585,631	2,636,079
Net position, beginning	(6,244,312)	(7,032,207)	3,437,464	26,253,220	5,863,662	22,277,827
Prior year restatement	-	-	(2,852,574)	(272,284)	(545,766)	(3,670,624)
Restated net position, beginning	<u>(6,244,312)</u>	<u>(7,032,207)</u>	<u>584,890</u>	<u>25,980,936</u>	<u>5,317,896</u>	<u>18,607,203</u>
Net position, ending	<u>\$ (4,962,315)</u>	<u>\$ (5,921,586)</u>	<u>\$ 399,864</u>	<u>\$ 25,823,792</u>	<u>\$ 5,903,527</u>	<u>\$ 21,243,282</u>

**CITY OF NEWPORT BEACH**  
**Combining Statement of Cash Flows - Internal Service Funds**  
**For the Year Ended June 30, 2018**

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Cash flows from operating activities						
Receipts from user departments	\$ 6,822,155	\$ 2,509,458	\$ 4,289,730	\$ 5,620,291	\$ 5,756,156	\$ 24,997,790
Payments to employees	(2,861,286)	(2,529,301)	-	(1,137,472)	(2,492,944)	(9,021,003)
Payments to suppliers	(3,051,676)	-	(5,817,536)	(3,150,452)	(2,112,068)	(14,131,732)
Other operating cash receipts	1,127,068	-	515,243	7,982	566	1,650,859
Net cash provided (used) by operating activities	<u>2,036,261</u>	<u>(19,843)</u>	<u>(1,012,563)</u>	<u>1,340,349</u>	<u>1,151,710</u>	<u>3,495,914</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	-	1,012,499	522,183	19,917	1,554,599
Net cash provided by noncapital financing activities	-	-	<u>1,012,499</u>	<u>522,183</u>	<u>19,917</u>	<u>1,554,599</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(2,077,329)	(184,301)	(2,261,630)
Proceeds from sale of capital assets	-	-	-	196,582	-	196,582
Net cash used for capital and related financing activities	-	-	-	<u>(1,880,747)</u>	<u>(184,301)</u>	<u>(2,065,048)</u>
Cash flows from investing activities:						
Investment income	122,026	24,221	64	81,473	34,880	262,664
Net cash provided by investing activities	<u>122,026</u>	<u>24,221</u>	<u>64</u>	<u>81,473</u>	<u>34,880</u>	<u>262,664</u>
Net increase in cash and cash equivalents	2,158,287	4,378	-	63,258	1,022,206	3,248,129
Cash and cash equivalents, beginning	22,304,232	4,556,356	-	14,651,020	5,917,556	47,429,164
Cash and cash equivalents, ending	<u>\$ 24,462,519</u>	<u>\$ 4,560,734</u>	<u>\$ -</u>	<u>\$ 14,714,278</u>	<u>\$ 6,939,762</u>	<u>\$ 50,677,293</u>
Reconciliation of cash equivalents to the statement of net position:						
Cash and investments reported on statement of net position	24,462,519	4,560,734	-	14,714,278	6,939,762	50,677,293
Cash and cash equivalents	<u>\$ 24,462,519</u>	<u>\$ 4,560,734</u>	<u>\$ -</u>	<u>\$ 14,714,278</u>	<u>\$ 6,939,762</u>	<u>\$ 50,677,293</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	<u>\$ 1,159,971</u>	<u>\$ 1,086,400</u>	<u>\$ (185,090)</u>	<u>\$ (957,383)</u>	<u>\$ 530,834</u>	<u>\$ 1,634,732</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	-	-	-	2,577,556	763,932	3,341,488
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	-	-	(875,268)	3,127	-	(872,141)
(Increase) in inventories	-	-	-	(51,507)	-	(51,507)
Decrease in prepaid items	986,845	-	34,673	-	32,156	1,053,674
Increase (decrease) in accounts payable and accrued payroll	(44,640)	10,685	13,122	(157,293)	(26,585)	(204,711)
(Decrease) in workers' compensation	(928,000)	-	-	-	-	(928,000)
Increase in general liability	862,085	-	-	-	-	862,085
(Decrease) in compensated absences	-	(1,116,928)	-	-	-	(1,116,928)
(Decrease) in net of pension liability and deferred cash flows	-	-	-	(37,575)	(75,315)	(112,890)
(Decrease) in restated net OPEB liability and deferred cash flows	-	-	-	(36,576)	(73,312)	(109,888)
Total adjustments	<u>876,290</u>	<u>(1,106,243)</u>	<u>(827,473)</u>	<u>2,297,732</u>	<u>620,876</u>	<u>1,861,182</u>
Net cash provided (used) by operating activities	<u>\$ 2,036,261</u>	<u>\$ (19,843)</u>	<u>\$ (1,012,563)</u>	<u>\$ 1,340,349</u>	<u>\$ 1,151,710</u>	<u>\$ 3,495,914</u>

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# FINANCIAL SECTION

*Supplementary Information*  
*Fiduciary Funds*

FINANCIAL SECTION

## FIDUCIARY FUNDS

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

**The City of Newport Beach Fiduciary Funds are listed below:**

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

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

**CITY OF NEWPORT BEACH**  
**Agency Funds**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**June 30, 2018**

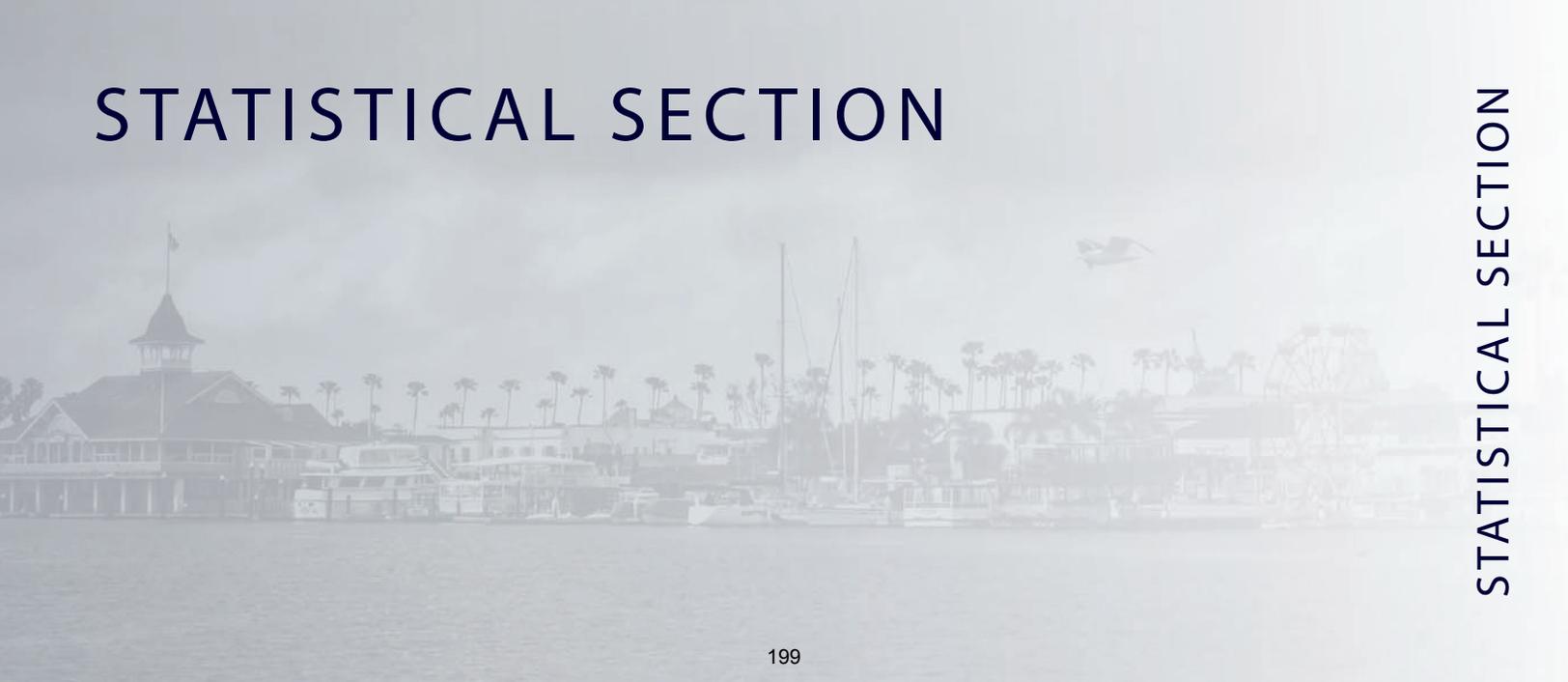
<b>Assets</b>	<b>Special Assessment District</b>	<b>Business Improvement</b>	<b>Totals</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash and investments	\$ 1,719,430	\$ 498,647	\$ 2,218,077
Cash with fiscal agent	2,161,873	-	2,161,873
Intergovernmental receivable	8,752	-	8,752
Total assets	<u>\$ 3,890,055</u>	<u>\$ 498,647</u>	<u>\$ 4,388,702</u>
<b>Liabilities</b>			
Due to bondholders	\$ 3,890,055	\$ -	\$ 3,890,055
Due to others	-	498,647	498,647
Total liabilities	<u>\$ 3,890,055</u>	<u>\$ 498,647</u>	<u>\$ 4,388,702</u>

**CITY OF NEWPORT BEACH**  
**Statement of Changes in Fiduciary Net Position**  
**All Agency Funds**  
**For the Year Ended June 30, 2018**

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Special Assessment District:</b>				
Assets				
Cash and investments	\$ 731,309	\$ 3,140,308	\$ (2,152,187)	\$ 1,719,430
Cash with fiscal agent	3,789,037	1,492,423	(3,119,587)	2,161,873
Intergovernmental Receivable	-	8,752	-	8,752
	<u>\$ 4,520,346</u>	<u>\$ 4,641,484</u>	<u>\$ (5,271,774)</u>	<u>\$ 3,890,055</u>
Liabilities				
Due to bondholders	<u>\$ 4,520,346</u>	<u>\$ 4,641,484</u>	<u>\$ (5,271,774)</u>	<u>\$ 3,890,055</u>
<b>Business Improvement District:</b>				
Assets				
Cash and investments	<u>\$ 561,610</u>	<u>\$ -</u>	<u>\$ (62,963)</u>	<u>\$ 498,647</u>
Liabilities				
Due to others	<u>\$ 561,610</u>	<u>\$ -</u>	<u>\$ (62,963)</u>	<u>\$ 498,647</u>
<b>Totals - All Agency Funds:</b>				
Assets				
Cash and investments	\$ 1,292,919	\$ 3,140,308	\$ (2,215,151)	\$ 2,218,077
Cash with fiscal agent	3,789,037	1,492,423	(3,119,587)	2,161,873
Intergovernmental receivable	-	8,752	-	8,752
	<u>\$ 5,081,956</u>	<u>\$ 4,641,484</u>	<u>\$ (5,334,737)</u>	<u>\$ 4,388,702</u>
Liabilities				
Due to bondholders	\$ 4,520,346	\$ 4,641,484	\$ (5,271,774)	\$ 3,890,055
Due to others	561,610	-	(62,963)	498,647
Total liabilities	<u>\$ 5,081,956</u>	<u>\$ 4,641,484</u>	<u>\$ (5,334,737)</u>	<u>\$ 4,388,702</u>

# STATISTICAL SECTION

STATISTICAL SECTION





## FINANCIAL TRENDS

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

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

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

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

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

	Fiscal Year			
	2009	2010	2011	2012 <sup>1</sup>
Governmental activities:				
Net investment in capital assets	\$ 2,061,635,642	\$ 2,084,912,221	\$ 2,087,403,003	\$ 2,098,349,998
Restricted	44,212,747	34,236,929	63,940,282	61,923,719
Unrestricted	96,276,381	86,049,492	67,500,916	82,515,232
Total governmental activities	<u>\$ 2,202,124,770</u>	<u>\$ 2,205,198,642</u>	<u>\$ 2,218,844,201</u>	<u>\$ 2,242,788,949</u>
Business-type activities:				
Net investment in capital assets	\$ 108,510,361	\$ 108,449,847	\$ 108,976,459	\$ 108,981,237
Restricted	-	-	-	-
Unrestricted	11,435,306	10,173,912	9,442,988	15,089,798
Total business-type activities	<u>\$ 119,945,667</u>	<u>\$ 118,623,759</u>	<u>\$ 118,419,447</u>	<u>\$ 124,071,035</u>
Primary government:				
Net investment in capital assets	\$ 2,170,146,003	\$ 2,193,362,068	\$ 2,196,379,462	\$ 2,207,331,235
Restricted	44,212,747	34,236,929	63,940,282	61,923,719
Unrestricted	107,711,687	96,223,404	76,943,904	97,605,030
Total primary government	<u>\$ 2,322,070,437</u>	<u>\$ 2,323,822,401</u>	<u>\$ 2,337,263,648</u>	<u>\$ 2,366,859,984</u>

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

<sup>2</sup> 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.

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

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

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

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

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

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

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

Fiscal Year					
2013	2014 <sup>2</sup>	2015 <sup>3</sup>	2016 <sup>4</sup>	2017 <sup>5</sup>	2018
\$ 2,124,797,794	\$ 2,148,942,928	\$ 2,176,644,408	\$ 2,193,773,102	\$ 2,201,552,683	\$ 2,208,832,391
72,119,674	59,998,344	45,689,702	44,033,677	45,753,736	49,791,908
77,966,414	(184,990,765)	(150,532,773)	(130,468,268)	(133,461,197)	(119,817,854)
<u>\$ 2,274,883,882</u>	<u>\$ 2,023,950,507</u>	<u>\$ 2,071,801,337</u>	<u>\$ 2,107,338,511</u>	<u>\$ 2,113,845,222</u>	<u>\$ 2,138,806,445</u>
\$ 111,177,135	\$ 115,948,522	\$ 113,914,514	\$ 117,055,576	\$ 116,238,944	\$ 118,624,671
-	-	-	-	-	-
19,172,398	13,160,611	21,756,124	23,430,189	28,890,311	29,183,382
<u>\$ 130,349,533</u>	<u>\$ 129,109,133</u>	<u>\$ 135,670,638</u>	<u>\$ 140,485,765</u>	<u>\$ 145,129,255</u>	<u>\$ 147,808,053</u>
\$ 2,235,974,929	\$ 2,264,891,450	\$ 2,290,558,922	\$ 2,310,828,678	\$ 2,317,791,627	\$ 2,327,457,062
72,119,674	59,998,344	45,689,702	44,033,677	45,753,736	49,791,908
97,138,812	(171,830,154)	(128,776,649)	(107,038,079)	(104,570,886)	(90,634,472)
<u>\$ 2,405,233,415</u>	<u>\$ 2,153,059,640</u>	<u>\$ 2,207,471,975</u>	<u>\$ 2,247,824,276</u>	<u>\$ 2,258,974,477</u>	<u>\$ 2,286,614,498</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 16,430,529	\$ 17,082,705	\$ 15,857,397	\$ 14,325,966	\$ 15,830,575	\$ 18,834,165	\$ 24,558,041	\$ 19,335,275	\$ 20,443,569	\$ 19,011,099
Public safety	79,301,600	79,402,600	78,128,006	75,696,570	83,235,188	87,676,062	96,945,872	91,046,455	102,494,314	107,647,562
Public works	45,600,429	55,445,327	40,341,323	48,913,412	47,794,631	42,953,118	45,774,939	45,443,988	54,039,601	47,615,000
Community development	10,283,528	10,082,454	8,637,525	9,365,676	9,223,098	10,283,481	10,073,248	9,943,868	12,056,086	12,377,394
Community services	20,589,094	17,232,357	17,272,374	21,554,696	22,244,661	21,357,271	22,418,287	22,700,052	26,583,440	27,307,115
Interest on long-term debt	437,207	372,502	5,078,881	8,204,928	7,989,339	7,888,192	7,711,334	7,615,094	7,472,188	7,381,743
Total governmental activities expenses	172,642,387	179,617,945	165,315,506	178,061,248	186,317,492	188,992,289	207,481,721	196,084,732	223,089,198	221,339,913
<b>Business-type activities:</b>										
Water	18,210,789	18,732,351	19,824,996	18,358,646	20,208,300	22,037,284	21,175,954	21,605,197	22,004,013	23,724,918
Wastewater	3,753,042	3,599,034	3,936,949	3,360,418	3,462,165	3,368,656	3,452,398	3,818,165	4,218,926	4,158,155
Total business-type activities expenses	21,963,831	22,331,385	23,761,945	21,719,064	23,670,465	25,405,940	24,628,352	25,423,362	26,222,939	27,883,073
Total primary government expenses	194,606,218	201,949,330	189,077,451	199,780,312	209,987,957	214,398,229	232,110,073	221,508,094	249,312,137	249,222,986
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	2,543,880	2,909,603	2,722,527	2,593,741	2,759,306	3,046,232	3,647,210	3,722,557	5,089,123	5,355,887
Public safety	14,757,266	15,006,601	15,686,314	16,240,135	16,008,421	19,124,113	19,386,017	19,108,222	19,899,242	20,733,883
Public works	5,532,871	6,392,877	2,938,315	4,576,208	5,019,835	5,517,103	5,276,991	5,319,510	5,214,426	5,789,579
Community development	4,852,534	4,806,745	5,599,737	6,202,080	7,057,010	8,043,390	8,608,645	8,419,588	10,838,114	9,956,226
Community services	9,052,330	8,673,465	8,962,818	14,119,869	13,176,050	13,270,316	13,667,775	13,964,018	13,653,466	13,974,329
Operating Grants and Contributions:	13,404,286	15,677,617	10,710,266	11,418,147	11,290,989	15,196,696	10,673,286	17,826,914	11,632,188	11,943,941
Capital Grants and Contributions:	24,633,716	12,350,100	11,101,239	14,838,783	25,613,846 <sup>1</sup>	563,786	38,157,665 <sup>2</sup>	2,717,504	27,993,317 <sup>2</sup>	1,815,464
Total governmental activities program revenues	74,776,883	65,817,008	57,721,216	69,988,962	80,925,457	64,761,636	99,417,589	71,078,313	94,319,876	69,569,309
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	16,966,621	17,412,634	20,097,227	23,877,685	26,795,767	29,397,882	27,705,129	24,499,952	25,371,307	26,931,193
Wastewater	3,479,565	3,368,327	3,348,433	3,382,905	3,450,638	3,438,670	3,326,362	3,065,762	3,161,114	3,445,772
Total business-type activities program revenues	20,446,186	20,780,961	23,445,660	27,260,590	30,246,405	32,836,552	31,031,491	27,565,714	28,532,421	30,376,965
Total primary government program revenues	95,223,069	86,597,969	81,166,876	97,249,552	111,171,862	97,598,188	130,449,080	98,644,027	122,852,297	99,946,274
<b>Net revenues (expenses):</b>										
Governmental activities	(97,865,504)	(113,800,937)	(107,594,290)	(108,072,286)	(105,392,035)	(124,230,653)	(108,064,132)	(125,006,419)	(128,769,322)	(151,770,604)
Business-type activities	(1,517,645)	(1,550,424)	(316,285)	5,541,526	6,575,940	7,430,612	6,403,139	2,142,352	2,309,482	2,493,892
Total net revenues (expenses)	\$ (99,383,149)	\$ (115,351,361)	\$ (107,910,575)	\$ (102,530,760)	\$ (98,816,095)	\$ (116,800,041)	\$ (101,660,993)	\$ (122,864,067)	\$ (126,459,840)	\$ (149,276,712)

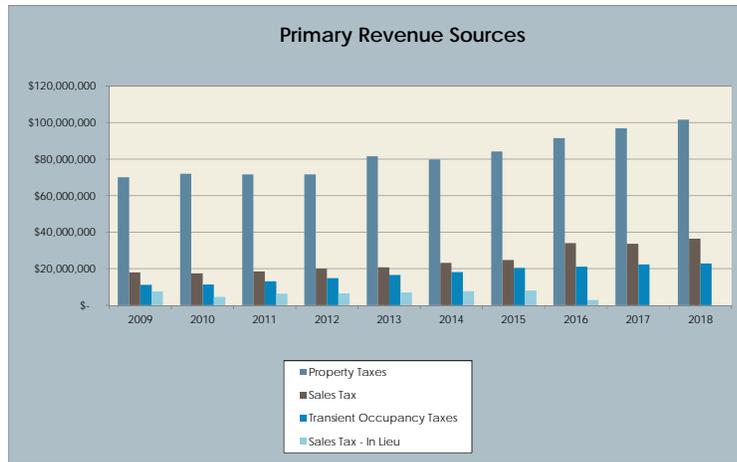
<sup>1</sup> 2013 data varies from trend because of increased capital assets related to contribution from State of California.

<sup>2</sup> Data varies from trend because of one-time receipt of developer contributions.

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property tax	\$ 70,126,680	\$ 71,999,680	\$ 71,630,345	\$ 71,546,249	\$ 81,603,194	\$ 79,889,346	\$ 84,121,461	\$ 91,516,611	\$ 96,964,060	\$ 101,593,290
Sales tax	17,925,956	17,440,736	18,455,181	20,107,597	20,764,204	23,142,065	24,832,412	33,937,986	33,702,895	36,373,253
Sales tax in-lieu	7,503,113	4,539,946	6,284,266	6,523,492	7,078,517	7,727,876	8,046,424	2,870,474	-	-
Transient occupancy tax	11,170,956	11,400,710	13,082,451	14,798,191	16,500,285	18,176,369	20,369,158	21,083,199	22,382,361	22,857,737
Business license tax	4,273,642	4,026,614	4,090,634	4,073,725	4,145,666	4,156,130	4,141,282	4,024,386	4,149,016	4,282,935
Franchise tax	3,961,634	3,715,946	3,730,819	3,845,901	3,820,723	3,998,943	4,189,130	4,047,584	4,026,005	4,228,469
Motor vehicle license fees	356,237	314,957	403,042	42,911	-	-	-	-	-	-
Other taxes	230,115	201,893	226,257	278,521	286,880	216,604	354,919	327,009	358,209	3,346,987
Investment income	1,764,827	706,855	366,081	405,674	219,091	542,915	437,272	584,259	589,001	632,808
Net increase in fair value of investments	1,096,848	707,200	369,235	246,119	-	53,783	61,337	376,311	-	-
Other	1,862,977	1,820,272	2,601,538	2,789,471	2,748,524	3,803,728	3,161,567	4,001,486	2,290,482	3,416,348
Change in accounting estimates	-	-	-	8,484,000	-	-	-	-	-	-
Capital contributions	-	-	-	7,352	319,884	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	(3,500,000)	-
<b>Total governmental activities</b>	<b>120,272,985</b>	<b>116,874,809</b>	<b>121,239,849</b>	<b>133,149,203</b>	<b>137,486,968</b>	<b>141,707,759</b>	<b>149,714,962</b>	<b>162,769,305</b>	<b>160,962,029</b>	<b>176,731,827</b>
Business-type activities:										
Investment income	374,893	128,399	52,996	49,718	22,442	128,439	123,445	216,576	77,752	184,906
Net increase in fair value of investments	-	-	-	-	-	-	-	-	-	-
Other	135,789	100,117	58,977	67,696	-	18,199	34,921	148,527	-	-
Capital contributions	-	-	-	(7,352)	(319,884)	-	-	2,375,000	-	-
Transfers	-	-	-	-	-	-	-	22,516	-	-
<b>Total business-type activities</b>	<b>510,682</b>	<b>228,516</b>	<b>111,973</b>	<b>110,062</b>	<b>(297,442)</b>	<b>146,638</b>	<b>158,366</b>	<b>2,762,619</b>	<b>3,577,752</b>	<b>184,906</b>
<b>Total primary government</b>	<b>120,783,667</b>	<b>117,103,325</b>	<b>121,351,822</b>	<b>133,259,265</b>	<b>137,189,526</b>	<b>141,854,397</b>	<b>149,873,328</b>	<b>165,531,924</b>	<b>164,539,781</b>	<b>176,916,733</b>
Changes in net position:										
Governmental activities	22,407,481	3,073,872	13,645,559	25,076,917	32,094,933	17,477,106	41,650,830	37,762,886	32,192,707	24,961,223
Business-type activities	(1,006,963)	(1,321,908)	(204,312)	5,651,588	6,278,498	7,577,250	6,561,505	4,904,971	5,887,234	2,678,798
<b>Total primary government</b>	<b>\$ 21,400,518</b>	<b>\$ 1,751,964</b>	<b>\$ 13,441,247</b>	<b>\$ 30,728,505</b>	<b>\$ 38,373,431</b>	<b>\$ 25,054,356</b>	<b>\$ 48,212,335</b>	<b>\$ 42,667,857</b>	<b>\$ 38,079,941</b>	<b>\$ 27,640,021</b>



**CITY OF NEWPORT BEACH**  
**Fund Balances of Governmental Funds<sup>1</sup>**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year			
	2009 <sup>2</sup>	2010 <sup>2</sup>	2011	2012
General fund:				
Nonspendable			\$ 1,031,742	\$ 7,854,478
Restricted			1,681,333	2,263,049
Committed			27,619,902	29,673,333
Assigned			11,865,835	19,431,475
Unassigned			20,570,033	20,570,023
Total general fund			<u>\$ 62,768,845</u> <sup>3</sup>	<u>\$ 79,792,358</u>
All other governmental funds:				
Nonspendable			\$ 5,898,234	\$ 5,396,436
Restricted			36,445,842	30,957,184
Committed			115,923,344	70,500,156
Assigned			5,633,558	-
Unassigned			(2,988,102)	(11,339,671)
Total all other governmental funds			<u>\$ 160,912,876</u> <sup>4</sup>	<u>\$ 95,514,105</u>
Total all governmental funds			<u>\$ 223,681,721</u>	<u>\$ 175,306,463</u>

	Fiscal Year	
	2009	2010
General fund:		
Reserved	\$ 5,907,205	\$ 5,472,481
Unreserved	73,703,759	76,685,385
Total general fund	<u>\$ 79,610,964</u>	<u>\$ 82,157,866</u>
All other governmental funds:		
Reserved	\$ 8,831,229	\$ 9,363,673
Unreserved, reported in:		
Special revenue funds	23,849,191	27,973,528
Capital projects funds	7,671,450	(10,571,278)
Permanent funds	1,170,009	1,294,924
Total all other governmental funds	<u>\$ 41,521,879</u>	<u>\$ 28,060,847</u>
Total all governmental funds	<u>\$ 121,132,843</u>	<u>\$ 110,218,713</u>

<sup>1</sup> The City of Newport Beach implemented GASB 54 for the fiscal year ending June 30, 2011.

<sup>2</sup> Information prior to the implementation of GASB 54 is not available.

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

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

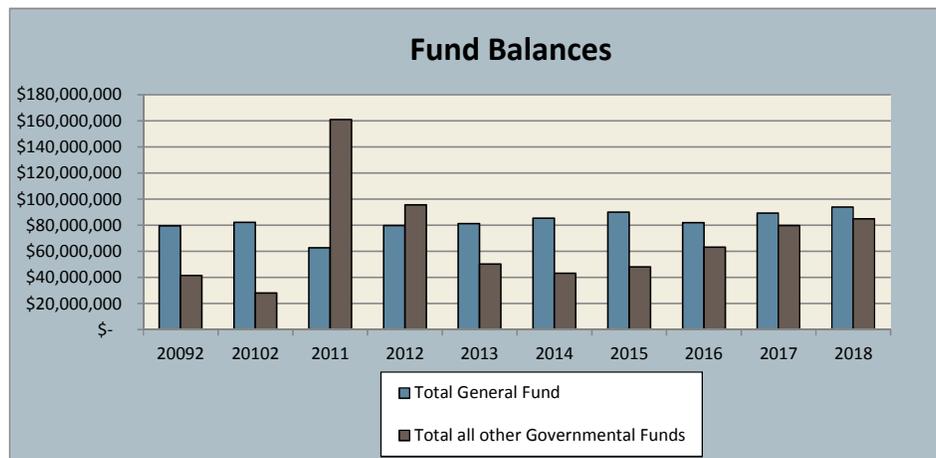
<sup>5</sup> Data varies from trend due to the reclassification of the contingency reserve from committed fund balance to unassigned fund balance per council approval.

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

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

**CITY OF NEWPORT BEACH**  
**Fund Balances of Governmental Funds<sup>1</sup>**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 9,919,486	\$ 16,316,499	\$ 15,784,396	\$ 15,210,896	\$ 14,434,017	\$ 14,050,930
2,410,373	3,939,751	5,389,810	3,083,133	3,797,009	4,412,302
29,371,507	12,782,235 <sup>5</sup>	11,847,852	2,726,020 <sup>6</sup>	10,570,638 <sup>7</sup>	13,444,487
6,843,417	1,326,170	1,421,225	4,201,311	567,132	590,368
32,585,375	51,015,820 <sup>5</sup>	55,509,258	56,618,041	60,009,244	61,415,049
<u>\$ 81,130,158</u>	<u>\$ 85,380,475</u>	<u>\$ 89,952,541</u>	<u>\$ 81,839,401</u> <sup>6</sup>	<u>\$ 89,378,040</u> <sup>7</sup>	<u>\$ 93,913,136</u>
\$ 4,697,220	\$ 4,629,781	\$ 4,669,269	\$ 4,629,781	\$ 4,666,256	\$ 4,787,243
27,433,342	33,243,790	29,842,384	33,662,859	31,950,139	38,629,419
33,961,163	19,513,389	26,159,261	40,248,977	49,510,047	41,731,742
-	-	-	-	-	-
(15,723,261)	(14,291,969)	(12,495,729)	(15,422,984)	(6,308,331)	(376,162)
<u>\$ 50,368,464</u>	<u>\$ 43,094,991</u>	<u>\$ 48,175,185</u>	<u>\$ 63,118,633</u>	<u>\$ 79,818,111</u>	<u>\$ 84,772,242</u>
<u>\$ 131,498,622</u>	<u>\$ 128,475,466</u>	<u>\$ 138,127,726</u>	<u>\$ 144,958,034</u>	<u>\$ 169,196,151</u>	<u>\$ 178,685,378</u>



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

	Fiscal Year			
	2009	2010	2011	2012
<b>Revenues:</b>				
Taxes	\$ 115,711,574	\$ 113,809,443	\$ 117,983,765	\$ 121,710,955
Intergovernmental	11,434,885	15,379,698	11,467,471	12,122,963
Licenses, permits and fees	5,883,515	3,950,967	5,198,986	6,691,125
Charges for services	14,498,120	15,293,362	15,285,813	16,020,825
Fines and forfeitures	4,572,611	4,105,632	3,545,229	3,795,787
Investment income	3,245,677	1,289,890	1,045,592	1,142,935
Net increase (decrease) in fair value of investments	1,472,335	1,155,363	882,317	704,656
Property income	14,032,342	14,624,923	15,538,387	17,458,143
Donations	6,760,140	5,497,640	1,790,073	13,977,850
Other	8,501,014	7,646,274	5,091,527	691,125
Total revenues	<u>186,112,213</u>	<u>182,753,192</u>	<u>177,829,160</u>	<u>194,316,364</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	15,567,654	15,169,546	15,424,734	12,896,492
Public safety	78,554,344	77,202,445	74,947,173	75,377,871
Public works	30,619,405	39,922,406	31,442,076	32,399,178
Community development	9,971,536	9,556,066	8,430,813	8,939,825
Community services	17,485,605	14,916,230	15,662,011	19,296,505
Capital outlay	26,002,338	36,796,653	37,645,882	80,617,948
<b>Debt service:</b>				
Principal	3,292,641	1,820,679	6,230,080	4,529,854
Interest and fiscal charges	482,908	383,297	1,179,612	8,320,500
Issuance of debt costs	-	-	1,219,071	-
Total expenditures	<u>181,976,431</u>	<u>195,767,322</u>	<u>192,181,452</u>	<u>242,378,173</u>
Excess (deficiency) of revenues over (under) expenditures	4,135,782	(13,014,130)	(14,352,292)	(48,061,809)
<b>Other financing sources (uses):</b>				
Transfers in	23,354,366	22,380,521	58,763,620	24,640,318
Transfers out	(23,354,366)	(21,780,521)	(58,763,620)	(24,953,767)
Proceeds from issuance of debt	-	1,500,000	126,660,000	-
Proceeds from sale	-	-	-	-
Issuance of debt premium	-	-	1,155,300	-
Proceeds from loan issuance	-	-	-	-
Payment to refunded loan escrow agent	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>2,100,000</u>	<u>127,815,300</u>	<u>(313,449)</u>
Net change in fund balances	<u>\$ 4,135,782</u>	<u>\$ (10,914,130)</u>	<u>\$ 113,463,008</u>	<u>\$ (48,375,258)</u>

Debt service as a percentage of noncapital expenditures	2.3%	1.4%	4.8%	8.3%
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**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	2017	2018
\$ 134,733,550	\$ 137,910,879	\$ 146,664,903	\$ 158,386,385	\$ 162,184,218	\$ 171,982,240
11,393,589	16,825,839	11,813,208	17,262,147	17,073,653	16,148,754
7,682,555	6,659,203	14,676,754	6,571,123	9,844,908	6,405,668
16,254,399	16,864,092	16,914,210	18,827,991	19,197,065	19,828,786
3,649,532	3,272,951	3,732,405	3,684,602	3,590,700	3,181,823
372,514	1,136,062	928,729	1,157,539	772,546	1,143,210
-	124,439	177,485	769,460	-	-
19,847,371	22,214,256	21,406,667	22,259,425	23,553,188	25,430,217
587,445	1,170,171	22,249,427	4,190,822	16,827,889	414,123
3,543,894	1,400,048	6,984,418	2,982,924	2,277,322	2,893,770
<u>198,064,849</u>	<u>207,577,940</u>	<u>245,548,206</u>	<u>236,092,418</u>	<u>255,321,489</u>	<u>247,428,591</u>
13,671,480	14,471,167	14,060,512	14,629,672	15,086,397	16,099,310
80,546,969	82,642,988	94,568,122	96,225,784	98,750,981	109,760,129
32,451,624	32,414,457	33,694,578	36,000,905	35,961,024	38,012,230
8,994,710	9,768,928	9,876,706	10,913,205	11,696,779	12,979,656
18,872,022	19,047,813	20,235,546	21,784,680	23,607,284	25,538,966
72,133,582	33,572,193	47,169,671	31,934,463	30,822,972	24,054,866
3,998,000	4,091,000	4,183,000	4,272,000	4,401,000	3,335,000
8,152,488	8,052,927	7,957,811	7,839,341	7,704,957	7,617,107
-	-	-	-	-	-
<u>238,820,875</u>	<u>204,061,473</u>	<u>231,745,946</u>	<u>223,600,050</u>	<u>228,031,394</u>	<u>237,397,264</u>
(40,756,026)	3,516,467	13,802,260	12,492,368	27,290,095	10,031,327
47,875,107	41,223,727	53,281,956	48,523,132	45,342,446	45,308,862
(50,926,922)	(47,245,283)	(57,431,956)	(54,185,192)	(49,390,226)	(45,850,962)
-	-	-	-	-	-
-	-	-	-	995,802	-
-	-	-	-	-	-
-	-	1,339,000	-	-	-
-	-	(1,339,000)	-	-	-
<u>(3,051,815)</u>	<u>(6,021,556)</u>	<u>(4,150,000)</u>	<u>(5,662,060)</u>	<u>(3,051,978)</u>	<u>(542,100)</u>
<u>\$ (43,807,841)</u>	<u>\$ (2,505,089)</u>	<u>\$ 9,652,260</u>	<u>\$ 6,830,308</u>	<u>\$ 24,238,117</u>	<u>\$ 9,489,227</u>
15.8%	6.9%	6.6%	7.2%	6.0%	5.3%

## REVENUE CAPACITY

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

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

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

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

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

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

**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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	0.071	0.082	0.081	0.081	0.081	0.081	0.047	0.047	0.047	0.047
School Districts	0.1009	0.1521	0.1548	0.1546	0.1646	0.1702	0.1819	0.1826	0.1730	0.1764
Total Overlapping Rate	0.172	0.234	0.236	0.236	0.245	0.251	0.228	0.229	0.219	0.223
Total Direct & Overlapping Rate	<u>\$ 1.172</u>	<u>\$ 1.234</u>	<u>\$ 1.236</u>	<u>\$ 1.236</u>	<u>\$ 1.245</u>	<u>\$ 1.251</u>	<u>\$ 1.228</u>	<u>\$ 1.229</u>	<u>\$ 1.219</u>	<u>\$ 1.223</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	2018			2009		
	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	\$ 1,599,747,714	1	2.97%	\$ 1,198,690,765	1	3.16%
PH Finance LLC	292,934,931	2	0.54%	N/A	-	0.00%
Block 500 Newport Center Drive LLC	222,607,367	3	0.41%	N/A	-	0.00%
Newport Bluffs LLC	154,443,725	4	0.29%	135,435,013	4	0.36%
Balboa Bay Club Ventures	142,723,987	5	0.27%	127,595,495	5	0.34%
UDR Newport Beach North LP	132,619,723	6	0.25%	115,457,240	8	0.30%
HG Newport Owner LLC	130,170,360	7	0.24%	N/A	-	0.00%
Coronado South Apartments LP	127,523,506	8	0.24%	112,371,413	9	0.30%
Bay Island Club	116,720,138	9	0.22%	N/A	-	0.00%
Jazz Semiconductor Inc	114,330,994	10	0.21%	125,900,087	6	0.33%
	<u>\$ 3,033,822,445</u>		<u>5.64%</u>	<u>\$ 1,815,450,013</u>		<u>4.79%</u>

Source: HdL, Coren and Cone Co.

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years <sup>2</sup>	Total Collections to Date	
		Amount <sup>1</sup>	Percent of Levy		Amount	Percent of Levy
2009	\$ 71,006,357	\$ 68,266,624	96.14%	\$ 2,123,097	\$ 70,389,721	99.13%
2010	68,412,731	66,282,513 <sup>3</sup>	96.89%	1,507,391	67,789,904	99.09%
2011	70,476,893	68,577,472	97.30%	1,069,122	69,646,594	98.82%
2012	71,157,295	69,435,794	97.58%	985,344	70,421,138	98.97%
2013	74,165,333	72,532,734	97.80%	736,983	73,269,717	98.79%
2014	79,195,727	77,758,504	98.19%	650,273	78,408,777	99.01%
2015	83,843,488	82,191,604	98.03%	814,585	83,006,189	99.00%
2016	84,166,940	81,762,526	97.14%	776,966	82,539,492	98.07%
2017	86,264,321	84,019,053	97.40%	723,614	84,742,667	98.24%
2018	92,139,181	90,279,099	97.98%	- <sup>4</sup>	90,279,099	97.98%

<sup>1</sup> Net collections reflect deductions for refunds and Impoundments.

<sup>2</sup> Exclusive of penalty charges

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

<sup>4</sup> The total amount of Fiscal Year 2018 delinquent taxes collected in subsequent years was not available as of the date the information was collected for the City's Comprehensive Annual Financial Report.

Source: Orange County Auditor Controller's Office

## DEBT CAPACITY

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

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

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

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

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

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation <sup>1</sup>	Note Payable	Pre-Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
2009	\$ 4,335,000	\$ 1,119,613	\$ 9,600,000	\$ 1,972,000	\$ -	\$ -
2010	3,990,000	932,934	8,400,000	1,883,000	-	1,500,000
2011	127,744,977	737,854	7,200,000	1,788,000	-	750,000
2012	125,884,424	-	6,000,000	1,686,000	-	-
2013	123,073,871	-	4,800,000	1,578,000	-	-
2014	120,178,318	-	3,600,000	1,462,000	-	-
2015	117,197,765	-	2,400,000	1,339,000	-	-
2016	114,137,212	-	1,200,000	1,207,000	-	-
2017	110,956,659	-	-	1,066,000	-	-
2018	107,651,106	-	-	916,000	-	-

Note: This schedule excludes claims and judgments, employee compensated absence, OPEB and Early Retirement Incentive Plan Liabilities. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Amounts include any applicable bond premium.

<sup>2</sup> These ratios are calculated using personal income and population for the prior calendar year.

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

Business-type Activities					
Total Governmental Activities	Water Revenue Bonds	Total Business- type Activities	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
\$ 17,026,613	\$ 1,585,000	\$ 1,585,000	\$ 18,611,613	0.25%	216
16,705,934	-	-	16,705,934	0.25%	193
138,220,831	-	-	138,220,831	2.34%	1,619
133,570,424	-	-	133,570,424	2.30%	1,553
129,451,871	-	-	129,451,871	1.85%	1,498
125,240,318	-	-	125,240,318	1.81%	1,442
120,936,765	-	-	120,936,765	1.77%	1,386
116,544,212	-	-	116,544,212	1.77%	1,383
112,022,659	-	-	112,022,659	1.66%	1,319
108,567,106	-	-	108,567,106	1.48%	1,245

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

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

<sup>1</sup> Amounts include any applicable bond premium.

<sup>2</sup> 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, 2018**

**City Net Assessed Valuation:** \$ 53,780,216,020

	Percentage Applicable <sup>(1)</sup>	Outstanding Debt 6/30/18	Estimated Share of Overlapping Debt
<b>OVERLAPPING DEBT:</b>			
Metropolitan Water District	1.962%	\$ 60,600,000	\$ 1,188,972
Coast Community College District	34.122%	781,334,504	266,606,959
Rancho Santiago Community College District	2.518%	246,734,249	6,212,768
Rancho Santiago Community College District School Facilities Improvement District No. 1	4.801%	121,395,000	5,828,174
Laguna Beach Unified School District	15.245%	23,300,000	3,552,085
Laguna Beach Unified School District Community Facilities District No. 98-1	100.000%	8,300,000	8,300,000
Newport Mesa Unified School District	73.406%	266,335,606	195,506,315
Newport Mesa Unified School District Community Facilities District No. 90-1	100.000%	4,715,000	4,715,000
Santa Ana Unified School District	5.933%	247,026,073	14,656,057
Irvine Ranch Water District Improvement Districts	3.192% - 100.000%	472,815,800	60,233,611
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	28,245,000	28,245,000
City of Newport Beach 1915 Act Bonds	100.000%	6,197,735	6,197,735
Orange County Irvine Coast Assessment District No. 88-1	100.000%	2,735,000	2,735,000
Orange County Reassessment District No. 99-1R	100.000%	1,900,000	1,900,000
Orange County Reassessment District No. 01-1R	100.000%	360,000	360,000
Orange County Newport Coast Assessment District No. 01-1	100.000%	4,430,000	4,430,000
Orange County Newport Coast Reassessment District No. 17-1R	100.000%	28,425,000	28,425,000
Orange County General Fund Obligations	9.645%	210,347,000	20,287,968
Orange County Pension Obligation Bonds	9.645%	383,564,389	36,994,785
Orange County Board of Education Certificates of Participation	9.645%	13,990,000	1,349,336
Coast Community College District Certificates of Participation	34.122%	3,285,000	1,120,908
Santa Ana Unified School District Certificates of Participation	5.933%	69,817,854	4,142,293
Overlapping Tax Increment Debt (Successor Agency):	3.771% - 62.915%	21,030,000	8,422,617
<b>TOTAL OVERLAPPING DEBT</b>		<b>\$ 3,006,883,210</b>	<b>\$ 711,410,584</b>
<b>DIRECT DEBT:</b>			
City of Newport Beach Certificates of Participation	100.000%	107,651,106	\$ 107,651,106
Community Development Block Grant Loan	100.000%	916,000	916,000
<b>TOTAL DIRECT DEBT</b>		<b>\$ 108,567,106</b>	<b>\$ 108,567,106</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>			<b>\$ 819,977,690</b>
<b>GROSS COMBINED TOTAL DEBT <sup>(2)</sup></b>			<b>\$ 819,977,690</b>

<sup>1</sup> 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.

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

Ratios to 2017-18 Net Assessed Valuation:

Total Overlapping Debt	1.32%
Total Direct Debt (\$108,567,106)	0.20%
Gross Combined Total Debt	1.52%

Ratios to Redevelopment Incremental Valuation (\$1,085,798,716)

Total Overlapping Tax Increment Debt	0.78%
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Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2009	2010	2011	2012
Assessed valuation	\$ 37,918,144,910	\$ 38,659,534,878	\$ 38,751,370,481	\$ 39,115,501,760
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	9,479,536,228	9,664,883,720	9,687,842,620	9,778,875,440
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,421,930,434	1,449,732,558	1,453,176,393	1,466,831,316
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 1,421,930,434</u>	<u>\$ 1,449,732,558</u>	<u>\$ 1,453,176,393</u>	<u>\$ 1,466,831,316</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					
2013	2014	2015	2016	2017	2018
\$ 40,183,130,504	\$ 42,341,162,463	\$ 44,752,056,903	\$ 47,388,470,098	\$ 50,341,686,565	\$ 53,780,216,020
25%	25%	25%	25%	25%	25%
10,045,782,626	10,585,290,616	11,188,014,226	11,847,117,525	12,585,421,641	13,445,054,005
15%	15%	15%	15%	15%	15%
1,506,867,394	1,587,793,592	1,678,202,134	1,777,067,629	1,887,813,246	2,016,758,101
-	-	-	-	-	-
<u>\$ 1,506,867,394</u>	<u>\$ 1,587,793,592</u>	<u>\$ 1,678,202,134</u>	<u>\$ 1,777,067,629</u>	<u>\$ 1,887,813,246</u>	<u>\$ 2,016,758,101</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## DEMOGRAPHIC AND ECONOMIC INFORMATION

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

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

- Demographic and Economic Statistics
- Principal Employers

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

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

Fiscal Year	Population <sup>1</sup>	Personal Income (in thousands)	Per Capita Income <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
2009	86,252	\$ 7,468,216	\$ 86,586	6.1%
2010	86,738	6,676,484	76,973	6.0%
2011	85,376	5,916,215	69,296	5.8%
2012	85,990	5,809,828	67,564	5.1%
2013	86,436	6,995,784	80,936	4.2%
2014	86,874	6,926,725	79,733	3.6%
2015	87,249	6,848,523	78,494	4.0%
2016	84,270	6,574,071	78,012	3.4%
2017	84,915	6,736,392	79,331	3.1%
2018	87,182	7,334,970	84,134	2.9%

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

Sources:

<sup>(1)</sup> 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, 2016 and 2017.

<sup>(2)</sup> U.S. Census Bureau - American Community Survey 1-Year Estimates

<sup>(3)</sup> State of California, Employment Development Department

**CITY OF NEWPORT BEACH**  
**Principal Employers<sup>1</sup>**  
**Current Year and 9 years ago**

Employer	2018			2009		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	5,200	1	6.32%	4,116	1	5.08%
Pacific Life Insurance	1,276	2	1.55%	1,096	2	1.35%
Glidewell Dental	1,200	3	1.46%	902	3	1.11%
PIMCO Advisors	1,033	4	1.26%	762	5	0.94%
Newport-Mesa Unified School District	807	5	0.98%	N/A <sup>2</sup>	-	N/A
Jazz Semi-Conductor	805	6	0.98%	586	7	0.72%
City of Newport Beach	725	7	0.88%	832	4	1.03%
Resort at Pelican Hill	713	8	0.87%	735	6	0.91%
Balboa Bay Club and Resort	520	9	0.63%	N/A <sup>2</sup>	-	N/A
The Island Hotel	430	10	0.52%	424	8	0.52%
Fletcher Jones Motor Cars Inc.	415	11	0.50%	420	9	0.52%
Marriott-Newport Beach	275	12	0.33%	363	10	0.45%

<sup>1</sup> Figures reflect number of employees of employer at the time the information was collected.

<sup>2</sup> Company listed was unable to provide employee data for 2009.

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

## OPERATING INFORMATION

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

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

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

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

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

Function	Full-Time Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	99	92	94	95	94	79	78	77	77	79
Public safety	397	394	381	359	357	366	370	374	371	372
Community development	57	53	51	58	56	53	52	52	52	53
Public works	160	147	144	130	128	119	109	104	99	98
Community services	71	69	70	68	70	74	75	79	81	79
Water	35	36	37	38	32	32	31	32	31	33
Wastewater	13	14	15	15	15	13	13	12	13	11
Total	<u>832</u>	<u>805</u>	<u>792</u>	<u>763</u>	<u>752</u>	<u>736</u>	<u>728</u>	<u>730</u>	<u>724</u>	<u>725</u>

Source: City Finance Department

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

	Fiscal Year			
	2009	2010	2011	2012
Police:				
Adult Arrests	3,245	2,967	3,093	2,982
Parking Citations Issued	65,176	66,310	67,459	55,418
Fire:				
Fire Responses	371	172	165	201
Fire Inspections	6,912	7,000	7,100	4,315
General Services:				
Street Patching (tons of mix)	3,882	3,467	2,580	2,246
Sidewalk Repair (square feet)	49,644	49,540	39,972	34,000
Recreation & Senior Services:				
Co-Sponsored Youth Organization Attendance	318,000	350,000	322,000	257,322
Senior Transportation Services	16,035	15,458	15,063	15,264
Water:				
New connections	26	19	28	35
Average daily consumption (hundred cubic ft.)	17	17.25	17.25	15.15
Sewer:				
New connections	12	9	6	15
Miles of Pipe Cleaned	209	200	235	248
Library Services:				
Library Circulation of Materials	1,575,518	1,819,122	1,770,683	1,582,953

Source: City of Newport Beach

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
3,161	2,794	3,472	3,158	3,178	3,266
58,823	51,609	59,753	64,762	69,246	56,685
342	356	305	300	247	248
4,338	3,352	1,281	1,201	1,216	1,307
1,708	2,408	2,711	1,890	1,439	1,403
37,607	37,607	27,175	27,000	20,490	22,925
293,938	294,000	303,152	305,000	425,000	437,751
13,112	13,956	13,740	14,000	13,500	13,071
54	72	187	194	229	210
14.02	15.96	16.39	11.66	13.80	14.07
14	22	20	17	41	137
215	245	260	250	202	211
1,582,914	1,689,870	1,610,818	1,575,000	1,464,640	1,424,594

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

	Fiscal Year			
	2009	2010	2011	2012
<b>Police:</b>				
Stations	1	1	1	1
<b>Fire:</b>				
Fire stations	8	8	8	8
Lifeguard Headquarters	1	1	1	1
<b>Public works:</b>				
Streets (miles)	395	395	395	395
Streetlights	5,978	5,978	5,978	5,977
Traffic signals	803	803	803	808
<b>Recreation &amp; Senior Services:</b>				
Parks	63	63	63	63
Community centers (includes leased property)	14	14	14	14
Aquatic Center	1	1	1	1
<b>Water:</b>				
Water mains (miles)	300.31	303.27	303.25	303.25
Maximum daily capacity (thousands of gallons)	19,707	19,341	28,540	27,508
<b>Wastewater:</b>				
Sanitary sewers (miles)	202.80	202.80	202.40	202.40
Storm sewers (miles)	95.50	95.50	95.40	95.40
<b>Library Services:</b>				
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					
2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
395	395	395	399	400	400
5,977	5,977	5,977	5,978	5,978	5,978
808	808	808	808	808	808
64	64	64	64	64	64
14	14	14	15	15	15
1	1	1	1	1	1
303.25	298.37	299.58	299.77	300.64	300.30
26,916	27,704	27,800	27,800	27,800	27,800
202.40	202.62	202.64	202.75	202.72	203.56
95.40	70.62	94.14	92.08	94.74	95.12
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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Type of Customer:										
Residential	3,989,816	4,251,996	3,656,705	4,001,344	3,890,973	3,902,007	3,853,566	3,072,589	3,564,203	3,603,927
Commercial	1,188,553	1,165,128	1,145,843	2,369,492	2,389,822	2,525,169	2,560,620	1,847,372	2,142,952	2,201,254
Government	420,697	349,334	320,821	374,091	394,787	455,251	396,605	263,116	305,214	289,738
<b>Total</b>	<b>5,599,066</b>	<b>5,766,458</b>	<b>5,123,369</b>	<b>6,744,927</b>	<b>6,675,582</b>	<b>6,882,427</b>	<b>6,810,791</b>	<b>5,183,077</b>	<b>6,012,369</b>	<b>6,094,919</b>
Total direct rate per 100 cubic ft.	\$ 2.08	\$ 2.20	\$ 2.46	\$ 2.73	\$ 2.96	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08	\$ 3.08

Source: City Utilities Department

**CITY OF NEWPORT BEACH**  
**Utility Rates<sup>1</sup>**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Monthly Base Rate	Rate per 100 cubic ft
2009	\$ 9.00	\$ 2.43
2010	12.77	2.55
2011	17.59	2.81
2012	19.61	3.08
2013	21.13	3.31
2014	21.77	3.43
2015	21.77	3.43
2016	21.77	3.43
2017	21.77	3.43
2018	23.73	3.46

<sup>1</sup> 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	2018			2009		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
Irvine Company Apartment	\$ 618,354	1	2.28%	\$ 369,056	1	2.13%
Irvine Company Office	598,830	2	2.21%	359,430	2	2.07%
Bluffs Homeowners Association	310,148	3	1.14%	243,532	5	1.40%
Hoag Memorial Hospital	300,856	4	1.11%	316,004	3	1.82%
Park Newport Ltd	296,650	5	1.09%	208,447	7	1.20%
Newport-Mesa Unified School District	286,648	6	1.06%	147,483	10	0.85%
Big Canyon Country Club	282,993	7	1.04%	211,108	6	1.22%
UDR Newport Beach	247,956	8	0.92%	179,870	8	1.04%
Newport Beach Country Club	229,898	9	0.85%	246,997	4	1.42%
Irvine Company Retail	209,431	10	0.77%	156,869	9	0.90%
Pacific View - Pierce Bros.	187,305	11	0.69%	131,377	11	0.76%
Jasmine Creek Community Association	135,023	12	0.50%	87,501	14	0.50%
Villa Balboa Community Association	134,027	13	0.49%	90,226	13	0.52%
Hyatt Newport	130,789	14	0.48%	39,329	31	0.23%
One Ford Road Community Association	126,357	15	0.47%	78,628	16	0.45%
	<u>\$ 4,095,264</u>		<u>15.11%</u>	<u>\$ 2,865,858</u>		<u>16.52%</u>

Source: City Revenue Division





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