



Newport Beach City Hall, circa 1950s, photo courtesy Orange County Archives



City of Newport Beach

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013



Newport Beach Civic Center, 2012, Architectural Rendering



*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013*

*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

CITY OF NEWPORT BEACH
Comprehensive Annual Financial Report
Year Ended June 30, 2013

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(Unaudited)

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CITY OF NEWPORT BEACH

FINANCE DEPARTMENT

December 24, 2013

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

The City Charter and California state law require that the City of Newport Beach issue annually a complete set of financial statements 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, 2013, 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.

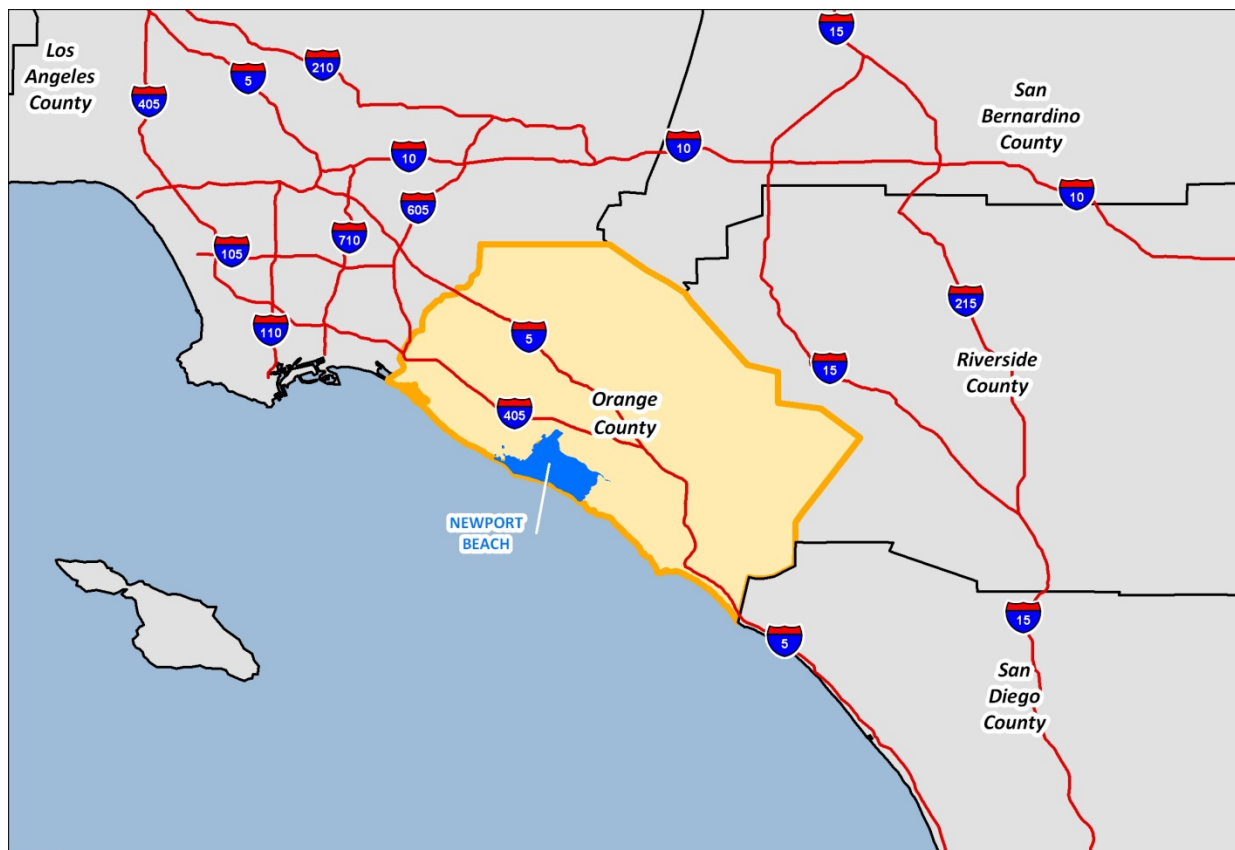
The City of Newport Beach's financial statements have been audited by White Nelson Diehl Evans LLP, a firm of licensed certified public accountants. The goal of the audit was to provide reasonable assurance that the financial statements of the City of Newport Beach for the fiscal year (FY) ended June 30, 2013 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, 2013 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE CITY

The City of Newport Beach is a community located in the coastal center of Orange County, in the heart of Southern California, with Los Angeles County to the north and San Diego County to the south. There are currently 34 cities within the county. Orange County is the third largest county in California trailing Los Angeles and San Diego. It is the 6th 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 is one of Southern California's most scenic and dynamic communities. It surrounds Newport Bay, well known for its picturesque islands and one of the greatest natural yacht harbors in the world, accommodating over 9,000 boats of all types docked within its 21 square mile harbor. This bay area and the ten miles of ocean beach offer outstanding fishing, swimming, surfing, and aquatic sports activities. The city has a permanent population of 86,436 which typically grows to well over 100,000 during the summer months, including 20,000 to 100,000 tourists daily. There are fine residential areas, modern shopping facilities, and a quality school system. The University of California, Irvine, is located immediately adjacent to the city, and eight other colleges are within a 30-mile radius.

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

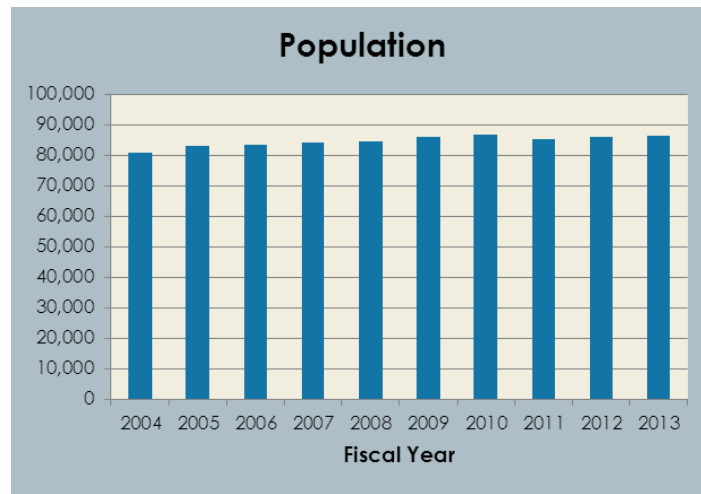


Newport Beach was incorporated September 1, 1906. The City Charter was originally adopted in 1954 but has been updated and amended over time. The City operates under a Council-Manager form of government. Council Members are elected by district but voted on by the population as a whole, and serve four-year staggered terms. The governing council consists of the mayor and six other members and is responsible for among other things, policy-making, passing local ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day to day operations of the City, and for appointing heads of departments. The City of Newport Beach is a full service city providing its residents and visitors with the following functional services: general governance, legal, financial, information technology, and administrative management; police, fire, paramedic, lifeguard, and emergency medical transport services; engineering, construction, and maintenance of public facilities, public streets, beaches, and parks; planning, zoning, and economic development services; building inspection, plan check and code enforcement services; libraries and cultural and arts services; recreation and senior services; and water, wastewater, waste disposal, 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 service. Public elementary and secondary education is provided by the Newport-Mesa Unified School District and the Laguna Beach Unified School District.

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

DEMOGRAPHICS

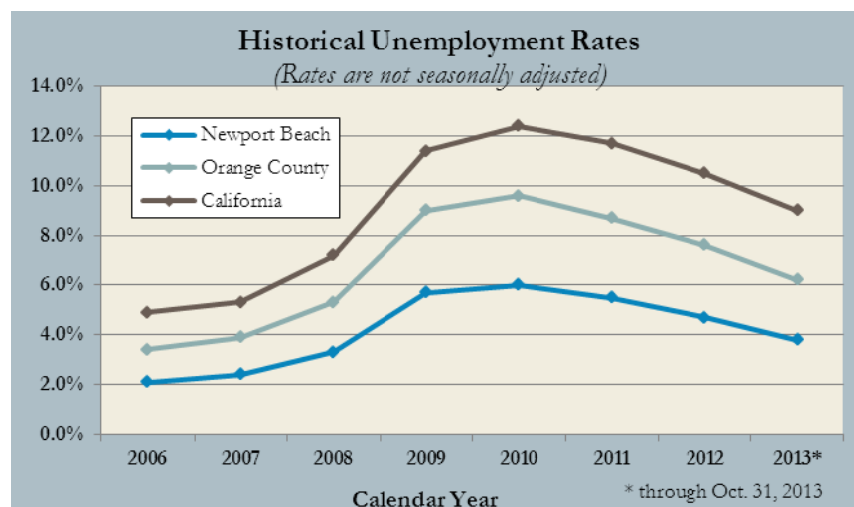
Reflective of a mature community, vacant land has become increasingly scarce and the City is relatively built-out. Currently at 86,436, the population has been very stable as indicated by the following chart.



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.

2012 Median Household Income	
City of Newport Beach	\$112,259
Orange County	71,983
California	58,328
USA	51,371

The leading industries here are professional, scientific, health-care, finance, insurance, legal and other management. 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.

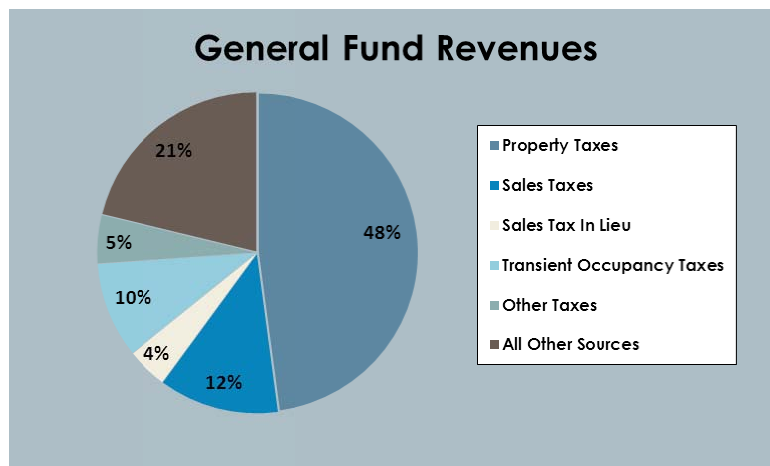
LOCAL ECONOMY

California's economic picture is brighter than that of the national economy. This is due largely to the demand for California goods, such as computers and other technology, according to the UCLA Anderson Forecast. California outperformed the U.S. in the rate of payroll jobs and only Utah has added jobs faster than California. California's job growth has been spread across several industries, including leisure and hospitality and white-collar jobs in the professional and business services sector. Construction payroll employment was the fastest growing job category in California and Orange County in early 2013. Economists predict that the upward trend in construction spending will continue well into 2014. They project the total value of building permit valuation to increase by about 15% in Orange County in 2014.

Orange County's economy is expanding, and the near-term outlook warrants growing optimism. The county's economic expansion has continued to outpace that of both the nation and the state. The county's unemployment rate, which peaked at 9.5% in 2010, fell as low as 5.8% by November of 2013. Local auto dealers sold 12% more vehicles in the third quarter when compared to the prior year, according to the Orange County Automobile Dealers Association. Orange County is headed toward the fifth consecutive year-over-year gain in car sales in 2013 and the association expects growth to continue in 2014. The tourism industry, anchored by two Disney amusement parks, has also driven economic activity in the area. The leisure and hospitality sector, a significant source of tax revenue for the City of Newport Beach, has grown over the past year and added jobs. In spite of these favorable economic trends, a generally conservative outlook is warranted. We are cognizant of threats on the horizon including the Sequester and the federal government's challenges in addressing national financial issues. These issues may have significant impact on the local, state, and national economy. As revenues are projected to gradually increase, management will continue to focus on Council priorities; maintaining responsible fiscal planning and forecasting; and furthering the goals of the City's Fiscal Sustainability Plan.

TOP THREE REVENUE SOURCES

General Fund revenues were approximately \$170 million during FY 2012-13. The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu, and Transient Occupancy Taxes (TOT), represent 74% of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees and other taxes represent nearly 79% of all General Fund revenues while only 21% is generated by other revenue sources.



Property Taxes

Unlike many cities, property taxes, not sales taxes, are the number one source of revenue for the City of Newport Beach, representing almost half (48%) of all General Fund revenues. Due to the limited supply of scenic coastal property and the unique access to the scenic Newport Bay, the Newport Beach community has been developed into affluent residential neighborhoods and high-end commercial districts.

Consistent and vigorous demand for coastal property has allowed the City to enjoy long-term growth trends with its number one revenue source. Over the past 10 years, assessed valuation increased an average of 5.7% per annum and 6% over a twenty-year period. Newport Beach posted Orange County's highest increase in assessed property values at 5.2% in FY 2013-14 and came in second in total local assessed value at \$42.3 billion for fiscal year FY 2013-14. 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% per year. This practice creates a constant lag and buffer between assessed and market values, effectively insulating the tax base from more erratic market value gyrations.

While property tax growth rates fell sharply during the Great Recession, the City has experienced positive AV growth during each of the past 19 years (see chart below with the past 15 years of AV growth demonstrated). This positive growth occurred while many other cities experienced large decreases in their AV during 2008 through 2011.



Property tax collections finished the year nearly \$10.1 million or 14%, higher than the previous fiscal year. This is due to increases in assessed property values and a one-time \$5.4 million payment resulting from the State's recent actions to dissolve redevelopment agencies. Excluding the one-time \$5.4 million payment, property tax collections finished the year \$4.6 million higher than the previous fiscal year, yet remain below the median price peak realized in 2007. Local agents say the same factors that have propelled the market since the start of the year were at work over the past year: low mortgage interest rates, strong demand, stiff competition from cash-paying investors and relatively few homes for sale.

Median home sales prices of \$1,495,000 in the City, far exceed the County wide median sales price of \$539,500.

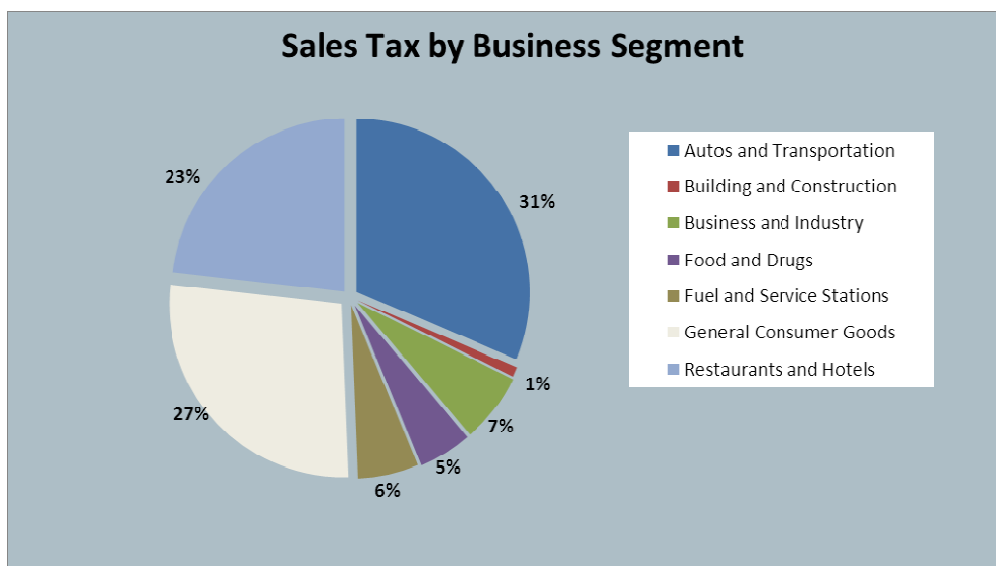
CITY OF NEWPORT BEACH Median Home Sales* Comparative Month Ending October			
Year	Single Family Residence Sales	Median Sales Price	% Change
2007	878	\$ 1,625,000	
2008	601	1,450,000	-10.77%
2009	838	1,100,000	-24.14%
2010	1,155	1,275,000	15.91%
2011	1,198	1,195,500	-6.24%
2012	1,682	1,266,000	5.90%
2013	1,331	1,495,000	18.09%

* Source: HdL Coren & Cone

Sales Taxes and Sales Taxes in Lieu

In March of 2004, voters approved Proposition 57 which allowed the State to enact revenue swapping procedures commonly referred to as the “Triple Flip.” In doing so, Sales Taxes were reallocated to cities in two separate revenue streams, “Sales Taxes” and “Sales Taxes in Lieu,” which impacted the timing and distribution method but did not impact the revenue category in total. Sales Taxes in total represent 16.3% of all General Fund revenues.

The City’s sales tax base is generated from a relatively diverse business community and is not dependent on any one merchant or industry. The following chart demonstrates the diversity of the City sales tax revenue. The largest segment, “Autos and Transportation,” accounts for 31% of total sales taxes and is represented by 177 new and used auto, boat and aircraft dealers, supply stores and repair shops. The next largest segment, “General Consumer Goods” accounts for 27% of total sales taxes and is represented by a multitude of stores and shops that provide various consumer goods. The third largest sales tax segment, “Restaurants and Hotels,” accounts for 24% of total sales tax and is represented by 450 restaurants, hotels, clubs and other amusement places.



Sales Tax revenue continues to trend upwards, finishing \$1.2 million or 4.6% higher than the prior fiscal year. The Autos and Transportation, General Consumer Goods, and Restaurant and Hotels categories posted increases of 0.3%, 0.7%, and 5.7% respectively over the prior year.

Transient Occupancy Taxes (TOT)

TOT accrues to the City at a rate of 10% of room charges (with 18% of this collection going to the local destination marketing organization [Visit Newport Beach, Inc] 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 twenty inns, motels, hotels and resorts and accounts for 91.4% of TOT revenues. The residential category is made up of some 700 vacation rentals representing only 8.6% of TOT revenue; together, they accounted for \$16.5 million in TOT revenue during FY 2012-13.

TOT collections increased \$1.7 million or 11.5% over the prior year. This is the net result of a \$205,000 increase in residential transient tax collections and a \$1.5 million increase in hotel transient tax collections. Of the city's larger hotels, the Pelican Hill Resort, all three Marriot branded accommodations, and the Fairmont Hotel generated the largest increases to TOT collections. All but three of the city's 20 hotels and inns experienced an increase in TOT revenue over the prior year. Excluding Pelican Hill Resort remittances, which opened at the height of the recession, TOT revenues have exceeded the pre-recession levels of FY 06/07 by \$479,000. As of the fiscal year end, actual TOT collections exceeded budget by \$1.2 million.

LONG TERM FINANCIAL PLANNING

The City Council has adopted prudent fiscal policies concerning its investments, reserves, debt, budget administration, revenue initiative, competitive contracting, facility replacement planning and the like. These fiscal policies, such as the 15-Point Fiscal Sustainability Plan mentioned earlier, can be found on the City's website in the City Council section under City Government at:

www.newportbeachca.gov/financialinfo

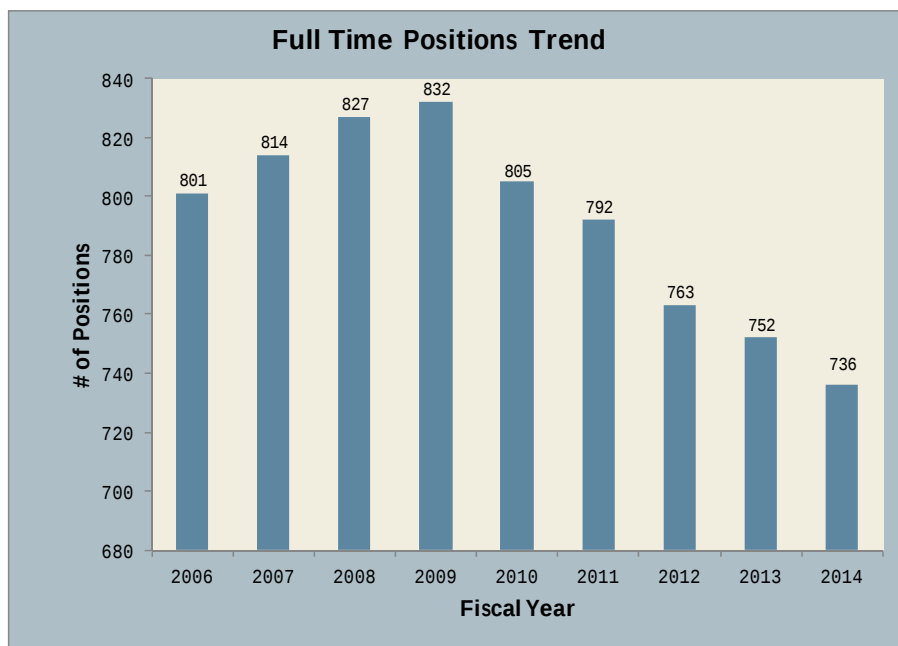
The annual budget serves as the foundation for the City of Newport Beach's financial planning and control and allows the City Council to prioritize City expenditures strategically aligned with core community values. Appropriations for operating expenditures shall be balanced in relation to current revenue sources and will not over-rely on one-time revenue sources or reserves. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, whenever circumstances warrant. The City Council may authorize the use of Contingency reserves (set at 15% of the General Fund Operating Budget) only during emergency situations as set forth by the Council Reserve Policy. The City Council holds a budget hearing and adopts a budget on or before June 30, the close of the City's fiscal year.

FISCAL SUSTAINABILITY AND MAINTAINING HIGH LEVELS OF SERVICE

Newport Beach continues to be a stable, prosperous, and financially secure municipality due to its strong underlying tax base, governance, and disciplined fiscal decisions. City management continued to focus on the City Council's priorities, including responsible, yet difficult, spending decisions, adherence to a 15-Point Fiscal Sustainability Plan, strong revenue monitoring, analysis, and reporting in FY 2012-13.

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

Expenditures were lower than budgeted due to the effective management of operating expenditures, control of labor costs, and outsourcing (such as parking lot administration and printing services). Through a combination of early retirement plans, attrition, outsourcing and lay-offs in recent years the full-time work-force has been reduced nearly 12% since FY 2009-10 as depicted in the chart below:



Looking ahead, management continues to focus on programs and activities that support four core qualities that make Newport Beach special: a high quality physical environment; a sense of community enjoyment and safety; civic engagement within the community and with City government; and an accountable and responsive City

government. Departments continue to review all programs to ensure they support these core values and at the same time continue to look for department operating reductions or increased revenue opportunities, where appropriate.

GENERAL FUND & FACILITIES FINANCIAL PLANNING RESERVE

Contributions to the General Fund Reserves are established by prudent fiscal policies as part of the annual budget process, or as conditions change. The positive underlying economic factors in Newport Beach in recent years have allowed for the accumulation of General Fund reserves at the end of FY 2012-13 in the amount of \$81.1 million, an increase of \$1.3 million from the prior year. The non-spendable and restricted categories of fund balance are for resources that are not in spendable form or are legally or contractually required to remain intact. The committed and assigned portion of fund balance includes amounts that are constrained by the City's intent to be used for specific purposes but are still within the City's full discretion. The unassigned category is the residual portion of available fund balance that is not otherwise restricted, committed or assigned. The net result of higher than expected revenues, lower than expected expenditures and other changes in fund balance, resulted in a \$12 million increase to the unassigned or "surplus" portion of General fund balance. The unassigned "surplus" portion of fund balance now totals \$32.6 million at the end of FY 2012-13 not including the City's contingency reserve of \$22.1 million and a pension reserve of \$5 million. Due to the \$12 million year-over-year growth in unassigned "surplus" fund balance, the City Council will have the opportunity to implement further strategic initiatives as part of the FY 2013-14 mid-year budget process.

General Fund Reserves			
	2012	2013	Change
Non-spendable	\$ 7,854,478	\$ 9,919,486	\$ 2,212,778
Restricted	2,263,049	2,410,373	1,129,395
Committed			
Contingency Reserve	21,582,798	22,134,775	551,977
Recreation Reserves	521,447	601,446	79,999
Parking Reserves	297,612	353,580	55,968
Cable Franchise	1,514,574	309,040	(1,205,534)
Other Miscellaneous	5,756,902	5,972,566	(924,077)
Subtotal Committed	29,673,333	29,371,407	(1,441,667)
Assigned			
Capital Reappropriations	603,167	1,843,417	1,240,250
PERS Rate Reserve	5,000,000	5,000,000	-
Council Priorities	5,538,677	-	(5,538,677)
Additional Transfer to FFPP	5,043,503	-	(5,043,503)
Strategic Technology Investments	3,000,000	-	(3,000,000)
Other	246,118	-	(246,118)
Subtotal Assigned	19,431,465	6,843,417	(12,588,048)
Unassigned (Appropriations Reserve)	20,570,033	32,585,375	12,005,336
General Fund Balance	\$ 79,792,358	\$ 81,130,058	\$ 1,317,794

For a more detailed summary of fund balances, see footnote 18 in the Notes to the Financial Statements.

In the event of an emergency or other dramatic fiscal event, total cash resources available to City Council exceeds \$128 million, an amount which includes the general fund, internal service funds and other available funds.

Facilities Financing Plan (FFP) Commitment & Major Construction Initiatives

The City continued its financial commitment to the Facilities Financial Planning Reserve (FFPR) in FY 2012-13 by allocating significant resources for the following projects: Marina Park, Sunset Ridge, Lifeguard Headquarters and the Corona del Mar Fire Station. Council Policy F-28, Facilities Financial Planning Program (FFPP), approved in August 2009, established a long-term facilities financing plan for the replacement of all General Fund supported facilities. The City's FFPR was established to fund the replacement of critical City facilities such as, but not limited to, the Civic Center, Police Department buildings, fire stations, library branches, parks, community centers, and other facility improvement projects. The FFP provides a consistent, level funding plan to minimize negative impacts on the General Fund in any given year. Overall, the FFPR balance is decreasing \$6.4 million from the prior fiscal year. This change is the net result of various increases and decreases to both revenues and expenditures. Revenues are decreasing due largely to a one-time developer contribution in FY 2011-12 and a sustained drop in interest rates resulting from the low interest rate environment. These revenue decreases are largely offset with \$15.2 million of transfers in from the General and Equipment Maintenance funds and a reclassification of Park-in-Lieu fees to the FFPR. Expenditures increased \$13 million from the prior year due to costs associated with the final construction phase of the Civic Center and the acquisition of the 1499 Monrovia property.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/12	\$33,149,725
Revenues	
Licenses, permits and fees	\$ 2,817,395
Donations	35,000
Transfer In from General Fund*	13,219,646
Transfer In from Equipment Maintenance Fund*	2,000,000
Interest Income	50,608
Total Revenues	18,122,649
Expenditures	
2010 Civic Center COPs Debt Service	(6,757,393)
Civic Center Construction & FFE	(13,452,240)
West Newport property acquisition	(4,308,199)
Police Facility assessment	(2,175)
Total Expenditures	(24,520,007)
Ending Balance 6/30/13	\$26,752,367

* Includes required annual General Fund transfer of \$4,676,143, and one time transfers of \$8,543,503 from the General Fund and \$2,000,000 from the Equipment fund.

Special Note: The FFP was the winner of the prestigious “Helen Putnam Award – Internal Administration category” from the League of California Cities in 2008.

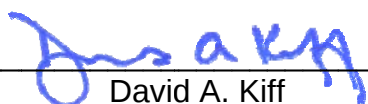
AWARDS AND ACKNOWLEDGMENTS

Awards: The City has prepared a comprehensive annual financial report for the past 21 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, 2012. 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 virtually everyone in the City's Accounting Division. In addition, members of the Finance Department would like to thank the City Manager, and the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. We would also like to thank our auditors, White Nelson Diehl Evans LLP, for their time and assistance in the preparation of the report. This report was completely prepared and published by City employees.



David A. Kiff
City Manager



Dan Matusiewicz
Finance Director

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Government Finance Officers Association

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

Presented to

**City of Newport Beach
California**

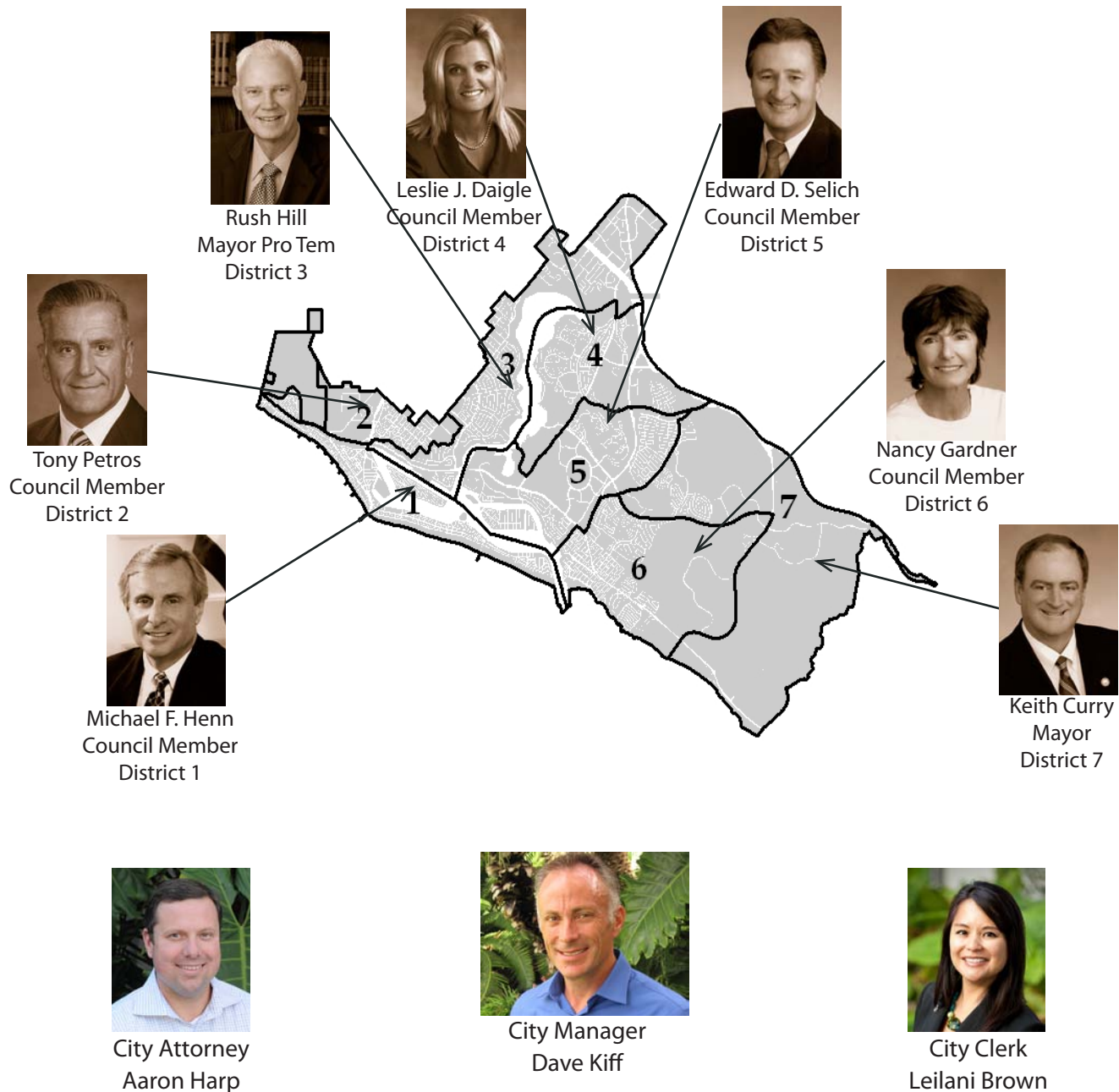
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

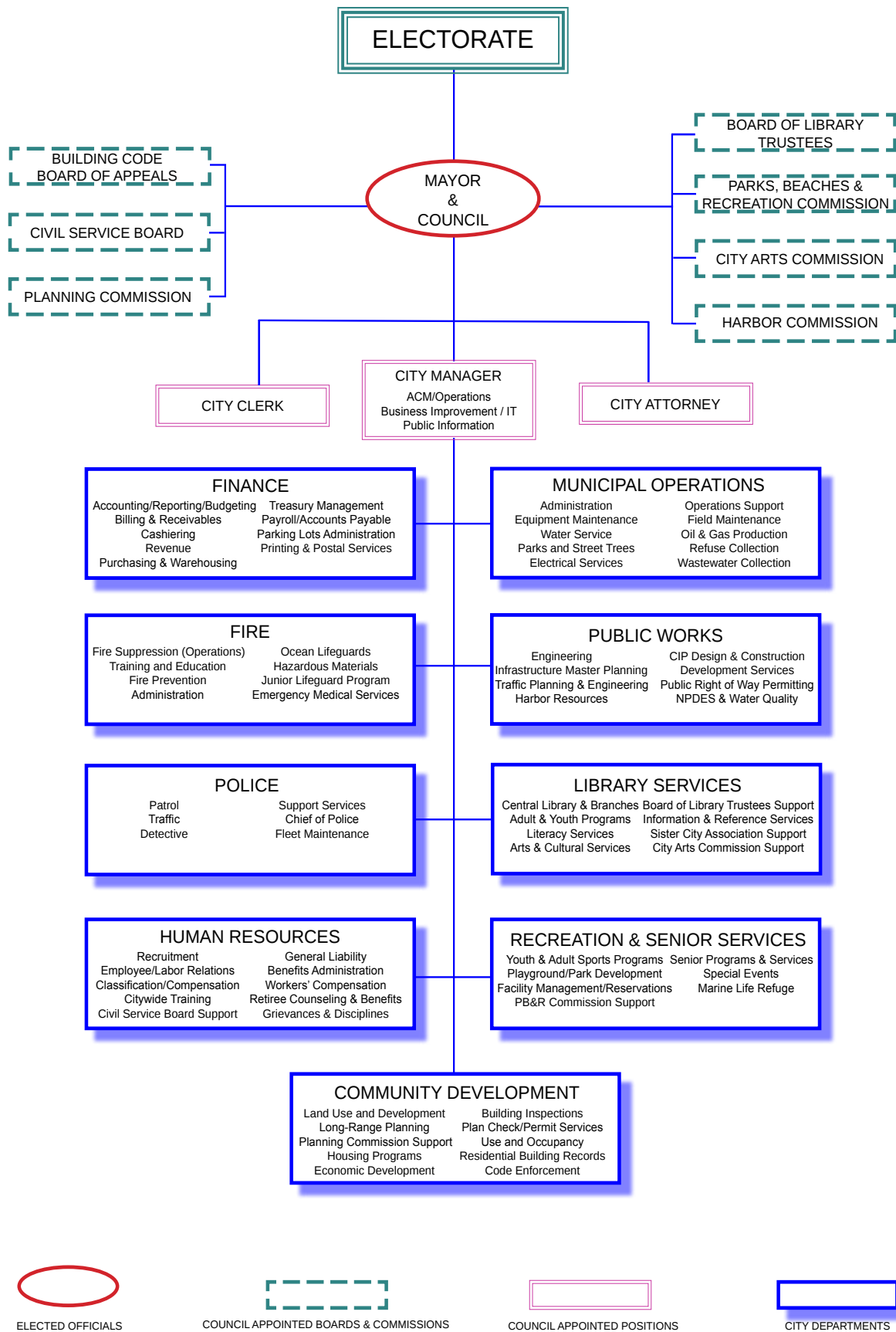


Executive Director/CEO

Newport Beach City Officials



Steve BadumAssistant City Manager
 Dan Matusiewicz.....Finance Director/Treasurer
 Kimberly BrandtCommunity Development Director
 Scott Poster.....Fire Chief
 Terri L. CassidyDeputy City Manager/Human Resources Director
 Cynthia Cowell.....Library Services Director
 Mark HarmonMunicipal Operations Director
 Jay JohnsonPolice Chief
 Dave Webb.....Public Works Director
 Laura Detweiler.....Recreation & Senior Services Director



Fiscal Year 2012-13

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Newport Beach
Newport Beach, California

Report on the Financial Statements

We have audited the accompanying basic 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, 2013, and the related notes to the basic 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison information for the General Fund, Tide and Submerged Land-Operating Special Revenue Fund and Tide and Submerged Land-Harbor Capital Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1d to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Note 1d to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this standard required retrospective application resulting in a \$1,132,169 reduction of previously reported net position of the governmental activities. Our opinion is 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, listed in the table of contents as required supplementary information, 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 management's discussion and analysis 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Report on Supplementary Information (Continued)

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 taken 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 express no 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 24, 2013 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 the 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.

A handwritten signature in cursive script that reads "White Nelson Dick Evans LLP".

Irvine, California
December 24, 2013

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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 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, 2013. 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*, 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 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 basis of accounting, changes in net position is 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) and liabilities (including long-term liabilities that may be paid over twenty or so more years). 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 and liabilities, is one way to measure the City's financial health. Over time, increases or decreases in the City's net position is 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 statement 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 – Funds are accounting devices that the City uses to track and control resources intended for specific 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. Some funds are required by State and Federal law or by bond covenants. Other funds are utilized simply to control and manage resources intended for particular purposes.

Fund Financial Statements have a short-term focus measuring inflows of current spendable assets. The resulting net difference between current financial assets and current financial liabilities and deferred inflows, 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 – Services for which the City charges customers a fee 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, information technology services, etc.). Because the Internal Service Funds primarily serve the government, they are reported with Governmental Activities rather than the Business-type Activities in the Government-wide Financial Statements.

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

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

Net Position Discussion - As shown in Figure 1, the City's combined net position for year ended June 30, 2013 was \$2.405 billion, increasing \$38.4 million or 1.6% over the prior year. Net position can serve as an important indicator of whether the City's overall financial condition is improving or deteriorating over time.

Current assets decreased approximately \$35.7 million primarily due to a decrease in cash with fiscal agent to fund construction of the Civic Center and Park while Capital assets increased \$73.5 million due to additions in land and structures related to the Civic Center and Park project and a contribution of land from the State of California

Current Liabilities increased \$484,499 primarily due to an increase in unearned revenue and accrued payroll.

Long-term liabilities decreased approximately \$1.1 million due to the net result of accrued claims and judgments, workers compensation, compensated absences and principal reductions across all long term debt categories. See note (6) of Notes to the Financial Statements.

Figure 1
Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 260,437 ¹	\$ 219,170	\$ 17,573	\$ 23,166	\$ 278,010 ¹	\$ 242,336
Capital assets	2,182,996	2,254,250	108,981	111,177	2,291,977	2,365,427
Total assets	2,443,433	2,473,420	126,554	134,343	2,569,987	2,607,763
Current liabilities	36,225	35,199	2,483	3,993	38,708	39,192
Long-term liabilities	164,420	163,337	-	-	164,420	163,337
Total liabilities	200,645	198,536	2,483	3,993	203,128	202,529
Net Position						
Net investment in capital assets	2,098,350	2,124,798	108,981	111,177	2,207,331	2,235,975
Restricted	61,924	72,120	-	-	61,924	72,120
Unrestricted	82,515 ¹	77,966	15,090	19,173	97,605 ¹	97,139
Total Net Position	\$ 2,242,789	\$ 2,274,884	\$124,071	\$ 130,350	\$ 2,366,860	\$2,405,234

¹ In conformity with GAAP, as set forth in Governmental Accounting Standard No. 65, "Items Previously Recognized as Assets and Liabilities," Beginning government-wide net position has been restated for Governmental type activities, to record the effect of removing unamortized bond issuance costs from the Statement of Net Position and treating them as if they had been expensed in the year incurred.

The increase in the current year net position is attributable to an increased investment in Capital Assets and modest revenue growth and various cost saving efforts.

- Net Investment in Capital Assets reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. At \$2.236 billion, they represent the largest component of net position (93.0%). The City's investment in capital assets does not represent a financial resource and consequently are not readily available for funding current obligations.
- Restricted Assets totaled \$72.1 million or 3.0% of net position and increased \$10.2 million due to the City's enhanced financial commitment to community serving facilities.
- A total of \$97.1 million representing 4.0% of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net position decreased just under \$0.5 million.

Governmental Activities

Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange 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)

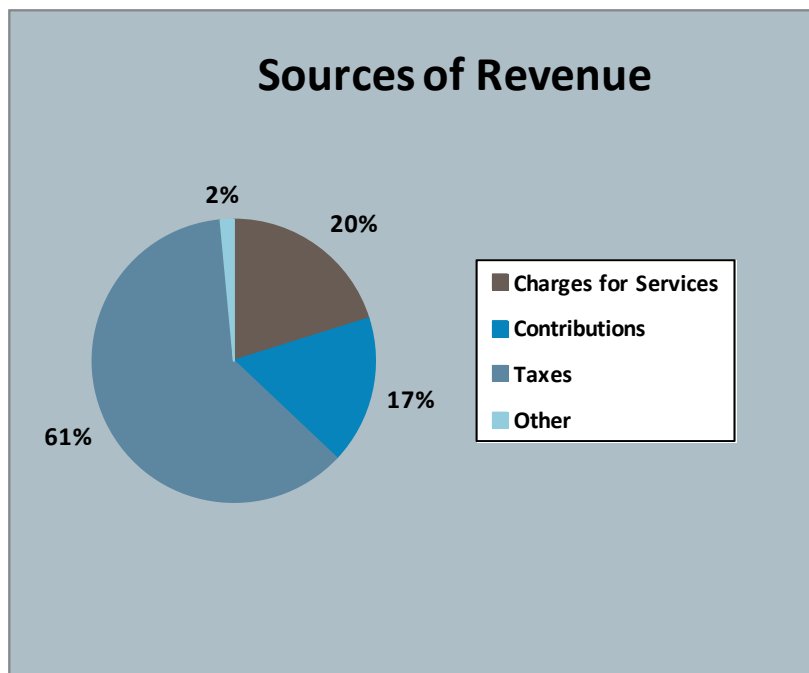
	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 43,732	\$ 44,021	\$ 27,261	\$ 30,246	\$ 70,993	\$ 74,267
Operating grants and capital contributions	11,418	11,291	-	-	11,418	11,291
Capital grants and contributions	14,839	25,614	-	-	14,839	25,614
General Revenues:						
Taxes:						
Property taxes	71,546	81,603	-	-	71,546	81,603
Sales tax	20,108	20,764	-	-	20,108	20,764
Sales tax in-lieu	6,524	7,079	-	-	6,524	7,079
Transient occupancy taxes	14,798	16,500	-	-	14,798	16,500
Other taxes	8,198	8,252	-	-	8,198	8,252
Intergovernmental (Unrestricted):						
Motor Vehicle License Tax	43	-	-	-	43	-
Investment related income	652	219	117	22	769	241
Change in accounting estimates	8,484	-	-	-	8,484	-
Other	2,789	2,749	-	-	2,789	2,749
Capital contribution from Enterprise Funds	7	320	(7)	(320)	-	-
Total revenues	203,138	218,412	27,371	29,948	230,509	248,360
Expenses:						
General government	14,326	15,831	-	-	14,326	15,831
Public safety	75,696	83,235	-	-	75,696	83,235
Public works	48,913	47,795	-	-	48,913	47,795
Community development	9,366	9,223	-	-	9,366	9,223
Community services	21,555	22,245	-	-	21,555	22,245
Interest	9,338 ¹	7,989	-	-	9,338 ¹	7,989
Water	-	-	18,359	20,208	18,359	20,208
Wastewater	-	-	3,360	3,462	3,360	3,462
Total expenses	179,194	186,318	21,719	23,670	200,913	209,987
Increases in net position	23,945	32,095	5,652	6,278	56,039	38,373
Net Position at beginning of year, as restated	2,218,844¹	2,242,789	118,419	124,071	2,337,263¹	2,366,860
Net Position at end of year	\$2,242,789	\$ 2,274,884	\$124,071	\$ 130,349	\$2,366,860	\$2,405,233

¹ In conformity with GAAP, as set forth in Governmental Accounting Standard No. 65, "Items Previously Recognized as Assets and Liabilities," Beginning government-wide net position has been restated for Governmental type activities, to record the effect of removing unamortized bond issuance costs from the Statement of Net Position and treating them as if they had been expensed in the year incurred.

Revenue Discussion

Figure 3 illustrates how the \$218.4 million in revenue was derived. As shown, \$44.0 million or 20% of the revenues were recovered by those who directly benefited from the programs as a Charge for Service. Another \$36.9 million or 17.0% 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 \$137.5 million or 63.0% represented general revenues of the City including taxes, intergovernmental transfers and other miscellaneous revenues.

Figure 3
Governmental Activities Revenue Sources
Year Ended June 30, 2013



As illustrated in Figure 2, charges for services increased \$288,590 as a result of increased revenues from public works and community development activities offset by a decrease in charges from public safety and community service activities.

Property tax assessed valuation growth has remained positive for the past sixteen years averaging in excess of 7% annually during this same time period. While the current growth was low by historical standards, the growth trend is steadily increasing in fiscal years 2010-2011, 2011-2012, 2012-2013 and 2013-2014. Assessed valuations grew 0.16%, 1.03%, 2.9% and 5.2% respectively. Newport Beach posted Orange County's highest increase in assessed property values at 5.2% and came in second in total local

assessed value at \$42.3 billion for FY 2013-2014. In total, property tax collections, including unsecured property and prior year collections amounted to \$81.6 million, increasing \$10.1 million or 14.1% from the previous fiscal year. This is due to increases in assessed property values and a one-time \$5.4 million payment resulting from the State's recent actions to dissolve redevelopment areas. Excluding the one-time \$5.4 million payment, property tax collections finished the year \$4.6 million or 6.5% higher than the previous fiscal year. At nearly \$27.8 million, sales taxes, including sales tax-in-lieu, represent the second largest individual revenue source for the City. Sales taxes increased 4.6% over the previous fiscal year. The largest sales tax category, "Autos and Transportation," accounts for approximately 31% of total sales tax, the next largest segment "General Consumer Goods" account for approximately 27% of total sales tax, and the third largest segment "Restaurants and Hotels" accounts for approximately 24% of total sales tax revenue. At \$16.5 million, Transient occupancy taxes (TOT) increased by \$1.7 million or 11.5% from the previous fiscal year, a net increase of \$205,000 in residential TOT and a \$1.5 million increase in hotel TOT resulting from rising occupancy rates in the City's hotels, motels, cottages, and resorts and a generally improving travel and tourism business sector.

Expenses Associated with Governmental Activities

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

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

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.

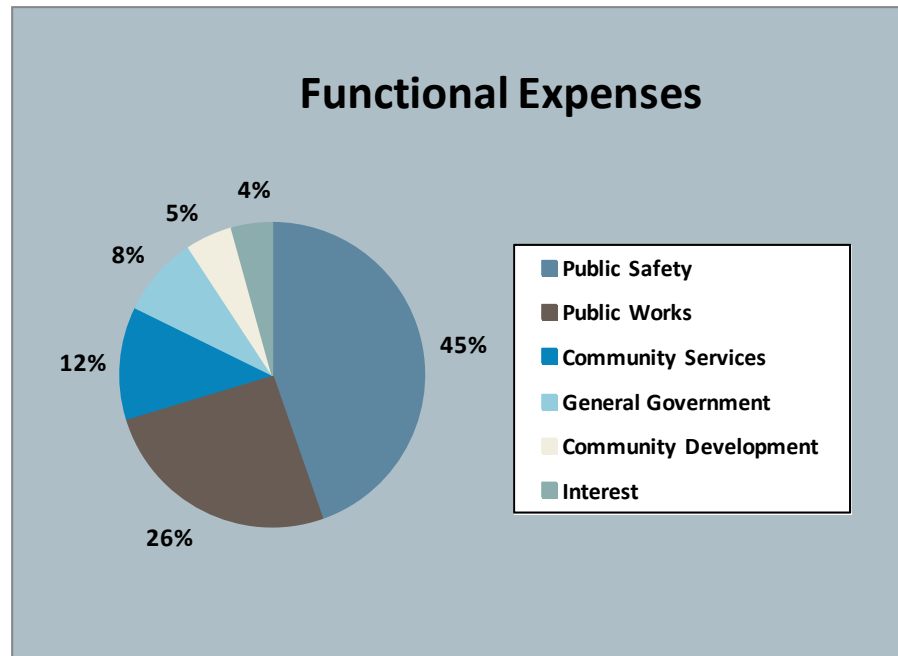
Public Works is comprised of two departments (Public Works and Municipal Operations) providing engineering, construction and maintenance of public streets, highways, buildings, beaches, parks, and related infrastructure; as well as traffic engineering, street lighting, and trash disposal services.

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

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

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

Figure 4
Government wide Functional Expenses
Year Ended June 30, 2013



As illustrated in Figure 2, the current year expenses for all governmental activities totaled \$186.3 million. Overall, the increase of \$7.1 million (4.0%) from the prior year can largely be attributed to negotiated bargaining unit increases in salaries and benefits, increased claims and judgments, higher consultant costs associated with community development studies, increased one-time IT costs related to the new Civic Center and one-time election costs.

As illustrated in Figures 5 and 6, the total illustrates 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)

	2012		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 14,326	\$ (11,692)	\$ 15,831	\$ (12,989)
Public safety	75,696	(57,053)	83,235	(65,208)
Public works	48,913	(22,103)	47,795	(9,151)
Community development	9,366	(1,948)	9,223	(1,001)
Community services	21,555	(7,071)	22,245	(9,053)
Interest	9,338 ¹	(8,205)	7,989	(7,990)
	<u>\$ 179,194</u>	<u>\$ (108,072)</u>	<u>\$ 186,318</u>	<u>\$ (105,392)</u>

¹ In conformity with GAAP, as set forth in Governmental Accounting Standard No. 65, "Items Previously Recognized as Assets and Liabilities," debt issuance costs which were previously recorded as an asset and amortized, are treated as being expensed in the year incurred.

Figure 6
Program Expenses and Revenue - Governmental Activities
Year Ended June 30, 2013
(in millions)

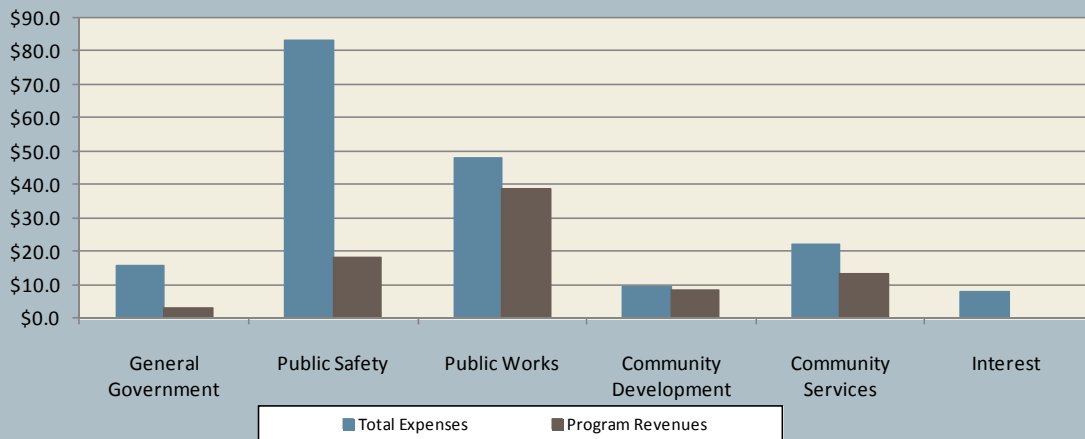
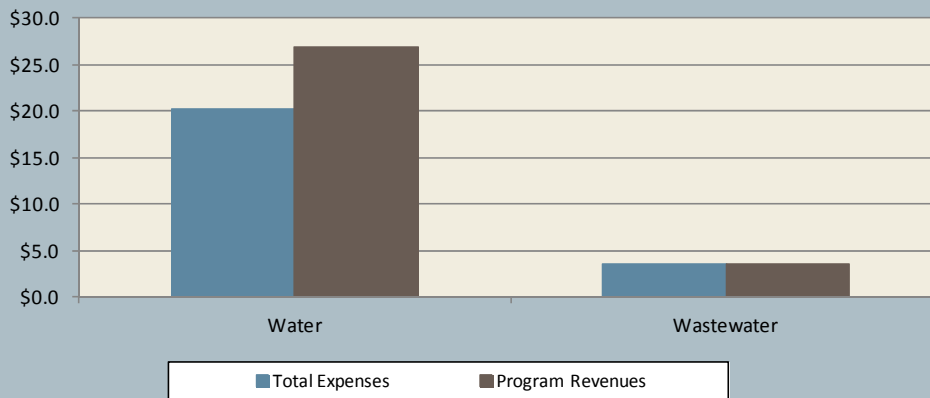


Figure 7
Program Expense & Revenue - Business-type Activities
Year Ended June 30, 2013
(in millions)



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

Water

Of the \$20.2 million in water related expenses, \$8.7 million (43.1%) is for the purchase of water, \$3.9 million (19.3%) covers employee related costs, \$5.3 million (26.2%) is for maintenance, supplies, and depreciation of the water system, \$1.5 million (7.4%) is for professional services, and the remaining \$0.8 (4.0%) is collectively attributable to miscellaneous other expenses.

Wastewater

Of the \$3.3 million in wastewater related expenses, \$1.4 million (42.4%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.4 million (42.4%) is for employee related costs, and the remaining \$0.3 million (9.1%) is attributable to professional services and 0.2 million (6.1%) to miscellaneous other expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds – Utilizing the financial resources measurement focus, the City's Governmental Funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the City's

financing requirements and may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund Balance – As of the end of the current fiscal year, the City's Governmental Funds reported combined fund balances of \$131.5 million, a decrease of \$43.8 million from the prior year. The decrease is primarily due to one-time construction activities associated with the Civic Center and other capital projects. The General Fund represented \$81.1 million or 61.7% of the combined fund balances of the Governmental Funds.

Nonspendable Fund Balance – The City has \$14.6 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$14.6 million nonspendable fund balance, \$92,544 is for prepaid items, \$217,722 is for inventories, \$9.7 million is for long-term loan receivable and \$4.6 million is for permanent endowments.

Restricted Fund Balance – The City has \$29.8 million in fund balance classified as restricted to indicate that it has an externally imposed restriction on how the money may be spent. Of the \$29.8 million restricted fund balance, \$2.3 million is for Affordable Housing, \$1.8 million is in the Tide and Submerged Land – Operating Fund restricted for capital re-appropriations and encumbrances, \$324,635 is for the Upper Newport Bay restoration, and \$1.2 million is restricted for Civic Center COP debt service. Of the remaining \$24.1 million in restricted fund balance, \$21.7 million is restricted for various special revenue funds, \$1.0 million is restricted for an Assessment District Fund and \$1.4 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has \$63.3 million in fund balance classified as committed to indicate that the City Council committed how the money will be spent. Of the \$63.3 million committed fund balance, \$26.8 million is committed to the Facilities Replacement Planning Reserve Fund, \$22.1 million is committed to contingency reserves, \$7.2 million is committed to various General Fund activities, \$5.8 million is committed to the Civic Center and Park Fund, \$1 million is committed to the Facilities Maintenance Fund and \$440,000 is committed to the oil and gas reserves in the Tide and Submerged Land - Operating Fund.

Assigned Fund Balance – The City has \$6.8 million in fund balance which is not restricted or committed and is classified as assigned to indicate the City Manager's intent to be used for specific purposes.

Unassigned Fund Balance – The remaining \$16.9 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted.

- Overall General Fund Revenues finished \$14.3 million or 9.2% higher than the prior year while expenditures finished \$7.3 million or 5.4% higher than the prior year. The net result is that General Fund income before transfers and other financing sources and uses increased by nearly \$7.0 million. Actual General Fund revenues were \$7.3 million over estimated revenues while expenditures came in at \$7.6 million under budget. The increase in revenue over estimated revenues was due to the growing strength of the economy, whereas the decrease in expenditures over budget was due to the effective management of operating expenditures, control of labor costs (especially overtime), and outsourcing parking lot administration and printing services. In total, the General Fund increased \$1.3 million ending the year with \$81.1 million fund balance.
- The Tide and Submerged Land - Operating Fund ended the current year with \$2.5 million in fund balance which represented project encumbrances and commitments. The Tide and Submerged Land – Harbor Capital Fund ended the current year with a \$8.8 million deficit fund balance due to additional capital dredging projects undertaken in the current year.
- The Facilities Financial Planning Reserve fund balance decreased \$6.4 million to \$26.8 million. This was largely due to transfers out to provide for the construction costs associated with the Civic Center Park project, Marina Park, Sunset Ridge Park, and the acquisition of new property.
- **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 \$6.3 million due to an increase in water rates and an increase in water consumption.

Net Position in the Wastewater Fund increased \$117,532 due to an increase in water consumption as wastewater rates are tied to water consumption.

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

Net position in the Internal Service Funds increased \$1.9 million in the current year as a result of \$2.3 million in net loss being offset by \$3 million in net transfers and \$1.2 million of capital contributions from governmental funds for parking operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund increased \$7.3 million from the original budget during the year ended June 30, 2013. Significant factors contributing to this fluctuation are highlighted as follows:

Final budgeted property taxes increased \$4.1 million from the original budget due to mid-year budget revisions based on collection trends.

Final budgeted sales tax including sales tax in-lieu increased \$1.4 million from the original budget due to a mid-year budget revisions based on collection trends.

Final budgeted transient occupancy tax increased \$921,343 from the original budget due to mid-year budget revisions based on collection trends.

Final budgeted licenses and permits decreased \$578,022 from the original budget due to mid-year budget revisions based on collection trends.

Final budgeted other taxes and intergovernmental revenues increased \$409,599 due to mid-year budget revisions of cable franchise tax and intergovernmental revenues based on collection trends.

Final budgeted charges for services increased \$268,073 from the original budget primarily due to an increase in revenue estimates related to the acceptance of two State of California, Office of Traffic Safety (OTS) grant contributions and an increased demand for personal training at the OASIS Fitness Center.

Final budgeted charges for fines and forfeitures increased \$300,000 from the original budget due to mid-year budget revisions based on collection trends.

Final budgeted property income, donations and other income increased \$507,344 from the original budget due to mid-year budget adjustments based on collection trends.

Final budgeted expenditures for the General Fund decreased \$5.6 million from the original budget during the year ended June 30, 2013. A significant factor contributing to this fluctuation includes the routine reclassification of General Fund expenditures as Tidelands expenditures. This reclassification occurs at year end once all such eligible expenditures can be properly attributed to Tidelands operational (mostly code enforcement and public safety) activity. Another significant factor contributing to the fluctuation is that unexpended funds from 2012-2013 were requested to be rebudgeted to 2013-2014 for capital projects which were not completed due to various timing and/or demand issues, or other strategic purposes.

Variance with Final Budget

Actual revenues were \$7.3 million above final budgeted revenues for the year ended June 30, 2013 due to the growing strength of the economy resulting in higher property, sales and transient occupancy taxes. Significant factors contributing to this favorable variance are summarized as follows:

- A \$4.5 million favorable variance was realized in property taxes due to higher than expected tax revenues.
- Lower than expected sales tax and sales tax-in-lieu of \$338,339 due to repayment of a prior year appeal posted in the current year.
- Transient Occupancy tax revenues were higher than expected by \$1.2 million due to the continued moderate growth in economy.
- A \$1.4 million favorable variance was realized in charges for services due to higher construction and renovation activity leading to higher than expected building fees, zoning fees, planning check fees, various permits.

Actual General Fund expenditures of \$143.8 million were significantly less than final budgetary estimates of \$151.5 million. Significant factors contributing to this \$7.6 million surplus are summarized as follows:

- A \$1.6 million favorable variance was realized in General Government due to a salary savings and reduction in professional services, advertising and recruitment.
- A \$1.7 million favorable variance in Public Safety generated by salary savings from vacant position and a reduction in equipment and maintenance expenditures.
- A \$1.1 million favorable variance in Public Works was due to a reduction in contract services and salary savings.
- A \$1.3 million reduction in Community Development reduction in was due to building maintenance, maintenance and operations, and salary savings.
- A \$0.7 million favorable variance in Community Services generated by salary savings due to the outsourcing of parking lots as well as a reduction in expenditures related to parking operations.
- A \$1.2 million favorable variance was realized from capital improvement projects due to incomplete projects being encumbered to the following year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets for governmental and business-type activities as of June 30, 2013, amounts to \$2.37 billion. 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, 800 MHz radio communications system, parking pay stations and meters and bridges. The total net increase (including additions and deletions) of \$73.5 million represents a 3.2% increase over last year. The \$73.5 million net increase is the result of additions of \$172.5 million, and deletions of \$99.0 million.

Figure 8
Capital Assets at Year End
(net of depreciation, in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	\$1,821,418	\$1,869,387	\$ 2,016	\$ 2,219	\$ 1,823,434	\$1,871,606
Structures	67,233	174,144	546	531	67,779	174,675
Equipment	7,537	13,678	65	90	7,602	13,768
Infrastructure	187,501	189,972	105,552	103,476	293,053	293,448
Work in progress	99,307	7,069	802	4,861	100,109	11,930
Totals	<u>\$2,182,996</u>	<u>\$2,254,250</u>	<u>\$ 108,981</u>	<u>\$111,177</u>	<u>\$ 2,291,977</u>	<u>\$2,365,427</u>

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

- The City capitalized \$172.5 million in capital assets in both the Governmental and Business Type Activities in the current year. Of the \$172.5 million, \$18.9 million represents land contributed by the State of California and \$97.0 million represents additions from work in progress started in previous years. The remaining \$56.6 is mostly comprised of additions from land and structures, current year work in progress, equipment, and infrastructure.
- Of the \$169.7 million capitalized as governmental assets in the current year, structure additions net of depreciation contributed the vast majority at \$106.9 million, which was mainly due to the Civic Center & Park project. The remaining \$62.8 million capitalized in the current year as governmental assets, is comprised of an \$18.9 million land contributions from the State, \$29.1 million in purchases and improvements to land; \$4.3 million worth of additions to work in progress; \$4.3 million in additions to infrastructure net of depreciation, and \$6.2 million of IT equipment, parking equipment, 800MHz communications system, and office equipment.

- The \$2.7 million capitalized in the current year as business-type assets is due to the work in progress related to the Big Canyon Reservoir Cover.

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

Long-term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$129.5 million for all governmental activities.

Figure 9
Outstanding Debt at Year-End
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Certificates of participation	\$ 124,920	\$ 122,230	\$ -	\$ -	\$ 124,920	\$ 122,230
Bond premium	964	844	-	-	964	844
Pre-annexation agreement	6,000	4,800	-	-	6,000	4,800
CDBG Loan	1,686	1,578	-	-	1,686	1,578
Totals	<u>\$ 133,570</u>	<u>\$ 129,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,570</u>	<u>\$ 129,452</u>

The City's total debt decreased \$4.1 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

Consumer spending, which accounts for more than two-thirds of the total demand in the U.S., was the overwhelming driver of growth early this year. California's economic picture is brighter than that of the national economy. This is due largely to the demand for California goods, such as computers and other technology, according to the recently released UCLA Anderson Forecast. California outperformed the U.S. in the rate of payroll jobs growth in the 12-month period that ended in April 2013. Only Utah has added jobs faster than California.

Orange County has experienced a sustained climb in economic activity over the past year and is predicted to continue its economic expansion in FY 2013-14 with the local economy adding jobs at a slow but steady rate. Orange County has several attributes

that have historically supported strong economic growth, namely its universities, high tech industries and the pull of its tourist attractions. Going forward these core strengths will provide a firm base for continuing expansion for Newport Beach's local economy. A number of recent economic indicators (as listed below) suggest that the City's largest revenue generators, namely sales, property, and transient occupancy taxes will be positively affected in the coming year.

- According to economists, improving consumer sentiment and a projected pickup in personal income growth point to a projected taxable sales spending growth of 5.9% in California and 6.1% in Orange County in 2014.
- The total value of building permit valuation in Orange County increased from \$2.8 billion in 2011 to \$3.6 billion in 2012 – an increase of 26.7%.
- A more vibrant labor market expansion is expected in 2014, as many of the population serving sectors hire to accommodate more people and visitors in California. Orange County's job growth has been spread across several industries over the past year including construction (6.4%), leisure and hospitality (4.1%) and the professional and business services sector (3.1%).
- In Orange County, spending on apparel, furniture and appliances, building materials, specialty stores, motor vehicles and non-store retailers should outperform the overall average growth rate.
- Newport Beach posted Orange County's highest increase in assessed property values at 5.2% and came in second in total local assessed value at \$42.3 billion for FY 2013-14. For the twelve month period ending in October, the City's median home sales price of \$1,495,000 exceeds the County wide median sales price of \$539,500.

Property Tax

Property tax collections finished the fiscal year nearly \$10.1 million or 14% higher than the previous fiscal year. This is due to increases in assessed property values and a one time \$5.4 million payment resulting from the State's recent actions to dissolve redevelopment agencies. Newport Beach posted Orange County's highest increase in assessed property values at 5.2% and came in second in total local assessed value at \$42.3 billion for FY 2013-14.

Property Tax Assessed Valuation (AV)				
	2013-14	2012-13	Change in AV	% Change
Secured	40,860,164,866	38,638,269,438	2,221,895,428	5.75%
Unsecured	1,464,486,452	1,593,908,426	(129,421,974)	-8.12%
Total AV	42,324,651,318	40,232,177,864	2,092,473,454	5.20%

Budget Approach

The City Manager's core budget principles again informed the 2013-14 budget process.

Our Budget Principles
1. Adhere of 2010's Fiscal Sustainability Plan. 2. Use the next 18 months to thoughtfully and deliberately change the way local governments does business. 3. Our City's long-term success depends upon our investment in infrastructure (streets, parks, facilities). 4. There are things we should not be doing. 5. Pension costs need to be addressed comprehensively and cooperatively. 6. Public Safety is paramount - but we need to be open to better ways of delivery of public safety services.

In furtherance of these principals, management has taken a deliberative and disciplined approach in the development of the FY 2013-14 budget. The City Council considered and approved the following proposals as reflected in the budget:

- Facilities. The City continues its financial commitment to the Facilities Financial Planning Reserve in FY 2013-14 with an \$8 million transfer from the General Fund. This represents a \$4 million increase from the prior year that will provide for the following projects in the coming year: Marina Park, Sunset Ridge, Lifeguard Headquarters and the Corona del Mar Fire Station.
- A Vital Support System for Law Enforcement. Initiated funding, recommended at \$1 million each year for FY 2012-13 and for FY 2013-14, for 800 MHz radio replacement that will occur County-wide over the next 15 years. This investment is necessary and critical for public safety and emergency operating services.

- Less Personnel. A net reduction of 16 full-time and 14 part-time positions which includes increased public safety staffing and enhanced service delivery efficiencies.
- Basic Infrastructure – \$5M in General Fund CIP. The City's Capital Improvement Program (CIP) serves as a plan for the provision of public infrastructure improvements, special projects, ongoing maintenance programs and the implementation of the City's master plans. In FY 2013-14, General Fund contributions in the amount of \$5 million to the CIP will provide for Balboa Boulevard landscape rehabilitation, street and sidewalk maintenance, park structure replacements, and other projects.

Pension Costs

The City's accrued pension liabilities continue to exceed assets set aside to fund the projected benefit obligations. And, while the City has always funded 100 percent of the actuarial determined pension contribution, the market value of pension assets has been quite volatile. The unfunded liability is approximately \$275 million as of the last actuarial valuation dated June 30, 2012. This number, while relevant to rate setting for one year, is already well out of date. As an example, the PERS' rate of return for the fiscal year ending June 30, 2012 was less than 1%. But six months later, by the end of Calendar Year 2012, it had earned 13.3%. And by June 30, 2013, PERS had earned 12.5% between the period of July 1, 2012 and June 30, 2013.

The often-fluctuating unfunded liability (with a date of value of June 30, 2012) given to the City is important for rate setting, but isn't a full picture of the City's future or its recent actions on pension reform. As noted, the actuarial and the unfunded liability have yet to fully incorporate the City's recent progress in:

- Reducing the City's overall position count through outsourcing and other means, going from 833 positions to 736, thus reducing liabilities.
- Increasing employee contributions to pension payments, including having employees pay a portion of what is traditionally the "employer's share" of the cost.
- Eliminating the "Employer Paid Member Contribution" or "EPMC" which, when EPMC was included, had the effect of increasing pension costs; and
- Establishing 2nd and 3rd Tiers for new hires and transfers, with less-generous pension benefits, later retirement ages, and additional employee contributions.
- Accelerating payments towards the unfunded liability thus paying it down over a fixed and shorter time period avoiding potentially \$100 million of interest expense over the next 30 years.

Management anticipates that the improving economy and the City's ongoing efforts to strategically outsource as well as working collaboratively with employees to recalibrate the compensation structure and share in the costs of pension obligations will lay the groundwork for a stronger City government in the coming years.

Labor Contracts

Memorandums of Understanding (MOU) between the City and several bargaining units will or may expire at June 30, 2014: Firefighters Association, Fire Management Association, Police Association, Lifeguard Management Association, and the Association of Newport Beach Ocean Lifeguards (Part-time). The City is currently in negotiations with the recently re-formed Part-time Employees Association of Newport Beach.

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

FINANCIAL SECTION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FINANCIAL SECTION

CITY OF NEWPORT BEACH
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 4)	\$ 186,776,616	\$ 16,533,124	\$ 203,309,740
Receivables:			
Accounts (net of allowance)	12,758,808	6,519,151	19,277,959
Interest	690,275	-	690,275
Intergovernmental receivables	8,481,891	-	8,481,891
Cash with fiscal agent (note 4)	7,838,995	-	7,838,995
Internal balances	(113,391)	113,391	-
Inventory	586,551	-	586,551
Investment in joint ventures (note 15)	197,338	-	197,338
Prepaid items	1,953,169	-	1,953,169
Capital assets, (note 5):			
Non-depreciable	1,876,455,999	\$7,080,029	1,883,536,028
Depreciable	554,371,397	163,004,810	717,376,207
Accumulated depreciation	<u>(176,577,736)</u>	<u>(58,907,704)</u>	<u>(235,485,440)</u>
 Total assets	 <u>2,473,419,912</u>	 <u>134,342,801</u>	 <u>2,607,762,713</u>
 Liabilities:			
Accounts payable	18,239,439	3,742,858	21,982,297
Accrued payroll	5,429,856	224,522	5,654,378
Accrued interest payable	3,944,879	-	3,944,879
Deposits payable	2,230,119	25,888	2,256,007
Unearned revenue	5,354,463	-	5,354,463
Noncurrent liabilities (note 6):			
Due within one year	13,436,112	-	13,436,112
Due in more than one year	<u>149,901,162</u>	<u>-</u>	<u>149,901,162</u>
 Total liabilities	 <u>198,536,030</u>	 <u>3,993,268</u>	 <u>202,529,298</u>
 Net Position:			
Net Investment in Capital Assets	2,124,797,794	111,177,135	2,235,974,929
Restricted for:			
Public safety	1,708,529	-	1,708,529
Public works	48,874,886	-	48,874,886
Community services	9,599,358	-	9,599,358
Community development	5,868,220	-	5,868,220
Permanent Funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,438,900	-	1,438,900
Unrestricted	<u>77,966,414</u>	<u>19,172,398</u>	<u>97,138,812</u>
 Total Net Position	 <u><u>\$ 2,274,883,882</u></u>	 <u><u>\$ 130,349,533</u></u>	 <u><u>\$ 2,405,233,415</u></u>

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 15,830,575	\$ 2,759,306	\$ 82,071	\$ -	\$ 2,841,377
Public safety	83,235,188	16,008,421	2,018,531	-	18,026,952
Public works	47,794,631	5,019,835	8,025,655	25,598,549	38,644,039
Community development	9,223,098	7,057,010	1,164,732	-	8,221,742
Community services	22,244,661	13,176,050	-	15,297	13,191,347
Interest on long-term debt	7,989,339	-	-	-	-
Total governmental activities	<u>186,317,492</u>	<u>44,020,622</u>	<u>11,290,989</u>	<u>25,613,846</u>	<u>80,925,457</u>
Business-type activities:					
Water	20,208,300	26,795,767	-	-	26,795,767
Wastewater	3,462,165	3,450,638	-	-	3,450,638
Total business-type activities	<u>23,670,465</u>	<u>30,246,405</u>	<u>-</u>	<u>-</u>	<u>30,246,405</u>
Total primary government	<u>\$ 209,987,957</u>	<u>\$ 74,267,027</u>	<u>\$ 11,290,989</u>	<u>\$ 25,613,846</u>	<u>\$ 111,171,862</u>

General revenues:

Taxes:

Property tax

Sales tax

Sales tax in-lieu

Transient occupancy tax

Business license tax

Franchise tax

Other taxes

Investment income

Other

Capital contribution from Enterprise Funds

Total general revenues

Change in net position

Net Position at beginning of year, as restated

Net Position at end of year

See accompanying notes to basic financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (12,989,198)	\$ -	\$ (12,989,198)
(65,208,236)	-	(65,208,236)
(9,150,592)	-	(9,150,592)
(1,001,356)	-	(1,001,356)
(9,053,314)	-	(9,053,314)
(7,989,339)	-	(7,989,339)
(105,392,035)	-	(105,392,035)
-	6,587,467	6,587,467
-	(11,527)	(11,527)
-	6,575,940	6,575,940
(105,392,035)	6,575,940	(98,816,095)
81,603,194	-	81,603,194
20,764,204	-	20,764,204
7,078,517	-	7,078,517
16,500,285	-	16,500,285
4,145,666	-	4,145,666
3,820,723	-	3,820,723
286,880	-	286,880
219,091	22,442	241,533
2,748,524	-	2,748,524
319,884	(319,884)	-
137,486,968	(297,442)	137,189,526
32,094,933	6,278,498	38,373,431
2,242,788,949	124,071,035	2,366,859,984
\$ 2,274,883,882	\$ 130,349,533	\$ 2,405,233,415

See accompanying notes to basic financial statements

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FINANCIAL SECTION

FUND
FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

FINANCIAL SECTION

GOVERNMENTAL FUNDS

Major Funds

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

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

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

The **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 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 **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, 2013

Assets	General	Special Revenue Funds	
		Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital
Cash and investments (note 4)	\$ 68,426,376	\$ 2,004,480	\$ 1,095,076
Receivables:			
Accounts (net of allowance)	4,849,944	1,429,545	-
Interest	690,275	-	-
Intergovernmental receivables	5,241,883	-	601,413
Cash with fiscal agent (note 4)	-	-	-
Advance to other funds (note 14)	9,676,659	-	-
Due from other funds (note 14)	6,541,886	-	-
Prepaid items	25,105	-	-
Inventory	217,722	-	-
Total assets	<u>\$ 95,669,850</u>	<u>\$ 3,434,025</u>	<u>\$ 1,696,489</u>
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	\$ 4,944,250	\$ 782,577	\$ 229,838
Accrued payroll	5,272,603	19,190	-
Deposits payable	2,117,051	113,068	-
Unearned revenue	2,196,101	-	-
Advance from other funds (note 14)	-	-	9,676,659
Due to other funds (note 14)	9,687	-	-
Total liabilities	<u>14,539,692</u>	<u>914,835</u>	<u>9,906,497</u>
Deferred Inflows of Resources			
Unavailable revenue	-	-	601,413
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>601,413</u>
Fund balances (deficit):			
Nonspendable:			
Prepaid items	25,105	-	-
Inventories	217,722	-	-
Long-Term Loan Receivable	9,676,659	-	-
Permanent Endowment	-	-	-
Restricted:			
Affordable housing	2,275,613	-	-
Hoag	134,760	-	-
Upper Newport Bay Restoration	-	324,635	-
Other	-	1,754,555	-
Committed:			
Contingency Reserve	22,134,775	-	-
Oil and Gas	-	440,000	-
Other	7,236,732	-	-
Assigned:	6,843,417	-	-
Unassigned:	<u>32,585,375</u>	<u>-</u>	<u>(8,811,421)</u>
Total fund balances (deficit)	<u>81,130,158</u>	<u>2,519,190</u>	<u>(8,811,421)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 95,669,850</u>	<u>\$ 3,434,025</u>	<u>\$ 1,696,489</u>

See accompanying notes to basic financial statements

Capital Project Funds		Debt Service Fund			
Facilities Financial Planning Reserve	Civic Center and Park	Civic Center COP	Other Governmental Funds	Totals	
\$ 20,018,521	\$ 12,243,441	\$ -	\$ 32,330,461	\$	136,118,355
52,250	-	-	4,167,528		10,499,267
-	-	-	-		690,275
-	-	-	2,638,595		8,481,891
-	5	7,838,990	-		7,838,995
-	-	-	-		9,676,659
6,681,596	-	-	9,687		13,233,169
-	5,553	-	61,886		92,544
-	-	-	-		217,722
<u>\$ 26,752,367</u>	<u>\$ 12,248,999</u>	<u>\$ 7,838,990</u>	<u>\$ 39,208,157</u>	<u>\$</u>	<u>186,848,877</u>
\$ -	\$ 6,469,806	\$ 144	\$ 1,109,483	\$	13,536,098
-	-	-	-		5,291,793
-	-	-	-		2,230,119
-	-	-	3,158,362		5,354,463
-	-	-	-		9,676,659
-	-	6,681,596	6,541,886		13,233,169
-	6,469,806	6,681,740	10,809,731		49,322,301
-	-	-	5,426,541		6,027,954
-	-	-	5,426,541		6,027,954
-	5,553	-	61,886		92,544
-	-	-	-		217,722
-	-	-	-		9,676,659
-	-	-	4,629,781		4,629,781
-	-	-	-		2,275,613
-	-	-	-		134,760
-	-	-	-		324,635
-	-	1,157,250	24,196,902		27,108,707
-	-	-	-		22,134,775
-	-	-	-		440,000
26,752,367	5,773,640	-	995,156		40,757,895
-	-	-	-		6,843,417
-	-	-	(6,911,840)		16,862,114
<u>26,752,367</u>	<u>5,779,193</u>	<u>1,157,250</u>	<u>22,971,885</u>		<u>131,498,622</u>
<u>\$ 26,752,367</u>	<u>\$ 12,248,999</u>	<u>\$ 7,838,990</u>	<u>\$ 39,208,157</u>	<u>\$</u>	<u>186,848,877</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, 2013

Fund balances of governmental funds	\$	131,498,622
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of accumulated depreciation have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.		2,245,366,093
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Long term debt that have not been reported in the governmental fund activity. Amounts exclude long-term debt activity from internal service funds which have been added below:

Certificates of participation payable		(122,230,000)
Premium on Certificates		(843,871)
Pre-annexation agreement liability		(4,800,000)
CDBG loan		(1,578,000)

Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(3,944,879)
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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.		6,027,954
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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.		25,304,016
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Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.		197,338
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Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.		(113,391)
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Net position of governmental activities	\$	2,274,883,882
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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, 2013

	Special Revenue Funds		
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital
Revenues			
Taxes and assessments:			
Property tax	\$ 81,603,194	\$ -	\$ -
Sales tax	20,764,204	-	-
Sales tax in-lieu	7,078,517	-	-
Transient occupancy tax	16,500,285	-	-
Other taxes	8,298,805	-	-
Intergovernmental	1,691,427	-	-
Licenses, permits and fees	4,093,829	60,923	-
Charges for services	16,082,817	171,582	-
Fines and forfeitures	3,647,417	2,115	-
Investment income (loss)	219,091	(11,945)	-
Property income	7,614,484	11,308,379	924,508
Donations	228,538	-	-
Other	2,585,579	131	643,081
Total revenues	170,408,187	11,531,185	1,567,589
Expenditures			
Current:			
General government	13,276,718	394,762	-
Public safety	72,714,586	7,385,094	-
Public works	26,977,969	3,600,247	-
Community development	8,878,665	-	-
Community services	16,570,787	2,301,235	-
Capital outlay	5,235,786	647,455	4,313,127
Debt service (note 6):			
Principal	-	-	-
Interest and fiscal charges	180,426	-	-
Total expenditures	143,834,937	14,328,793	4,313,127
Excess (deficiency) of revenues over expenditures	26,573,250	(2,797,608)	(2,745,538)
Other financing sources (uses)			
Transfers in (note 15)	89,297	4,440,450	813,820
Transfers out (note 15)	(25,324,747)	(813,820)	-
Total other financing sources (uses)	(25,235,450)	3,626,630	813,820
Net change in fund balances	1,337,800	829,022	(1,931,718)
Fund balances, beginning	79,792,358	1,690,168	(6,879,703)
Fund balances (deficit), ending	\$ 81,130,158	\$ 2,519,190	\$ (8,811,421)

See accompanying notes to basic financial statements

Capital Project Funds		Debt Service Fund		Totals
Facilities Financial Planning Reserve	Civic Center and Park	Civic Center COP	Other Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 81,603,194
-	-	-	-	20,764,204
-	-	-	-	7,078,517
-	-	-	-	16,500,285
-	-	-	488,545	8,787,350
-	-	2,424,915	7,277,247	11,393,589
2,817,395	-	-	710,408	7,682,555
-	-	-	-	16,254,399
-	-	-	-	3,649,532
50,608	66,615	125	48,020	372,514
-	-	-	-	19,847,371
35,000	-	-	323,907	587,445
-	261,150	-	53,953	3,543,894
2,903,003	327,765	2,425,040	8,902,080	198,064,849
-	-	-	-	13,671,480
-	-	-	447,289	80,546,969
-	-	-	1,873,408	32,451,624
-	-	-	116,045	8,994,710
-	-	-	-	18,872,022
-	47,071,708	-	14,865,506	72,133,582
-	-	2,690,000	1,308,000	3,998,000
-	9,833	7,867,744	94,485	8,152,488
-	47,081,541	10,557,744	18,704,733	238,820,875
2,903,003	(46,753,776)	(8,132,704)	(9,802,653)	(40,756,026)
15,219,646	14,939,655	6,757,393	5,614,846	47,875,107
(24,520,007)	-	-	(268,348)	(50,926,922)
(9,300,361)	14,939,655	6,757,393	5,346,498	(3,051,815)
(6,397,358)	(31,814,121)	(1,375,311)	(4,456,155)	(43,807,841)
33,149,725	37,593,314	2,532,561	27,428,040	175,306,463
\$ 26,752,367	\$ 5,779,193	\$ 1,157,250	\$ 22,971,885	\$ 131,498,622

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, 2013

Net change in fund balances - total governmental funds	\$ (43,807,841)
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Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the statement of activities 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.	68,772,031
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Payment of debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,998,000
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Issuance of debt premium	
Premium on bonds are recognized as revenues in the period received, however, in the statement of net position, it is amortized over the life of the bond.	120,553

Accrued Interest for debt service. This is the net change in accrued interest for the current period.	42,596
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Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds. This is the net change in unearned revenue for the current period.	3,401,475
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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.	1,871,072
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Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities.	(2,476,639)
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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.	173,686
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Change in net position of governmental activities	\$ 32,094,933
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See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
General Fund
Budgetary Comparison Statement
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and assessments:				
Property	\$ 72,975,146	\$ 77,059,438	\$ 81,603,194	\$ 4,543,756
Sales	20,180,129	21,102,543	20,764,204	(338,339)
Sales tax in-lieu	6,613,750	7,078,517	7,078,517	-
Transient occupancy	14,390,157	15,311,500	16,500,285	1,188,785
Other taxes	7,711,200	7,911,200	8,298,805	387,605
Intergovernmental	1,209,809	1,419,408	1,691,427	272,019
Licenses, permits and fees	4,163,212	3,585,190	4,093,829	508,639
Charges for services	14,464,595	14,732,668	16,082,817	1,350,149
Fines and forfeitures	3,539,847	3,839,847	3,647,417	(192,430)
Investment income	553,440	553,440	219,091	(334,349)
Property income	7,127,537	7,107,162	7,614,484	507,322
Donations	79,100	119,453	228,538	109,085
Other	2,784,100	3,271,466	2,585,579	(685,887)
Total revenues	155,792,022	163,091,832	170,408,187	7,316,355
Expenditures				
General government:				
City council	1,003,776	1,033,776	996,951	36,825
City clerk	714,951	756,764	748,247	8,517
City attorney	2,307,855	2,347,711	2,033,030	314,681
City manager	2,548,455	2,347,144	1,792,641	554,503
Finance	5,857,401	5,745,094	5,242,093	503,001
Human resources	2,675,173	2,645,126	2,463,756	181,370
Total General government	15,107,611	14,875,615	13,276,718	1,598,897
Public safety:				
Police	41,954,327	43,174,900	42,123,975	1,050,925
Fire	35,769,944	31,221,265	30,590,611	630,654
Total Public safety	77,724,271	74,396,165	72,714,586	1,681,579
Public works:				
MOD- General services	23,184,808	21,411,225	20,616,461	794,764
Public works	6,002,127	5,764,706	5,464,269	300,437
MOD - Utilities	863,936	863,936	897,239	(33,303)
Total Public works	30,050,871	28,039,867	26,977,969	1,061,898

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
General Fund
Budgetary Comparison Statement
For the Year Ended June 30, 2013
(continued)

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Community development:				
Community Development	8,110,977	9,030,661	7,978,081	1,052,580
Code and Water Quality Enforcement	1,104,077	1,128,385	900,584	227,801
Total Community development	9,215,054	10,159,046	8,878,665	1,280,381
Community services:				
Parking Operations	1,237,239	967,277	767,407	199,870
Library Services	6,615,323	7,216,383	7,136,921	79,462
Recreation and senior services	8,980,969	9,130,293	8,666,459	463,834
Total Community services	16,833,531	17,313,953	16,570,787	743,166
Capital outlay	7,881,211	6,446,318	5,235,786	1,210,532
Debt service:				
Interest and Fiscal Charges	250,000	250,000	180,426	69,574
Total expenditures	157,062,549	151,480,964	143,834,937	7,646,027
Excess (deficiency) of revenues over expenditures	(1,270,527)	11,610,868	26,573,250	14,962,382
Other financing sources (uses)				
Transfers in	-	-	89,297	89,297
Transfers out	(11,477,019)	(27,685,173)	(25,324,747)	2,360,426
Total other financing sources (uses)	(11,477,019)	(27,685,173)	(25,235,450)	2,449,723
Net change in fund balance	(12,747,546)	(16,074,305)	1,337,800	17,412,105
Fund balance, beginning	79,792,358	79,792,358	79,792,358	-
Fund balance, ending	\$ 67,044,812	\$ 63,718,053	\$ 81,130,158	\$ 17,412,105

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Licenses, permits and fees	\$ 1,706,180	\$ 1,706,180	\$ 60,923	\$ (1,645,257)
Charges for services	115,000	115,000	171,582	56,582
Fines and forfeitures	2,500	2,500	2,115	(385)
Investment income (loss)	22,000	22,000	(11,945)	(33,945)
Property income	8,729,061	8,783,811	11,308,379	2,524,568
Other	-	-	131	131
Total revenues	10,574,741	10,629,491	11,531,185	901,694
Expenditures				
General government	-	394,762	394,762	-
Public safety	-	7,385,094	7,385,094	-
Public works	861,736	3,632,455	3,600,247	32,208
Community services	1,831,625	2,486,235	2,301,235	185,000
Capital outlay	2,476,294	881,477	647,455	234,022
Total expenditures	5,169,655	14,780,023	14,328,793	451,230
Excess (deficiency) of revenues over expenditures	5,405,086	(4,150,532)	(2,797,608)	1,352,924
Other financing sources (uses)				
Transfers in	-	-	4,440,450	4,440,450
Transfers out	(6,930,000)	(6,930,000)	(813,820)	6,116,180
Total other financing sources (uses)	(6,930,000)	(6,930,000)	3,626,630	10,556,630
Net change in fund balance	(1,524,914)	(11,080,532)	829,022	11,909,554
Fund balance, beginning	1,690,168	1,690,168	1,690,168	-
Fund balance, ending	\$ 165,254	\$ (9,390,364)	\$ 2,519,190	\$ 11,909,554

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property income	\$ -	\$ -	\$ 924,508	\$ 924,508
Other	-	1,538,000	643,081	(894,919)
Total revenues	-	1,538,000	1,567,589	29,589
Expenditures				
Capital outlay	-	4,092,368	4,313,127	(220,759)
Excess (deficiency) of revenues over expenditures	-	(2,554,368)	(2,745,538)	(191,170)
Other financing sources				
Transfers in	-	-	813,820	813,820
Net change in fund balance	-	(2,554,368)	(1,931,718)	622,650
Fund balance, beginning	(6,879,703)	(6,879,703)	(6,879,703)	-
Fund balance (deficit), ending	<u>\$ (6,879,703)</u>	<u>\$ (9,434,071)</u>	<u>\$ (8,811,421)</u>	<u>\$ 622,650</u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

FUND
FINANCIAL STATEMENTS

PROPRIETARY FUNDS

FINANCIAL SECTION

PROPRIETARY FUNDS

Business-type Activities

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

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

Governmental Activities

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

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Net Position
June 30, 2013

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Assets				
Current assets:				
Cash and investments	\$ 14,756,663	\$ 1,776,461	\$ 16,533,124	\$ 50,658,261
Receivables:				
Accounts (net of allowance)	5,828,288	690,863	6,519,151	2,259,541
Inventories	-	-	-	368,829
Prepaid items	-	-	-	1,860,625
Total current assets	<u>20,584,951</u>	<u>2,467,324</u>	<u>23,052,275</u>	<u>55,147,256</u>
Non-current assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	-
Equipment	140,191	-	140,191	28,336,519
Software	-	-	-	271,280
Infrastructure	116,877,409	45,298,814	162,176,223	-
Work in progress	4,860,579	-	4,860,579	-
Less accumulated depreciation	<u>(43,715,304)</u>	<u>(15,192,400)</u>	<u>(58,907,704)</u>	<u>(19,724,232)</u>
Total capital assets (net of accumulated depreciation)	<u>81,070,721</u>	<u>30,106,414</u>	<u>111,177,135</u>	<u>8,883,567</u>
Total noncurrent assets	<u>81,070,721</u>	<u>30,106,414</u>	<u>111,177,135</u>	<u>8,883,567</u>
Total assets	<u>101,655,672</u>	<u>32,573,738</u>	<u>134,229,410</u>	<u>64,030,823</u>
Liabilities				
Current liabilities:				
Accounts payable	3,697,244	45,614	3,742,858	4,703,341
Accrued payroll	165,152	59,370	224,522	138,063
Deposits payable	25,888	-	25,888	-
Workers' compensation - current	-	-	-	2,094,183
General liability - current	-	-	-	4,827,877
Compensated absences - current	-	-	-	2,302,499
Early retirement incentive program - current	-	-	-	960,396
Total current liabilities	<u>3,888,284</u>	<u>104,984</u>	<u>3,993,268</u>	<u>15,026,359</u>
Non-current liabilities (note 6):				
Workers' compensation	-	-	-	14,461,817
General liability	-	-	-	2,356,538
Compensated absences	-	-	-	6,882,093
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,700,448</u>
Total liabilities	<u>3,888,284</u>	<u>104,984</u>	<u>3,993,268</u>	<u>38,726,807</u>
Net Position				
Invested in capital assets	81,070,721	30,106,414	111,177,135	8,883,567
Unrestricted	<u>16,696,667</u>	<u>2,362,340</u>	<u>19,059,007</u>	<u>16,420,449</u>
Total Net Position	<u>\$ 97,767,388</u>	<u>\$ 32,468,754</u>	<u>130,236,142</u>	<u>\$ 25,304,016</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			113,391	
Net position of business-type activities			<u>\$ 130,349,533</u>	

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, 2013

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 26,668,904	\$ -	\$ 26,668,904	-
Charges for services	-	-	-	21,681,205
Sewer service and connection fees	-	3,416,719	3,416,719	-
Retiree reimbursements	-	-	-	641,983
Employee contributions	-	-	-	209,983
Other	126,863	33,919	160,782	287,278
Total operating revenues	<u>26,795,767</u>	<u>3,450,638</u>	<u>30,246,405</u>	<u>22,820,449</u>
Operating expenses:				
Purchase of water	8,711,551	-	8,711,551	-
Salaries and benefits	3,938,920	1,449,940	5,388,860	3,350,958
Depreciation	1,567,991	602,202	2,170,193	1,763,568
Professional services	1,511,180	231,653	1,742,833	92,027
Maintenance and supplies	1,774,250	690,030	2,464,280	1,460,956
System maintenance	1,981,324	151,975	2,133,299	-
Fleet parts and supplies	-	-	-	490,010
Telecommunication	-	-	-	176,319
Hardware	-	-	-	29,765
Software	-	-	-	57,462
Workers' compensation	-	-	-	3,369,847
Claims and judgments	-	-	-	7,261,300
Compensated absences	-	-	-	2,021,547
Early retirement incentive program	-	-	-	124,579
OPEB ARC - Cash subsidy	-	-	-	3,051,000
Other	667,017	191,986	859,003	1,956,845
Total operating expenses	<u>20,152,233</u>	<u>3,317,786</u>	<u>23,470,019</u>	<u>25,206,183</u>
Operating income	<u>6,643,534</u>	<u>132,852</u>	<u>6,776,386</u>	<u>(2,385,734)</u>
Nonoperating revenues (expenses):				
Investment income	16,754	5,688	22,442	58,619
Gain (Loss) on removal of capital assets	(26,760)	-	(26,760)	551
Total nonoperating revenues (expenses)	<u>(10,006)</u>	<u>5,688</u>	<u>(4,318)</u>	<u>59,170</u>
Income (loss) before transfers	6,633,528	138,540	6,772,068	(2,326,564)
Transfers in (note 15)	-	-	-	9,065,186
Transfers out (note 15)	<u>(298,876)</u>	<u>(21,008)</u>	<u>(319,884)</u>	<u>(6,019,507)</u>
Net gain (loss) before contributed capital	6,334,652	117,532	6,452,184	719,115
Contributed Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,151,957</u>
Change in net position	6,334,652	117,532	6,452,184	1,871,072
Net position, beginning of year	<u>91,432,736</u>	<u>32,351,222</u>		<u>23,432,944</u>
Net position, end of year	<u>\$ 97,767,388</u>	<u>\$ 32,468,754</u>		<u>\$ 25,304,016</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(173,686)	
Change in net position of business-type activities			<u>\$ 6,278,498</u>	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Cash Flows
For the Year ended June 30, 2013

	Enterprise Funds			Governmental Activities Internal Service Funds
	Water	Wastewater	Total Enterprise Funds	
Cash flows from operating activities:				
Cash received from customers or user departments	\$ 25,701,317	\$ 3,382,156	\$ 29,083,473	\$ 21,734,139
Cash payments to employees for services	(3,923,811)	(1,454,501)	(5,378,312)	(8,700,824)
Cash payments to suppliers for goods and services	(12,462,241)	(1,065,432)	(13,527,673)	(9,014,772)
Cash received (payments made) for other operating activities	(540,154)	(158,067)	(698,221)	497,261
Net cash provided by operating activities	<u>8,775,111</u>	<u>704,156</u>	<u>9,479,267</u>	<u>4,515,804</u>
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	9,065,186
Cash paid to other funds	-	-	-	(8,385,177)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>680,009</u>
Cash flows from capital related financing activities:				
Acquisition of capital assets	(4,712,736)	-	(4,712,736)	(3,152,021)
Proceeds from sale of capital assets	-	-	-	53,457
Net cash (used) for capital related financing activities	<u>(4,712,736)</u>	<u>-</u>	<u>(4,712,736)</u>	<u>(3,098,564)</u>
Cash flows from investing activities:				
Interest on investments	16,754	5,688	22,442	58,619
Net cash provided by investing activities	<u>16,754</u>	<u>5,688</u>	<u>22,442</u>	<u>58,619</u>
Net increase (decrease) in cash and cash equivalents	4,079,129	709,844	4,788,973	2,155,868
Cash and cash equivalents, beginning	<u>10,677,534</u>	<u>1,066,617</u>	<u>11,744,151</u>	<u>48,502,393</u>
Cash and cash equivalents, ending	<u>\$ 14,756,663</u>	<u>\$ 1,776,461</u>	<u>\$ 16,533,124</u>	<u>\$ 50,658,261</u>
Reconciliation of cash equivalents to the statement of net assets				
Cash and investments reported on statement of net assets	<u>14,756,663</u>	<u>\$ 1,776,461</u>	<u>\$ 16,533,124</u>	<u>50,658,261</u>
Cash and cash equivalents	<u>\$ 14,756,663</u>	<u>\$ 1,776,461</u>	<u>\$ 16,533,124</u>	<u>\$ 50,658,261</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 6,643,534	\$ 132,852	\$ 6,776,386	\$ (2,385,734)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,567,991	602,202	2,170,193	1,763,568
Changes in operating assets and liabilities:				
(Increase) in accounts receivable	(943,121)	(34,563)	(977,684)	(102,670)
(Increase) in inventories	-	-	-	(1,617,676)
Decrease in prepaid items	-	264	264	50,444
Increase in accounts payable and accrued payroll	1,531,173	3,401	1,534,574	3,772,412
(Decrease) in deposits payable	(24,466)	-	(24,466)	-
Increase in workers' compensation	-	-	-	879,220
Increase in general liability	-	-	-	2,863,842
Increase in compensated absences	-	-	-	252,794
(Decrease) in early retirement incentive program	-	-	-	(960,396)
Total adjustments	<u>2,131,577</u>	<u>571,304</u>	<u>2,702,881</u>	<u>6,901,538</u>
Net cash provided by operating activities	<u>\$ 8,775,111</u>	<u>\$ 704,156</u>	<u>\$ 9,479,267</u>	<u>\$ 4,515,804</u>
<u>Non-cash investing, capital and financing activities:</u>				
Transfer of contributed capital to governmental funds	\$ (298,876)	\$ (21,008)	\$ (319,884)	\$ -
Contributed capital from governmental funds	-	-	-	1,151,957
Gain (loss) on disposal of capital assets	(26,760)	-	(26,760)	551
Total of non-cash activities	<u>\$ (325,636)</u>	<u>\$ (21,008)</u>	<u>\$ (346,644)</u>	<u>\$ 1,152,508</u>

See accompanying notes to basic financial statements

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FINANCIAL SECTION

FUND
FINANCIAL STATEMENTS

FIDUCIARY FUNDS

FINANCIAL SECTION

FIDUCIARY FUNDS

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

CITY OF NEWPORT BEACH
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Assets	Totals
Cash and investments (note 4)	\$ 519,444
Cash with fiscal agent (note 4)	5,308,082
Receivable	<u>17,342</u>
Total assets	<u><u>\$ 5,844,868</u></u>
 Liabilities	
Due to bondholders	\$ 5,574,947
Due to others	<u>269,921</u>
Total liabilities	<u><u>\$ 5,844,868</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, 2013

(1) Summary of Significant Accounting Policies

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

a. Reporting Entity

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

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

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

Blended Component Unit

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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

b. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

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

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

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another 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, 2013

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.

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, 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 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. The fiscal year sales tax clean up payment is received in September, beyond our traditional 60 day availability criteria. However, this payment is significant to this revenue category in that it adjusts the fiscal years amounts to reflect the economic climate for the year. In an effort to be more consistent with our analytical comparisons and benchmarking we have modified our availability criteria to 90 days for sales tax revenues only.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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 current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) 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 net current assets. 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. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenue represented by non-current receivables is deferred until they become current receivables. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

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

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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 investment earnings available for expenditure is reported as Restricted Fund Balance in the fund level financial statements. The endowment principal is reported as Nonspendable for Permanent Endowments in the Statement of Net Assets. 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 and all liabilities (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 assets.

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 expenditure. Proceeds of long-term debt are recorded as a liability in the proprietary fund financial statements, rather than as other financing source. Amounts paid to reduce long-term indebtedness of the proprietary funds are reported as a reduction of the related liability, rather than as expenditure.

Agency funds are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

c. Fund Classifications

The City utilizes the following broad categories of funds:

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

Major Governmental Funds – Governmental funds are generally used to account for tax supported activities. The following governmental funds met 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.

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.

Civic Center and Park Fund

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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Debt Service Fund

Civic Center COP

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

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

Water Fund

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

Wastewater Fund

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

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 as well as the cost of maintaining and replacing the City's Information Technology Systems. City departments are the primary users of these services and are charged a fee on a cost reimbursement basis.

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

d. **New Accounting Pronouncements**

Implemented:

In fiscal year 2012-13, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”* This statement incorporated deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, *“Elements of Financial Statements”* into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

In fiscal year 2012-13, the City early implemented GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities."* This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the early implementation of this statement, deferred bond costs, which should be recognized as an expense in the period incurred, were eliminated. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2012 by \$1,132,169 of the governmental activities, which is the amount of unamortized bond issue costs at July 1, 2012.

Pending Accounting Standards:

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

- GASB 66 – *"Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62,"* effective for periods beginning after December 15, 2012.
- GASB 67 – *"Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25,"* effective for the fiscal years beginning after June 15, 2013
- GASB 68 – *"Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27,"* effective for fiscal years beginning after June 15, 2014.
- GASB 69 – *"Government Combinations and Disposals of Government Operations,"* effective for periods beginning after December 15, 2013.
- GASB 70 – *"Accounting and Financial Reporting for Nonexchange Financial Guarantees,"* effective for the periods beginning after June 15, 2013.

e. Accounts Receivables (net of allowance)

Accounts receivables represent all service and capital project billings other than intergovernmental receivables stated above. 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 government's credit worthiness. As of June 30, 2013, the balance for Allowance for Doubtful Accounts was as follows:

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

General Fund:	\$977,722
Tide and Submerged Land – Operating:	\$3,102
Water Fund:	\$152,831
Waste Water Fund:	\$19,769
Equipment Maintenance Fund:	\$13,887

f. Cash and Investments

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

Investments

Investments are generally stated at fair value.

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

The City's investment in LAIF is \$30,909,965 at June 30, 2013. 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 of 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, 2013, the balance of this account was \$8,481,891.

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

costs of governmental fund type 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. The cost of normal maintenance and repairs that do not add to the value of the asset's lives are not capitalized. The City chose to value and report on infrastructure assets in their entirety (e.g. Prior to 1980).

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

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

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

j. Claims and Judgments

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

k. Property Taxes

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

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

l. Compensated Absences

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

m. Deposits Payable

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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

In the governmental funds financial statements, deferred inflows represents revenues which have been earned but have not yet met the availability criteria for revenue recognition based on the modified accrual basis of accounting.

p. Fund Balance Classifications

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

Nonspendable fund balance

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

Restricted fund balance

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

Committed fund balance

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Unassigned fund balance

That residual portion of a fund balance that is in spendable form and is not otherwise restricted, committed or assigned. These amounts are available to be used for any purpose.

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

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

q. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, 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.

(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 \$131,498,622 differs from “net position” of governmental activities \$2,274,883,882 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Capital Related Items

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

Cost of capital assets	\$2,402,219,597
Accumulated depreciation	<u>(156,853,504)</u>
Total capital assets, net*	<u>\$2,245,366,093</u>

*Amount excludes net capital assets of \$8,883,567 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 assets. Balances at June 30, 2013 were:

Certificates of participation	\$122,230,000
Bond Premium	843,871
Pre-annexation agreement	4,800,000
CDBG Loan	<u>1,578,000</u>
Total	<u>\$129,451,871</u>

Accrued Interest

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

Accrued interest added	<u>\$3,944,879</u>
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Investment in Joint Venture

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

Net equity in joint venture	<u>\$197,338</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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>\$6,027,954</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 assets, because they primarily serve governmental activities of the City.

Internal Service Funds	<u>\$25,304,016</u>
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Reclassifications and Eliminations

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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

Assets	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Cash and investments	\$ 136,118,355	\$ -	\$ -	\$ -
Receivables:				
Accounts	10,499,267	-	-	-
Notes	-	-	-	-
Advances to other funds	9,676,659	-	-	-
Interest	690,275	-	-	-
Intergovernmental receivables	8,481,891	-	-	-
Cash with fiscal agent	7,838,995	-	-	-
Interfund balances	13,233,169	-	-	-
Due from agency fund	-	-	-	-
Investment in joint venture	-	-	-	-
Prepaid items	92,544	-	-	-
Inventory	217,722	-	-	-
Other	-	-	-	-
Deferred charges	-	-	-	-
Capital assets	-	2,402,219,597	-	-
Accumulated depreciation	-	-	(156,853,504)	-
Total assets	\$ 186,848,877	\$ 2,402,219,597	\$ (156,853,504)	\$ -
Liabilities, Deferred Inflows of Resources and Fund Balances/New Position				
Liabilities:				
Accounts payable	\$ 13,536,098	\$ -	\$ -	\$ -
Accrued payroll	5,291,793	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,230,119	-	-	-
Capital leases payable	-	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Early retirement incentive program	-	-	-	-
Unearned revenue	5,354,463	-	-	-
Unavailable revenue	-	-	-	-
Due to other funds	13,233,169	-	-	-
Advance from other funds	9,676,659	-	-	-
Long-term liabilities	-	-	-	129,451,871
Total liabilities	49,322,301	-	-	129,451,871
Deferred Inflows of Resources:				
Unavailable revenue	6,027,954	-	-	-
Total deferred inflows of resources	6,027,954	-	-	-
Fund balances / net position	131,498,622	2,402,219,597	(156,853,504)	(129,451,871)
Total liabilities, deferred inflows of resources and fund balances / net position	\$ 186,848,877	\$ 2,402,219,597	\$ (156,853,504)	\$ -

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

<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>
\$ -	\$ -	\$ -	\$ 50,658,261	\$ -	\$ 186,776,616
-	-	-	2,259,541	-	12,758,808
-	-	-	-	-	-
-	-	-	-	(9,676,659)	-
-	-	-	-	-	690,275
-	-	-	-	-	8,481,891
-	-	-	-	-	7,838,995
-	-	-	-	(13,346,560)	(113,391)
-	-	-	-	-	-
-	197,338	-	-	-	197,338
-	-	-	1,860,625	-	1,953,169
-	-	-	368,829	-	586,551
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	28,607,799	-	2,430,827,396
-	-	-	(19,724,232)	-	(176,577,736)
<u>\$ -</u>	<u>\$ 197,338</u>	<u>\$ -</u>	<u>\$ 64,030,823</u>	<u>\$ (23,023,219)</u>	<u>\$ 2,473,419,912</u>
\$ -	\$ -	\$ -	\$ 4,703,341	\$ -	\$ 18,239,439
-	-	-	138,063	-	5,429,856
3,944,879	-	-	-	-	3,944,879
-	-	-	-	-	2,230,119
-	-	-	-	-	-
-	-	-	4,827,877	-	4,827,877
-	-	-	2,094,183	-	2,094,183
-	-	-	2,302,499	-	2,302,499
-	-	-	960,396	-	960,396
-	-	-	-	-	5,354,463
-	-	-	-	-	-
-	-	-	-	(13,233,169)	-
-	-	-	-	(9,676,659)	-
-	-	-	23,700,448	-	153,152,319
<u>3,944,879</u>	<u>-</u>	<u>-</u>	<u>38,726,807</u>	<u>(22,909,828)</u>	<u>198,536,030</u>
-	-	(6,027,954)	-	-	-
-	-	(6,027,954)	-	-	-
<u>(3,944,879)</u>	<u>197,338</u>	<u>6,027,954</u>	<u>25,304,016</u>	<u>(113,391)</u>	<u>2,274,883,882</u>
<u>\$ -</u>	<u>\$ 197,338</u>	<u>\$ -</u>	<u>\$ 64,030,823</u>	<u>\$ (23,023,219)</u>	<u>\$ 2,473,419,912</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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

Net position of the City's Enterprise Funds of \$130,236,142 differs from net position of the business-type activities of \$130,349,533 reported in the government-wide statement of net position. The difference, \$113,391, results from the consolidation of internal service fund activities related to the enterprise funds.

Explanation of Differences between Enterprise Funds and Government-wide Statement of Net Position			
	Total Enterprise Funds	Internal Service Funds	Government wide Statement of Net Assets
Assets			
Cash and investments	\$ 16,533,124	\$ -	\$ 16,533,124
Receivables:			
Accounts	6,519,151	-	\$ 6,519,151
Interfund balances	-	113,391	113,391
Prepaid items	-	-	-
Capital assets, net	<u>111,177,135</u>	<u>-</u>	<u>111,177,135</u>
 Total assets	 <u><u>\$ 134,229,410</u></u>	 <u><u>\$ 113,391</u></u>	 <u><u>\$ 134,342,801</u></u>
 Liabilities and Fund Balances / Net Assets			
Liabilities:			
Accounts payable	\$ 3,742,858	\$ -	\$ 3,742,858
Accrued payroll	224,522	-	224,522
Deposits payable	<u>25,888</u>	<u>-</u>	<u>25,888</u>
			-
 Total liabilities	 <u><u>3,993,268</u></u>	 <u><u>-</u></u>	 <u><u>3,993,268</u></u>
 Net Position			
Invested in capital assets, net of related debt	\$ 111,177,135	-	\$ 111,177,135
Unrestricted	<u>19,059,007</u>	<u>113,391</u>	<u>19,172,398</u>
	<u><u>\$ 130,236,142</u></u>	<u><u>\$ 113,391</u></u>	<u><u>\$ 130,349,533</u></u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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

The “net change in fund balances” for governmental funds (\$43,807,841) differs from the “change in net position” for governmental activities \$32,094,933 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 assets.

Capital Outlay	\$ 162,068,872
Transfers out of WIP	(96,525,820)
Capital Outlays expended	<u>65,543,052</u>
Internal Service funds - asset additions	(4,303,978)
Governmental funds - asset additions	(2,588,384)
Capital Contributions	18,560,254
Capital Contributions from Proprietary Funds	<u>319,884</u>
Net change in capital related items	<u>\$ 77,530,828</u>
Depreciation expense	\$ (11,214,298)
Deletions in IS accumulated depreciation	1,763,568
Deletions in Governmental funds accumulated depreciation	<u>691,933</u>
Net change in accumulated depreciation	<u>\$ (8,758,797)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Long-Term Debt Transactions

Repayment of debt service is reported as an expenditure in governmental funds and, thus, 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, thus increasing 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 assets.

Civic Center Certificates of Participation	\$2,690,000
Pre-annexation agreement	1,200,000
CDBG loan	108,000
Amortization of debt premium	<u>(120,553)</u>
Total debt payments	<u><u>\$3,877,447</u></u>

Accrued Interest

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

Net change in accrued interest	<u><u>(\$42,596)</u></u>
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Investment in Joint Venture

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

Net change in investment in joint venture	<u><u>(\$2,476,639)</u></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><u>\$3,401,475</u></u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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 “closes” those funds by reimbursing or charging additional amounts to participating departments in individual funds for costs over or under charged for those activities.

Net change in Internal Service Funds	<u>\$1,871,072</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>\$173,686</u>
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CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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

Assets	Total Governmental Funds	Capital Related Items	Accumulated Depreciation	Long-term Debt Transactions
Revenues:				
Taxes and assessments	\$ 134,733,550	\$ -	\$ -	\$ -
Intergovernmental	11,393,589	-	-	-
Licenses and permits	7,682,555	-	-	-
Charges for services	16,254,399	-	-	-
Fines and forfeitures	3,649,532	-	-	-
Investment income	372,514	-	-	-
Property income	19,847,371	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	587,445	-	-	-
Gain on sale of capital assets	-	-	-	-
Capital Contributions from State	-	18,870,000	-	-
Other	3,543,894	-	-	-
Total revenues	<u>198,064,849</u>	<u>18,870,000</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General government	13,671,480	1,343,167	256,972	-
Public safety	80,546,969	1,770,107	(442,469)	-
Public works	32,451,624	2,489,701	6,045,934	-
Community development	8,994,710	19,374	92,469	-
Community services	18,872,022	1,270,013	1,969,816	-
Capital outlay	72,133,582	(65,543,052)	-	-
Debt service:				
Principal retirement	3,998,000	-	-	(3,998,000)
Interest and fiscal charges	8,152,488	-	-	-
Amortization of debt premium	-	-	-	(120,553)
Total expenses	<u>238,820,875</u>	<u>(58,650,690)</u>	<u>7,922,722</u>	<u>(4,118,553)</u>
Other financing sources (uses):				
Transfers in	47,875,107	-	-	-
Transfers out	(50,926,922)	-	-	-
Total other financing sources (uses)	(3,051,815)	-	-	-
Capital Contributions from Information Technology Fund	-	842,211	(836,075)	-
Capital Contributions to Equipment Maintenance Fund	-	(1,151,957)	-	-
Capital Contributions from Enterprise Funds	-	319,884	-	-
Total capital contributions from Propreitary Funds	-	10,138	(836,075)	-
Net change in fund balances / net position	(43,807,841)	77,530,828	(8,758,797)	4,118,553
Fund balances / net position beginning of year as restated	<u>175,306,463</u>	<u>2,324,688,769</u>	<u>(148,094,707)</u>	<u>(133,570,424)</u>
Fund balances / net position end of year	<u>\$ 131,498,622</u>	<u>\$ 2,402,219,597</u>	<u>\$ (156,853,504)</u>	<u>\$ (129,451,871)</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,733,550
-	-	3,401,475	-	-	14,795,064
-	-	-	-	-	7,682,555
-	-	-	-	173,686	16,428,085
-	-	-	-	-	3,649,532
-	-	-	58,619	-	431,133
-	-	-	-	-	19,847,371
-	(2,476,639)	-	-	-	(2,476,639)
-	-	-	-	-	587,445
-	-	-	551	-	551
-	-	-	-	-	18,870,000
-	-	-	-	-	3,543,894
-	(2,476,639)	3,401,475	59,170	173,686	218,092,541
-	-	-	127,061	431,895	15,830,575
-	-	-	1,358,587	1,994	83,235,188
-	-	-	821,807	5,985,565	47,794,631
-	-	-	50,923	65,622	9,223,098
-	-	-	27,356	105,454	22,244,661
-	-	-	-	(6,590,530)	-
-	-	-	-	-	-
(42,596)	-	-	-	-	8,109,892
-	-	-	-	-	(120,553)
(42,596)	-	-	2,385,734	-	186,317,492
-	-	-	9,065,186	(56,940,293)	-
-	-	-	(6,019,507)	56,946,429	-
-	-	-	3,045,679	6,136	-
-	-	-	-	(6,136)	-
-	-	-	1,151,957	-	-
-	-	-	-	-	319,884
-	-	-	1,151,957	(6,136)	319,884
42,596	(2,476,639)	3,401,475	1,871,072	173,686	32,094,933
(3,987,475)	2,673,977	2,626,479	23,432,944	(287,077)	2,242,788,949
\$ (3,944,879)	\$ 197,338	\$ 6,027,954	\$ 25,304,016	\$ (113,391)	\$ 2,274,883,882

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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 \$6,452,184 differs from the change in net position of the business-type activities \$6,278,498 reported in the government-wide statement of activities. The difference, (\$173,686), results from the consolidation of internal service fund activities related to the enterprise funds.

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

	Total Enterprise Funds	Internal Service Fund	Business-type activities Statement of Activities
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 26,668,904	\$ -	\$ 26,668,904
Sewer service and connection fees	3,416,719	-	3,416,719
Other	160,782	-	160,782
Total operating revenues	<u>30,246,405</u>	<u>-</u>	<u>30,246,405</u>
Operating expenses:			
Purchase of Water	8,711,551	-	8,711,551
Salaries and wages	5,388,860	-	5,388,860
Depreciation	2,170,193	-	2,170,193
Professional Services	1,742,833	-	1,742,833
Maintenance and supplies	2,464,280	173,686	2,637,966
System maintenance	2,133,299	-	2,133,299
Other	859,003	-	859,003
Total operating expenses	<u>23,470,019</u>	<u>173,686</u>	<u>23,643,705</u>
Operating income	6,776,386	(173,686)	6,602,700
Nonoperating revenues (expenses):			
Investment income	22,442	-	22,442
Net increase in fair value of investments	-	-	-
Loss on removal of capital assets	(26,760)	-	(26,760)
Total nonoperating revenues (expenses)	<u>(4,318)</u>	<u>-</u>	<u>(4,318)</u>
Income before transfers	6,772,068	(173,686)	6,598,382
Transfers out	(319,884)	-	(319,884)
Change in net position	6,452,184	(173,686)	6,278,498
Net position, beginning of year	<u>123,783,958</u>	<u>287,077</u>	<u>124,071,035</u>
Net position, end of year	<u>\$ 130,236,142</u>	<u>\$ 113,391</u>	<u>\$ 130,349,533</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

(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.
- 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 reevaluated 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, 2013

Expenditures exceeded appropriations in the following governmental funds.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Asset Forfeiture	\$ 41,213	\$ 115,905	\$ (74,692)
Supplemental Law Enforcement	100,000	107,007	(7,007)

The following funds reported deficit fund balances:

Special Revenue Funds

Tide and Submerged Land - Harbor Capital Fund	\$ 8,811,421
OTS DUI Grant	\$ 50,805
Circulation and Transportation	\$ 198,953
Prop 1B Transportation	\$ 687,444

Capital Project Funds

Misc SAH Projects	\$ 19,097
Marina Park	\$ 3,745,398
sunset Ridge Park	\$ 1,925,160
Strategic Planning	\$ 109,872
Lifeguard Headquarters	\$ 175,111

Internal Service Funds

Insurance Reserve	\$ 2,243,187
Compensated Absences	\$ 8,031,561

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

(4) Cash and Investments

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$203,309,740
Cash with fiscal agent	7,838,995
Fiduciary funds:	
Cash and investments	519,444
Cash with fiscal agent	5,308,082
Total cash and investments	<u>\$216,976,261</u>

Cash and investments as of June 30, 2013, consist of the following:

Cash on hand	\$ 22,708
Deposits with financial institutions	14,037,002
Investments	<u>202,916,551</u>
Total cash and investments	<u>\$216,976,261</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 trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	3 years	15%	5%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	20%	5%
Commercial Paper	270 days	25%	5%

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Negotiable Certificates of Deposit	2 years	30%	5%
Repurchase Agreements	30 days	10%	5%
Reverse Repurchase Agreements	30 days	10%	5%
Medium-Term Notes	4 years	30%	5%
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	20%	None
Mortgage Pass-Through Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	5%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

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

Investments Authorized by Debt Agreements

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

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	* Fair Value	Investment Maturities (In Years)				Total
		Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	2,743,317	\$ 2,743,317	\$ -	\$ -	\$ -	\$ 2,743,317
U.S. Treasury Notes	34,921,762	4,169,015	25,875,272	4,877,475	-	34,921,762
U.S. Agencies	79,176,519	10,972,500	35,433,617	32,770,402	-	79,176,519
Agency Discount Notes	1,599,302	1,599,302	-	-	-	1,599,302
Asset Backed Securities	1,539,434	-	-	1,539,434	-	1,539,434
Corporate Notes	34,981,934	6,496,146	22,655,126	5,830,662	-	34,981,934
Commercial Paper	3,897,241	3,897,241	-	-	-	3,897,241
LAIF	30,909,965	30,909,965	-	-	-	30,909,965
Cash with Fiscal Agent:						
Money Market Funds	11,966,501	11,966,501	-	-	-	11,966,501
Investment Agreements	1,180,576	-	-	-	1,180,576	1,180,576
Total	\$ 202,916,551	\$ 72,753,987	\$ 83,964,015	\$ 45,017,973	\$ 1,180,576	\$ 202,916,551

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

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2013, 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, 2013

Disclosures Relating to Credit Risk

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

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	AAA	AA+	AA	AA-	A+	A	A-	A-1+	A-1	Not Rated
Money Market Funds	2,743,317	AAA	\$ -	\$ 2,743,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	34,921,761	N/A	34,921,761	-	-	-	-	-	-	-	-	-	-
U.S. Agencies	79,176,519	N/A	-	-	79,176,519	-	-	-	-	-	-	-	-
Agency Discount Notes	1,599,302	A	-	599,742	-	-	-	-	-	-	999,560	-	-
Asset Backed Securities	1,539,434	A	-	1,539,434	-	-	-	-	-	-	-	-	-
Corporate Notes	34,981,935	A	-	2,840,454	5,393,645	6,275,209	3,559,861	5,747,012	9,291,984	1,873,770	-	-	-
Commercial Paper	3,897,241	A-1	-	-	-	-	-	-	-	-	1,099,181	2,798,060	-
Local Agency Investment Fund	30,909,965	N/A	-	-	-	-	-	-	-	-	-	-	30,909,965
Cash with Fiscal Agent:													
Money Market Funds	11,966,501	AAA	-	11,966,501	-	-	-	-	-	-	-	-	-
Investment Agreements	1,180,576	N/A	-	-	-	-	-	-	1,180,576	-	-	-	-
	<u>\$202,916,551</u>		<u>\$34,921,761</u>	<u>\$19,689,448</u>	<u>\$84,570,164</u>	<u>\$6,275,209</u>	<u>\$3,559,861</u>	<u>\$5,747,012</u>	<u>\$10,472,560</u>	<u>\$1,873,770</u>	<u>\$2,098,741</u>	<u>\$2,798,060</u>	<u>\$30,909,965</u>

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
FHLMC	Federal agency securities	\$ 23,266,147
FNMA	Federal agency securities	\$ 39,550,340

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

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2013, 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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

(5) Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2013
Non-depreciable:				
Land and rights of way	\$ 1,821,418,397	\$ 47,969,085	\$ -	\$ 1,869,387,482
Work in progress	99,307,139	4,287,198	(96,525,820)	7,068,517
Depreciable:				
Structures	84,575,133	108,791,126	-	193,366,259
Equipment	28,637,421	8,995,620	(1,681,222)	35,951,819
Infrastructure	316,626,998	10,905,981	(2,479,660)	325,053,319
	<u>2,350,565,088</u>	<u>180,949,010</u>	<u>(100,686,702)</u>	<u>2,430,827,396</u>
Less accumulated depreciation for:				
Structures	(17,342,260)	(1,880,217)	-	(19,222,477)
Equipment	(21,100,425)	(2,743,064)	1,569,532	(22,273,957)
Infrastructure	<u>(129,126,145)</u>	<u>(6,591,017)</u>	<u>635,860</u>	<u>(135,081,302)</u>
	<u>(167,568,830)</u>	<u>(11,214,298)</u>	<u>2,205,392</u>	<u>(176,577,736)</u>
Net Capital Assets	<u>\$ 2,182,996,258</u>	<u>\$ 169,734,712</u>	<u>\$ (98,481,310)</u>	<u>\$ 2,254,249,660</u>

Governmental Activities capital assets net of accumulated depreciation at June 30, 2013 are comprised of the following:

General Capital Assets, net	\$ 2,245,366,093
Internal Service Fund Capital Assets, net	<u>8,883,567</u>
	<u>\$ 2,254,249,660</u>

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2013
Non-depreciable:				
Land	\$ 2,016,450	\$ 203,000	\$ -	\$ 2,219,450
Work in progress	801,956	4,581,507	(522,884)	4,860,579
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	108,898	31,293	-	140,191
Infrastructure	162,111,186	99,936	(34,899)	162,176,223
	<u>165,726,886</u>	<u>4,915,736</u>	<u>(557,783)</u>	<u>170,084,839</u>
Less accumulated depreciation for:				
Structures	(142,407)	(14,797)	-	(157,204)
Equipment	(44,027)	(5,897)	-	(49,924)
Infrastructure	<u>(56,559,215)</u>	<u>(2,149,499)</u>	<u>8,138</u>	<u>(58,700,576)</u>
	<u>(56,745,649)</u>	<u>(2,170,193)</u>	<u>8,138</u>	<u>(58,907,704)</u>
Net Capital Assets	<u>\$ 108,981,237</u>	<u>2,745,543</u>	<u>\$ (549,645)</u>	<u>\$ 111,177,135</u>

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

	Governmental Activities*	Business-type Activities
General government	\$ 256,972	\$ -
Public safety	1,963,138	-
Public works	6,931,903	-
Community development	92,469	-
Community service	1,969,816	-
Water	-	1,567,991
Wastewater	<u>-</u>	<u>602,202</u>
	<u>\$ 11,214,298</u>	<u>\$ 2,170,193</u>

*Internal Service Fund depreciation of \$1,763,568 is allocated to governmental functions above.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

(6) Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of participation payable	\$ 124,920,000	\$ -	\$ (2,690,000)	\$ 122,230,000	\$ 2,775,000
Bond Premium	964,424	-	(120,553)	843,871	120,553
Pre-annexation agreement	6,000,000	-	(1,200,000)	4,800,000	1,200,000
CDBG Loan	1,686,000	-	(108,000)	1,578,000	116,000
Workers' compensations payable	15,676,780	2,490,628	(1,611,408)	16,556,000	2,094,183
Claims and judgements payable	4,320,573	7,482,922	(4,619,080)	7,184,415	4,827,877
Compensated absences	8,931,798	2,146,127	(1,893,333)	9,184,592	2,302,499
Early Retirement Incentive Program (see note 11)	1,920,792	-	(960,396)	960,396	960,396
Total governmental activities	\$ 164,420,367	\$ 12,119,677	\$ (13,202,770)	\$ 163,337,274	\$ 14,396,508

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.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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. The refunding was undertaken to reduce total debt service payments over the next nine years by \$1,084,556 and resulted in a net present value savings of \$429,500. Accordingly, the 1998 Library Certificates have been defeased pursuant to the defeasance provisions of the 1998 Trust Agreement. The remaining proceeds from the Series 2010A Certificates are to be 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 will also be applied to pay certain costs of issuance incurred in connection with the Certificates.

The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began January 1, 2011, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2010A Certificates carry interest rates from 2.00% to 4.00%, while the 2010B Certificates interest rates range from 4.45% to 7.17%. The City has designated the Series 2010B Certificates as "Build America Bonds" (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009. Thus, the City expected to receive refundable credits from the United States Treasury equal to 35% of the interest payable on the 2010B Certificates totaling \$53,292,850. However, due to sequestration that began on March 1, 2013, the City now expects to receive refundable credits from the United States Treasury equal to about 32% of the interest payable on the 2010B Certificates. As of June 30, 2013 the City has received \$6,446,017 of BABs Subsidy from the United States Treasury. Principal payments are payable annually on July 1 of each year. Future principal payments for the Series 2010A, which commenced July 1, 2011 and continue through July 1, 2019, range from \$410,000 to \$3,185,000. The future principal payments for the Series 2010B Certificates, which commence July 1, 2018 and are payable through July 1, 2040, range from \$2,900,000 to \$7,245,000. The total outstanding balance at June 30, 2013 amounted to \$122,230,000.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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

Year Ending June 30	Principal	Interest	Total
2014	2,775,000	7,771,642	10,546,642
2015	2,860,000	7,687,117	10,547,117
2016	2,940,000	7,585,417	10,525,417
2017	3,060,000	7,465,417	10,525,417
2018	3,185,000	7,340,517	10,525,517
2019-2022	12,945,000	27,884,742	40,829,742
2023-2026	13,850,000	24,955,179	38,805,179
2027-2030	16,490,000	20,771,058	37,261,058
2031-2034	19,710,000	15,637,984	35,347,984
2035-2038	23,635,000	9,442,944	33,077,944
2039-2041	20,780,000	2,279,424	23,059,424
	<u>\$ 122,230,000</u>	<u>\$ 138,821,441</u>	<u>\$ 261,051,441</u>

- Newport Coast Pre-Annexation Agreement Payable

In conjunction with the January 1, 2002, annexation of Newport Coast, the City entered into an agreement payable with the Newport Coast Committee for a total of \$18,000,000 to reduce property owner assessments used to finance certain road and street improvements. The principal-only agreement which began in the 2003 fiscal year, is payable over a period of fifteen years in equal installments of \$1,200,000. The outstanding balance at June 30, 2013, amounted to \$4,800,000.

- 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 with an average interest rate of 6.5%. Future principal payments range from \$108,000 to \$208,000 through June 30, 2023. The outstanding balance at June 30, 2013, amounted to \$1,578,000.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

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

Year Ending June 30	Principal	Interest	Total
2014	116,000	88,722	204,722
2015	123,000	82,315	205,315
2016	132,000	75,306	207,306
2017	141,000	67,639	208,639
2018	150,000	59,314	209,314
2019-2023	916,000	145,902	1,061,902
	<u>\$ 1,578,000</u>	<u>\$ 519,198</u>	<u>\$ 2,097,198</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, 2013, 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, 2013, for general liability amounted to \$7,184,415 and for workers' compensation was \$16,556,000.

- 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, 2013, is \$9,184,592.

- Early Retirement Incentive Program (ERIP)

In Fiscal year 2009-10, the City approved and implemented an Early Retirement Incentive Program (ERIP) to 166 eligible employees to help mitigate declining General Fund revenues and institute long-term structural changes to avert future budget shortfalls. A total of 51 people participated and the estimated liability at June 30, 2013 is \$960,396. See Note (11) in the notes to financial statements.

- Voluntary Separation Incentive Program (VSIP)

In Fiscal year 2012-13, the City approved and implemented a Voluntary Separation Incentive Program (VSIP) to employees meeting or exceeding the minimum age of retirement under PERS (age 50) with the goal of additional reduction of staff and continued review/restructure of the City's workforce. A total of 21 employees

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

participated in the VSIP. There was no liability at June 30, 2013. See Notes (11) in the Notes to Financial Statements.

(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; the assets are recorded in the Special Assessment Agency Fund. Bonds outstanding at June 30, 2013, 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, 2013</u>
Reassessment District 2012	\$13,583,436	\$13,558,436
No. 95-1 CIOSA Refunding Series A	\$15,495,000	\$ 4,235,000

Other Limited Obligation Bonds

The City has issued revenue bonds for the purpose of advancing the net proceeds of the bonds to Hoag Memorial Hospital Presbyterian for the purposes of financing the acquisition, construction and equipping of health facilities located within the City.

The bonds are limited obligations of the City payable from payments required to be made by Hoag Memorial Hospital. The City is not obligated to pay the principal or interest of the bonds except from payments made by Hoag, and neither the faith and credit nor the taxing power of the City is pledged to the payment of the principal and interest on the bonds. Therefore the bonded indebtedness is not shown in the financial statements.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Bonds outstanding at June 30, 2013, are as follows:

Series 2008C	\$70,095,000
Series 2008D	\$78,875,000
Series 2008E	\$78,850,000
Series 2008F	\$87,165,000
Series 2009A	\$61,560,000
Series 2009D	\$35,490,000
Series 2009E	\$35,490,000
Series 2011A	\$105,150,000

The revenue bonds are subject to, at the option of Hoag Memorial Hospital Presbyterian, optional and mandatory tender for purchase. If no tender or purchase is made, varying redemption payments on the 2008 Series bonds commence on December 1, 2012, and are required to be made through December 1, 2028. For the 2009 Series bonds, varying redemption payments commence on December 1, 2014, and are required to be made through December 1, 2038. For the 2011 Series bonds, varying redemption payments begin on December 1, 2012 and are required to be made through December 1, 2040.

(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. For general liability, the City has excess insurance coverage of \$50 million per occurrence with a self-insured retention (SIR) of \$500,000 per occurrence.

For workers' compensation and employer's liability insurance, the City has excess insurance coverage of \$1,000,000 per occurrence with a \$1,000,000 SIR. This coverage provides for work-related accidents and diseases.

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

Fund liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

payouts and other economic and social factors. The total liability claims payable include \$23,740,415 which represents the discounted present value at June 30, 2013. The claims were discounted using an interest rate of three percent.

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Unpaid claims, beginning of fiscal year	\$ 3,958,131	\$ 4,320,573	\$ 14,620,000	\$ 15,676,780
Incurred claims (including IBNR)	2,577,605	7,482,922	2,796,045	2,490,628
Claim payments	<u>(2,215,163)</u>	<u>(4,619,080)</u>	<u>(1,739,265)</u>	<u>(1,611,408)</u>
Unpaid claims, end of fiscal year	<u>\$ 4,320,573</u>	<u>\$ 7,184,415</u>	<u>\$ 15,676,780</u>	<u>\$ 16,556,000</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 \$79,756,371 at June 30, 2013.

(10) Pension Plans

Plan Description - Defined Benefit Plan

The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

Funding Policy

The City of Newport Beach now has three tiers of retirement formulae:

Employee Group	Tier 1	Tier 2	Tier 3
Applies to	Employees hired on or before November 23, 2012	Employees hired on or after November 24, 2012 (or laterals from other PERS agencies who meet certain requirements)	New PERS covered employees hired after January 1, 2013 (mandated by AB 340, the Public Employees Pension Reform Act (PEPRA))
Miscellaneous Formulae	2.5%@55	2.0%@60	2.0%@62
Safety Formulae (Police & Police Management)	3.0%@50	3.0%@55	2.7%@57
Safety Formulae (Fire, Fire Management & Lifeguard Management)	3.0%@50	2.0%@50	2.7%@57

Tier 1 participants are required to contribute 8% (9% for safety employees) of their annual covered salary. Tier 2 participants are required to contribute 7% (9% for safety employees) of their covered salary. Tier 3 participants are required to contribute 6.25% (11.25% for safety employees) of their covered salary.

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City contracts with the employee bargaining units all include pension cost sharing provisions. By the end of Fiscal Year 2012-13, miscellaneous employees (including those in Police and Fire Associations) were contributing 8% of the required 8% of annual salary, Police Management and Lifeguard Management employees were contributing 9%, Police Association safety employees were contributing 6.25%, and Fire safety employees were contributing 7%. Benefit provisions and all other requirements are established by State statutes and City contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2012 to June 30, 2013, has been determined by an actuarial valuation of the plan as of

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

June 30, 2010. The contribution rate indicated for the period is 16.403% for non-safety employees and 35.934% for safety employees of annual covered payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2013, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2012 to June 30, 2013.

Annual Pension Cost

For 2013, the City's annual pension cost of \$18,146,418 for PERS was equal to the City's required and actual contributions. A summary of principle assumptions and methods used to determine the annual required contribution is shown below:

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>
<i>Valuation Date</i>	June 30, 2010	June 30, 2010
<i>Actuarial Cost Method</i>	Entry Age Normal Cost Method	Entry Age Normal Cost Method
<i>Amortization Method</i>	Level Percent of Payroll	Level Percent of Payroll
<i>Average Remaining Period</i>	24 Years as of the Valuation Date	29 Years as of the Valuation Date
<i>Asset Valuation Method</i>	15-Year Smoothed Market	15-Year Smoothed Market
<i>Actuarial Assumptions:</i>		
<i>Investment Rate of Return</i>	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
<i>Projected Salary Increases</i>	3.55% to 14.45% depending on age, service, and type of employment	3.55% to 13.15% depending on age, service, and type of employment
<i>Inflation Rate</i>	3.00%	3.00%
<i>Payroll Growth</i>	3.25%	3.25%
<i>Individual Salary Growth</i>	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

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THREE-YEAR TREND INFORMATION FOR PERS (\$ Amount in Thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/11			
Misc.	\$6,074	100%	\$0
Safety	\$10,756	100%	\$0
Total	<u>\$16,830</u>	<u>100%</u>	<u>\$0</u>
6/30/12			
Misc.	\$6,385	100%	\$0
Safety	\$11,633	100%	\$0
Total	<u>\$18,018</u>	<u>100%</u>	<u>\$0</u>
6/30/13			
Misc.	\$6,683	100%	\$0
Safety	\$11,463	100%	\$0
Total	<u>\$18,146</u>	<u>100%</u>	<u>\$0</u>

The Schedule of Funding Progress, below, shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The Schedule of Funding Progress, below, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing overtime, relative to the actuarial accrued liability for benefits.

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SCHEDULE OF FUNDING PROGRESS FOR PERS (\$ Amount in Thousands)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status		Annual Covered Payroll	UAAL as a % of Payroll
				AVA (B/A)	Market Value		
	(A)	(B)	(A - B)			(C)	[(A-B) / C]
06/30/2010							
Misc.	\$ 269,463	\$ 218,258	\$ 51,205	81.0%	56.7%	\$ 40,588	126.158%
Safety	382,338	284,617	97,721	74.4%	52.6%	29,753	328.441%
Total	<u>\$ 651,801</u>	<u>\$ 502,875</u>	<u>\$ 148,926</u>	<u>77.2%</u>	<u>54.3%</u>	<u>\$ 70,341</u>	<u>211.720%</u>
06/30/2011							
Misc.	\$ 287,109	\$ 228,755	\$ 58,354	79.7%	59.9%	\$ 40,787	143.070%
Safety	405,879	295,076	110,803	72.7%	55.0%	28,820	384.466%
Total	<u>\$ 692,988</u>	<u>\$ 523,831</u>	<u>\$ 169,157</u>	<u>75.6%</u>	<u>57.0%</u>	<u>\$ 69,607</u>	<u>243.017%</u>
06/30/2012							
Misc.	\$ 302,007	\$ 238,869	\$ 63,138	79.1%	66.3%	\$ 43,682	144.540%
Safety	424,869	302,366	122,503	71.2%	59.3%	31,077	394.192%
Total	<u>\$ 726,876</u>	<u>\$ 541,235</u>	<u>\$ 185,641</u>	<u>74.5%</u>	<u>62.2%</u>	<u>\$ 74,759</u>	<u>248.319%</u>

More current information regarding actuarial data is not yet available from PERS.

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. 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, 2013, the City's covered payroll for employees participating in the plan was \$2,775,707. Employees made contributions of \$104,089 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,102,669 at June 30, 2013.

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(11) Early Retirement Incentive Program (ERIP)

In October 2009, the City Council approved Resolution 2009-73 authorizing an Early Retirement Incentive Program (ERIP) to eligible employees, under the condition the program would meet the immediate and future fiscal, managerial, and operational goals of the City to help mitigate declining General Fund revenues and institute long-term structural changes to avert future budget shortfalls and ensure that the City remains financially sound. There were 166 employees who met the following eligibility requirements:

- Full-time, miscellaneous (non- safety) employee
- 50 years of age or older as of January 31, 2010
- Eligible to retire from PERS with at least five years of service
- Have at least three years of service with the City as of January 31, 2010
- Would actually retire from the PERS system
- Not the City Manager, City Clerk, or the City Attorney

A total of 51 people participated and were approved by the City Council for the Early Retirement Incentive Program through the Public Agency Retirement Systems ("PARS") Supplemental Retirement Program ("SRP"). The Supplemental Retirement Plan offered through PARS allowed the City to set the payment, eligibility, and refilling based on the City's needs, as well as allowing the expense to be known and quantifiable. The benefit to the participating employee is paid via a 15-year annuity of 7% of Final Pay up to \$75,000 and 6% of amount of Final Pay over \$75,000. The SRP complements, and is in addition to, an employee's CalPERS retirement benefit. The City is funding the cost of this annuity in annual installments over a five year period.

The total estimated cost to fund the ERIP benefit approximates \$960,000 for the first five years. After considering the costs of implementing the ERIP plan and the estimated reduction to the City payroll, the net savings are expected to reach nearly \$3.1 million annually. In accordance with GASB 47, a liability for the recognition of the accrued cost for this benefit has been recognized in the Compensated Absence, Internal Service Fund. This cost excludes a consideration of discounting the cash flows associated with the five year funding of the program due to the immateriality of such consideration. The outstanding obligation at June 30, 2013 was \$960,396.

(12) Voluntary Separation Incentive Program (VSIP)

In January 2013, the City Council authorized a Voluntary Separation Incentive Program (VSIP) to eligible employees. Implementation of AB 340, California Public Employees' Pension Reform Act (PEPRA) also effective January 2013, prohibits public agencies from offering incentive programs similar to the Early Retirement Incentive Program (ERIP) offered by the City in 2009. The VSIP provided a one-time non-PERSable lump sum payment as an incentive to retire/separate that is still permissible and compliant with PEPRA. The lump sum amount was formulated using an employee's base pay

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multiplied by 10 weeks, plus six months of opt-out cafeteria benefits at \$1,250 per month. The minimum VSIP payment was \$15,000 and the maximum was \$27,500.

There were approximately 100 employees who met the following eligibility requirement:

- At least 50 years of age at the committed separation and/or retirement date
- Actively at work or in paid leave status
- Three years of consecutive full-time service with the City (non-safety/non-director level) position at the time of Council Adoption
- Agree to commit to an irrevocable separation or retirement agreement from the City by March 15, 2013

A total of 21 employees participated in the VSIP with 14 positions being eliminated. The total program cost of \$700,000 (including accrued leave payouts) was offset by approximately \$1.4 million in projected salary and benefit savings. The VSIP program costs were expensed to the Compensated Absence Fund.

(13) Post Employment Health Care Benefits (OPEB)

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

Plan Description

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

All employees hired after January 1, 2006, and certain employees hired prior to this date, as well as employees who elected to fully convert (Fully Converted) to a defined contribution formula, participate in a program that requires mandatory employee and employer contributions. However, once these contributions have been made to the employee's account, the City has no further funding obligation to the Plan on their behalf.

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,

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up until their retirement, to offset the unfunded portion of post employment health benefits existing at the inception of the Plan.

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

Total participants involved in the plan were 1,357 as of June 30, 2013, consisting of 442 miscellaneous employees, 251 safety employees, and 664 retirees and/or termed and their beneficiaries. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Benefits Provided

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

Plan Contributions

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

Hybrid employees receive a one-time contribution of \$75 per month for every month paid into the defined benefit program, up to a maximum of 180 months. For Hybrid employees, the City also contributes a percentage of any flexible leave bank conversions. The percentage contributed to the HRA account is based on the bargaining unit each employee is associated with. Upon retirement, Hybrid employees receive a defined benefit consisting of a monthly contribution, made by the City, to the participant's HRA account of approximately \$400.

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

Actuarial Valuation, Assumptions and Methods

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

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

Valuation Date:	June 30, 2011
Actuarial Cost Method:	Entry Age Normal Cost Method (same as CalPERS)
Amortization Method:	Level percent of payroll
Amortization Period:	Level contribution amount over fixed closed 20 years
Projected Salary Increases:	3.25% per year
Discount Rate:	7.25 % for cash subsidy, pre-funding through CalPERS OPEB Trust 4.25% for implied subsidy, no pre-funding, benefits paid from the City's General fund
Inflation Rate:	3.00% per year
Health Care Cost Trend Rate:	8.9% grading down to 5.0%

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Implied Subsidy

Prior to January 2013, the City offered two health plans, one of which was a non-community rated plan with retirees and active employees being offered the same premium rates.

Three-Year Annual Required Contribution (ARC) Trend

The 2012-13 Annual Required Contribution (ARC) includes the Normal Cost plus a 20-year amortization of the Unfunded AAL (in 000's):

Fiscal Year	Beginning Balance	ARC ¹	AOC	Actual Contribution	Current Year OPEB Obligation	Percentage Contributed	Annual Covered Payroll	ARC As a % of Payroll	Ending Balance
2010-11									
Cash Subsidy	\$ -	\$ 2,128	\$ 2,128	\$ 2,128	\$ -	100%	\$ 75,691	2.8%	\$ -
Implied Subsidy	6,472	2,686	2,502	490	2,012	18.2%	75,691	3.5%	8,484
Net OPEB Obligation	<u>\$ 6,472</u>	<u>\$ 4,814</u>	<u>\$ 4,630</u>	<u>\$ 2,618</u>	<u>\$ 2,012</u>	<u>54.4%</u>	<u>\$ 75,691</u>	<u>6.4%</u>	<u>\$ 8,484</u>
2011-12									
Cash Subsidy	\$ -	\$ 2,614	\$ 2,614	\$ 2,614	\$ -	100%	\$ 72,611	3.6%	\$ -
Implied Subsidy	8,484	-	-	8,484	(8,484)	0%	68,112	0.0%	-
Net OPEB Obligation	<u>\$ 8,484</u>	<u>\$ 2,614</u>	<u>\$ 2,614</u>	<u>\$ 11,098</u>	<u>\$ (8,484)</u>	<u>424.6%</u>	<u>\$ 72,611</u>	<u>3.6%</u>	<u>\$ -</u>
2012-13									
Cash Subsidy	\$ -	\$ 2,806	\$ 2,806	\$ -	\$ 2,806	0%	\$ 74,971	3.7%	\$ -
Implied Subsidy	-	-	-	-	-	0%	-	0%	-
Net OPEB Obligation	<u>\$ -</u>	<u>\$ 2,806</u>	<u>\$ 2,806</u>	<u>\$ -</u>	<u>\$ 2,806</u>	<u>0.0%</u>	<u>\$ 74,971</u>	<u>3.7%</u>	<u>\$ -</u>

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

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Three-Year Net OPEB Obligation (NOO) Trend

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

The June 30, 2013, NOO is determined as follows (in 000's):

<u>Fiscal Year</u>	<u>July 1, NOO</u>	<u>AOC</u>	<u>Prefunding Contributions & Benefit Payments</u>	<u>June 30, NOO</u>
2010-11				
Cash Subsidy	\$ -	\$ 2,128	\$ (2,128)	\$ -
Implied Subsidy	6,472	2,502	(490) ¹	8,484
Total	<u>\$ 6,472</u>	<u>\$ 4,630</u>	<u>\$ (2,618)</u>	<u>\$ 8,484</u>
2011-12				
Cash Subsidy	\$ -	\$ 2,614	\$ (2,614)	\$ -
Implied Subsidy	8,484	-	(8,484) ²	-
Total	<u>\$ 8,484</u>	<u>\$ 2,614</u>	<u>\$ (11,098)</u>	<u>\$ -</u>
2012-13				
Cash Subsidy	\$ -	\$ 2,806	\$ (2,806)	\$ -
Implied Subsidy	-	-	³	-
Total	<u>\$ -</u>	<u>\$ 2,806</u>	<u>\$ (2,806)</u>	<u>\$ -</u>

1 - 2010-2011 estimated implied subsidy

2 - 2011-2012 estimated implied subsidy

3 - 2012-2013 full amortization for NOO and interest on NOO

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Annual OPEB Cost (AOC)

The AOC is equal to the ARC, except when the City has a Net OPEB Obligation (NOO) at the beginning of the year. In that case, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. The 2012-13 AOC is determined as follows (in 000's):

	ARC	Interest on NOO	Amortization of NOO	Total AOC	AOC as % of Payroll
Cash Subsidy	\$2,806	\$ -	\$ -	\$ 2,806	3.7%
Implied Subsidy	-	-	-	-	0.0%
Total	<u>\$2,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,806</u>	<u>3.7%</u>

Three-Year Funding Status Trend

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

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
06/30/2008						
Cash Subsidy	\$28,842	\$ 8,785	\$20,057	30.5%	\$56,527	35.5%
Implied Subsidy	20,173	-	20,173	0.0%	\$56,527	35.7%
Total	<u>\$49,015</u>	<u>\$8,785</u>	<u>\$40,230</u>	<u>17.9%</u>	<u>\$56,527</u>	<u>71.2%</u>
06/30/2010						
Cash Subsidy	\$34,707	\$ 7,476	\$27,231	21.5%	\$68,112	40.0%
Implied Subsidy	-	-	-	0.0%	\$68,112	0.0%
Total	<u>\$34,707</u>	<u>\$7,476</u>	<u>\$27,231</u>	<u>21.5%</u>	<u>\$68,112</u>	<u>40.0%</u>
06/30/2011						
Cash Subsidy	\$35,922	\$ 7,889	\$28,033	22.0%	\$70,326	39.9%
Implied Subsidy	-	-	-	0.0%	\$70,326	0.0%
Total	<u>\$35,922</u>	<u>\$7,889</u>	<u>\$28,033</u>	<u>22.0%</u>	<u>\$70,326</u>	<u>39.9%</u>

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(14) Interfund Receivables and Payables

At June 30, 2013, interfund advances receivable and payable were as follows:

	<u>Advance from</u>	<u>Advance To</u>
General Fund	\$ 9,676,659	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	9,676,659
Total	<u>\$ 9,676,659</u>	<u>\$ 9,676,659</u>

The General Fund advance to the Tide and Submerged Land – Harbor Capital Fund is for expenditures for dredging projects within the City's Tidelands.

At June 30, 2013, interfund receivables and payable were as follows:

	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 6,541,886	\$ 9,687
Facilities Financing Plan	6,681,596	-
Civic Center and Park	-	-
Civic Center COP	-	6,681,596
Internal Service Funds	-	-
Nonmajor Funds	<u>9,687</u>	<u>6,541,886</u>
Total	<u>\$ 13,233,169</u>	<u>\$ 13,233,169</u>

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

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(15) Interfund Transfers

Interfund transfers at June 30, 2013, consisted of the following:

	Transfers In									
	General Fund	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital	Facilities Replacement	Civic Center and Park	Civic Center COP	Internal Service Fund	Non-Major Funds	Unbalanced Transfers Out	Total
General Fund	\$ -	\$ 4,440,450	\$ -	\$13,219,646	\$ 1,487,415	\$ -	\$ 5,051,815	\$ 1,125,421	\$ -	25,324,747
Tide and Submerged Land - Operating	-	-	813,820	-	-	-	-	-	-	813,820
Facilities Replacement	-	-	-	-	13,452,240	6,757,393	-	4,310,374	-	24,520,007
Proprietary Fund	-	-	-	-	-	-	-	-	319,884	319,884
ISF	-	-	-	2,000,000	-	-	4,013,371	-	6,136	6,019,507
Non-Major Funds	89,297	-	-	-	-	-	-	179,051	-	268,348
Total	\$ 89,297	\$ 4,440,450	\$ 813,820	\$15,219,646	\$14,939,655	\$ 6,757,393	\$ 9,065,186	\$ 5,614,846	\$ 326,020	\$57,266,313

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred \$4,440,450 to subsidize the maintenance and operation of the Tide and Submerged Land-Operating Fund, \$13,219,646 to the Facilities Financial Planning Reserve Fund to cash fund construction projects for General Fund supported facilities, \$1,487,415 to the Civic Center and Park Fund for Civic Center construction, \$1,000,000 to the Equipment Maintenance Fund to fund for 800 MHz radios and infrastructure, \$1,500,000 to the Retiree Medical Fund to fund accelerated payments on retiree insurance unfunded liability, \$2,551,815 to the Information Technology Fund for future upgrades to the enterprise resource planning systems, computer aided dispatch system, online permitting system, and web/phone applications, and \$1,125,121 to non-major funds which includes \$125,421 for Back Bay Science Center costs, and \$1,000,000 to fund Facilities Maintenance.

The Tide and Submerged Land-Operating Fund transferred \$813,820 to the Tide and Submerged Land – Harbor Capital Fund to implement City Council's fiscal year 2012-13 directive to use incremental increases in mooring revenue and Balboa Yacht Basin slip, garage, and apartment revenue from fiscal year 2010-11 and fiscal year 2011-12. The incremental revenue is additional revenues realized from rent increases over designated base years. Current and future year increments are funded through reclassification of revenues rather than transfers.

The Facilities Financial Planning Reserve Fund transferred \$13,452,240 to the Civic Center and Park Fund for Civic Center construction, as well as furniture fixtures and equipment, \$6,757,393 for the debt service payments related to the Civic Center

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Certificates of Participation, \$2,175 for a Police Facility needs assessment, and \$4,308,199 to cash fund West Newport capital projects including purchase of the Monrovia property.

The Circulation and Transportation Fund transferred \$80,000 to the General Fund for administrative costs. As required by the pre-annexation agreement, interest accrued in the amount of \$9,297 in the Newport Coast Annexation fund is due, and was subsequently transferred to the General Fund.

The Equipment Maintenance Fund transferred \$2,000,000 to the Facilities Financial Planning Reserve Fund to construct or rehabilitate community serving facilities, and \$3,000,000 to the Information Technology Fund to support IT strategic investments.

The Insurance Reserve Fund transferred \$1,013,371 to the Compensated Absence Fund for leave payouts related to the Early Retirement Incentive Program (ERIP) and Voluntary Separation Incentive Program (VSIP).

Additionally, the Water Fund transferred out \$298,876 and the Wastewater Fund transferred out \$21,008 of work in progress related to the Peninsula Point alley replacement project to governmental funds. The Information Technology (IT) Operating Fund transferred out \$6,136 of Police IT hardware. These transfers out are one sided, unbalanced transfers with no corresponding transfer in, as they move capital assets from these Proprietary Funds, which have a economic resources measurement focus to the governmental fund which has a current financial resource measurement focus, and therefore unable to report the receipt of capital assets. These assets are however, reported on the Government-wide Statement of Net Assets.

(16) Joint Venture Agreements

Bonita Canyon Public Facilities Financing Authority

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint venture formed by the City of Newport Beach, Irvine Unified School District, and Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within their boundaries. In 1998, the Authority issued \$45,000,000 of special tax bonds to be repaid by special assessments. The Authority paid the City \$30,577,712 (81.7%) to pay for the costs of acquiring and constructing public facilities including parks and road improvements. In Fiscal Year 2011-12, the Authority issued \$38,330,000 of special tax bonds to refinance the 1998 Series; the City is not obligated in any manner to repay the bonds. At June 30, 2013, 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

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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.

Air Borne Law Enforcement

The City was a participant in a joint venture agreement with the City of Costa Mesa for the operation of the Air Borne Law Enforcement program (ABLE). The oversight Board consisted of the Chiefs of Police of Costa Mesa and Newport Beach and one appointee for each Member Agency for a total of four Board Members. The cities had a 50% interest in the venture, with each city having provided an initial investment of two helicopters and related equipment. The ABLE program was recorded in the General Fund, which provides for the maintenance and operation of the program as well as replacement of capital equipment used in the operation of the program. Annually, the amounts paid by the City to this joint venture were approximately \$1,000,000. Operation costs were offset by fees collected from surrounding cities that may subscribe to regular patrol or request assistance on an as-needed basis. Effective July 1, 2011, the City of Newport Beach and the City of Costa Mesa jointly agreed to the dissolution of ABLE, terminating the Joint Power Agreement, selling off the helicopters, parts, vehicles and tools. The joint venture was dissolved as of December 31, 2012. Upon dissolution, the City received \$2,551,815 for its 50% share of interest in the net equity of this joint venture.

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 \$492,716. The City's 10.95% interest in the net equity of this joint venture at June 30, 2013, amounts to \$197,338. Complete separate financial statements can be obtained at the Metro Cities Fire Authority offices at 201 S. Anaheim Boulevard, Suite 302, Anaheim, California.

Integrated Law and Justice Agency of Orange County

The City is a participant in a joint venture agreement with the several other public agencies in Orange County for the operation of the Integrated Law and Justice Agency of Orange County (ILJAOC). The ILJAOC went into effect in fiscal year 2007, and consists of 23 member agencies, with an oversight board consisting of 12 members from

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

the participating agencies. Annually, each member agency pays a percentage of the operating and replacement costs for the ILJAOC. The City's annual contribution and interest in the net equity of this joint venture was immaterial as of June 30, 2012. 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.

(17) Commitments and Contingencies

Claims and Judgments

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

Circulation Improvement and Open Space Agreement

The City entered into a Circulation Improvement and Open Space Agreement (CIOSA) with a developer whereby the City received a loan of \$14,395,572 to be used only for certain transportation and circulation improvements. The City agreed to match the contribution (without interest) by pledging 50% of future Fair Share Fees (developer impact fees) which are recorded in the Circulation and Transportation Special Revenue Fund. During the year ended June 30, 2013, the City received \$358,102 of Fair Share Fees, and \$179,051 was paid to the CIOSA Construction capital projects fund. Through June 30, 2013, \$4,780,064 of Fair Share Fees has been paid. No additional liability has been recorded, because any future repayment is uncertain; any amounts not contributed by February 20, 2016, will be forgiven.

Newport Coast Pre-Annexation Agreement

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

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

Among other basic provisions, the Pre-Annexation Agreement stipulates specific requirements for the use of proceeds from the sale of the water rights to Irvine Ranch Water District. The City has entered into an agreement to reimburse Newport Coast residents \$18.0 million of the \$25.0 million for certain public road and street improvements previously financed by property owner assessments. The assessment

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

debt relief will be provided to Newport Coast residents in equal installments of \$1.2 million over 15 years. The remaining \$7.0 million was used in locating, planning, and constructing a Community Center within the annexed area. The outstanding Assessment debt relief balance at June 30, 2013 was \$4.8 million.

Operating Agreements

The City of Newport Beach first entered into an agreement with Visit Newport Beach Inc. (VNB), a legally separate non-profit marketing organization, in 1987. The primary responsibility of the VNB is to attract additional visitor business by promoting the City as the premier tourist and business destination in Orange County. The VNB is governed by an Executive Committee comprised of seven individuals not appointed by the City Council of the City of Newport Beach. The current agreement was entered into on May 12, 2004 and subsequently amended on March 10, 2009 extending the agreement through June 30, 2014. The City pays VNB 18% of the Total Transient Occupancy Tax collected during the fiscal year. For the Fiscal Year ending June 30, 2013, the City paid VNB \$2,930,515.

Contractual Commitments

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

	Annual <u>Budget</u>	Project YTD <u>Expenditures</u>	Unexpended <u>Commitments</u>
CITY HALL NEW	\$ 9,968,913	\$ 5,790,925	\$ 4,705,412
CDM TRNSMSSN MN IMPRVMNTS	\$ 3,841,524	\$ 192,426	\$ 3,649,098
MARINA PARK	\$ 3,374,440	\$ 1,532,397	\$ 1,929,020
BIG CANYON RESRVOIR COVER	\$ 6,515,256	\$ 4,672,176	\$ 1,337,330
SAH UTILITY UNDERGROUND	\$ 1,360,806	\$ 56,024	\$ 1,306,516
WATER MN MASTER PLAN PRGM	\$ 1,500,000	\$ 123,313	\$ 1,291,819

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

(18) Fund Balance

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

Governmental Fund Balance under Statement No. 54, at June 30, 2013, is classified as follows:

Governmental Fund Balance										
	General	Tide and Submerged Land Operating	Tide and Submerged Land Harbor Capital	Facilities Financial Planning Reserve	Civic Center and Park	Civic Center COP	Non-Major Governmental Funds			Totals
							Special Revenue Funds	Capital Project Funds	Permanent Funds	
Nonspendable:										
Prepaid items (legally restricted)	\$ 25,104	\$ -	\$ -	\$ -	\$ 5,553	\$ -	\$ 123,772	\$ -	\$ -	\$ 154,429
Inventories (legally restricted)	217,723	-	-	-	-	-	-	-	-	217,723
Long-term loan receivable (form restricted)	9,676,659	-	-	-	-	-	-	-	-	9,676,659
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:										
Affordable housing	2,275,613	-	-	-	-	-	-	-	-	2,275,613
Hoag Hospital	134,760	-	-	-	-	-	-	-	-	134,760
Upper Newport bay restoration	-	324,635	-	-	-	-	-	-	1,032,716	1,357,351
Streets and highways	-	-	-	-	-	-	6,865,504	-	-	6,865,504
Public safety	-	-	-	-	-	-	1,874,518	-	-	1,874,518
Transportation	-	-	-	-	-	-	2,901,358	-	-	2,901,358
Air quality improvement	-	-	-	-	-	-	668,775	-	-	668,775
Environmental liability mitigation	-	-	-	-	-	-	4,732,143	-	-	4,732,143
Capital re-appropriations	-	1,295,000	-	-	901,177	-	3,375,869	681,210	-	6,253,256
Libraries	-	-	-	-	-	-	-	-	179,531	179,531
Scholarships	-	-	-	-	-	-	-	-	226,653	226,653
Scholarships	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	1,157,250	-	-	-	1,157,250
Encumbrance reserve	-	459,555	-	-	4,872,463	-	1,300,359	296,380	-	6,928,757
Committed:										
Contingency reserve	22,134,775	-	-	-	-	-	-	-	-	22,134,775
Facilities replacement	-	-	-	26,752,367	-	-	-	-	-	26,752,367
Facilities maintenance	-	-	-	-	-	-	-	995,156	-	995,156
Oil and gas liabilities	-	440,000	-	-	-	-	-	-	-	440,000
Parks	982,071	-	-	-	-	-	-	-	-	982,071
Oceanfront encroachment	759,686	-	-	-	-	-	-	-	-	759,686
Recreation and senior services	601,446	-	-	-	-	-	-	-	-	601,446
Bicycle Safety	308,666	-	-	-	-	-	-	-	-	308,666
Paramedics program	437,386	-	-	-	-	-	-	-	-	437,386
Cable franchise reserve	309,040	-	-	-	-	-	-	-	-	309,040
Public safety	391,545	-	-	-	-	-	-	-	-	391,545
Neighborhood enhancement	353,580	-	-	-	-	-	-	-	-	353,580
Encumbrance reserve	3,093,312	-	-	-	-	-	-	-	-	3,093,312
Assigned:										
PERS rate reserve	5,000,000	-	-	-	-	-	-	-	-	5,000,000
Lower Newport bay dredging loan	-	-	-	-	-	-	-	-	-	-
Surplus to facilities financing plan	-	-	-	-	-	-	-	-	-	-
IT strategic fund	-	-	-	-	-	-	-	-	-	-
Capital improvement projects	-	-	-	-	-	-	-	-	-	-
Capital re-appropriations	1,843,417	-	-	-	-	-	-	-	-	1,843,417
Fair value Adjustment Reserve	-	-	-	-	-	-	-	-	-	-
Unassigned:	32,585,375	-	(8,811,421)	-	-	-	(937,202)	(5,974,638)	-	16,862,114
Total fund balances	\$ 81,130,158	\$ 2,519,190	\$ (8,811,421)	\$ 26,752,367	\$ 5,779,193	\$ 1,157,250	\$ 20,905,096	\$ (4,001,892)	\$ 6,068,681	\$ 131,498,622

CITY OF NEWPORT BEACH
Notes to Basic Financial Statements
June 30, 2013

(19) Net Position Restatement

In conformity with GAAP, as set forth in Governmental Accounting Standard No. 65, "Items Previously Recognized as Assets and Liabilities," Beginning government-wide net position has been restated for Governmental type activities, to record the effect of removing unamortized bond issuance costs from the Statement of Net Position and treating them as if they had been expensed in the year incurred. This restatement affected the Beginning net position in the Government-wide statements as follows:

Net Position

Government-type Activities:

Net position at July 1, 2012, as previously reported	\$ 2,243,921,118
--	------------------

Adjustments:

Deferred charges for cost of bond issuance	<u>(1,132,169)</u>
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Net position at July 1, 2012, as restated	<u><u>\$ 2,242,788,949</u></u>
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(20) Subsequent Event

Other Limited Obligation Bonds

On July 24, 2013, the following City limited obligations bonds, refunding revenue bonds (Hoag Memorial Hospital Presbyterian) were noticed for redemption.

Series 2008C	\$70,095,000
Series 2008D	\$78,875,000
Series 2008E	\$78,850,000
Series 2008F	\$87,165,000
Series 2009D	\$35,490,000
Series 2009E	\$35,490,000

Property Acquisition

On November 26, 2013, the City Council approved execution of an agreement for acquisition of real property from Southern California Edison (SCE), for the purchase of 1516 W. Balboa Boulevard. The property will be incorporated into Marina Park. The appraised fair market value of the property is \$1.5 million, of which the City is agreeing to a cash purchase price of \$600,000 and acceptance of a donation equal to the remaining value of \$900,000. The City has opened escrow on this transaction and completion of the purchase is subject to satisfaction of all the terms and conditions of the agreement and escrow.

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FINANCIAL SECTION

SUPPLEMENTARY
INFORMATION

OTHER GOVERNMENTAL FUNDS

FINANCIAL SECTION

OTHER GOVERNMENTAL FUNDS

Other Special Revenue Funds

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

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

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

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

The **Justice Assistance Grant Fund (JAG)** is used to account for federal support of law enforcement activities.

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

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

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

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

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

The **Prop 1 B Fund** is used to account for all revenues and expenditures related to the Prop 1 B fund. State law requires that these funds be used exclusively for all transportation related projects, including state highway safety and rehabilitation projects, local street and road improvements, congestion relief, traffic reduction and traffic safety.

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.

Other Capital Projects Funds

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

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

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

The **Marine Science Center Fund** is used to account for the design and construction of a new Marine Science Center.

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

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

The **West Newport Project Fund** is used to account for revenues and expenditures associated with the development and construction of the West Newport Project.

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

The **Strategic Planning Fund** is used to account for expenditures for study and concept development needed to further refine the Major Facilities Financing Plan. It includes developing both interim and long-term use plans for the current 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.

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, 2013

	Special Revenue			
	Gas Tax	Asset Forfeiture	OTS DUI Grant	JAG
Assets				
Cash and investments	\$ 6,903,397	\$ 1,458,975	\$ -	\$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	59,942	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	\$ 6,903,397	\$ 1,458,975	59,942	\$ -
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable	\$ 37,893	\$ 18,045	-	\$ -
Unearned revenue	-	-	-	-
Due to other funds	-	-	59,942	-
Total Liabilities	37,893	18,045	59,942	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	50,805	-
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:	6,865,504	1,440,930	-	-
Committed:	-	-	-	-
Unassigned:	-	-	(50,805)	-
Total fund balances (deficits)	6,865,504	1,440,930	(50,805)	-
Total liabilities, deferred inflows and fund balances	\$ 6,903,397	\$ 1,458,975	\$ 59,942	\$ -

Special Revenue				
Circulation and Transportation	Building Excise Tax	Combined Transportation	Community Development Block Grant	Air Quality Management District
\$ -	\$ 496,514	\$ 1,173,740	\$ -	\$ 668,775
1,093,627	-	1,811,955	-	-
-	-	491,242	46,843	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,093,627</u>	<u>\$ 496,514</u>	<u>\$ 3,476,937</u>	<u>\$ 46,843</u>	<u>\$ 668,775</u>
\$ 3,323	\$ 62,926	\$ 131,296	\$ 21,231	\$ -
-	-	232,338	-	-
327,574	-	-	25,612	-
<u>330,897</u>	<u>62,926</u>	<u>363,634</u>	<u>46,843</u>	<u>-</u>
<u>961,683</u>	<u>-</u>	<u>1,236,092</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	433,588	1,877,211	-	668,775
-	-	-	-	-
(198,953)	-	-	-	-
<u>(198,953)</u>	<u>433,588</u>	<u>1,877,211</u>	<u>-</u>	<u>668,775</u>
<u>\$ 1,093,627</u>	<u>\$ 496,514</u>	<u>\$ 3,476,937</u>	<u>\$ 46,843</u>	<u>\$ 668,775</u>

(continued)

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2013
(continued)

	Special Revenue			
	Environmental Liability	Supplemental Law Enforcement	Newport Coast Annexation	Prop 1B Transportation
Assets				
Cash and investments	\$ 4,672,277	\$ -	\$ 4,801,655	\$ -
Receivables:				
Accounts (net of allowance)	2,008	-	-	-
Intergovernmental receivables	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	61,886	-	-	-
Total Assets	\$ 4,736,171	\$ -	\$ 4,801,655	\$ -
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable	\$ 4,028	\$ -	\$ 1,655	\$ 89,038
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	598,406
Total Liabilities	4,028	-	1,655	687,444
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	61,886	-	-	-
Permanent Endowment	-	-	-	-
Restricted:	4,670,257	-	4,800,000	-
Committed:	-	-	-	-
Unassigned:	-	-	-	(687,444)
Total fund balances (deficits)	4,732,143	-	4,800,000	(687,444)
Total liabilities, deferred inflows and fund balances	\$ 4,736,171	\$ -	\$ 4,801,655	\$ -

Special Revenue		Capital Projects		
Contributions	Assessment District	CIOSA Construction	Marine Science Center	
\$ 1,189,262	\$ 1,067,966	\$ -	\$ -	
1,259,375	563	-	-	
2,040,568	-	-	-	
9,687	-	-	-	
-	-	-	-	
<u>\$ 4,498,892</u>	<u>\$ 1,068,529</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 213,956	\$ 90,939	\$ -	\$ -	
82,828	-	-	-	
-	-	-	-	
<u>296,784</u>	<u>90,939</u>	<u>-</u>	<u>-</u>	
<u>3,177,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	
-	-	-	-	
-	-	-	-	
1,024,147	977,590	-	-	
-	-	-	-	
-	-	-	-	
<u>1,024,147</u>	<u>977,590</u>	<u>-</u>	<u>-</u>	
<u>\$ 4,498,892</u>	<u>\$ 1,068,529</u>	<u>\$ -</u>	<u>\$ -</u>	

(continued)

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2013
(continued)

	Capital Projects			
	Facilities Maintenance	Misc SAH Projects	Marina Park	Sunset Ridge Park
Assets				
Cash and investments	\$ 995,156	\$ 2,833,230	\$ -	\$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 995,156</u>	<u>\$ 2,833,230</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 9,131	\$ 314,089	\$ 103,288
Unearned revenue	-	2,843,196	-	-
Due to other funds	-	-	3,431,309	1,821,872
	<u>-</u>	<u>-</u>	<u>3,431,309</u>	<u>1,821,872</u>
Total Liabilities	<u>-</u>	<u>2,852,327</u>	<u>3,745,398</u>	<u>1,925,160</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:	995,156	-	-	-
Unassigned:	-	(19,097)	(3,745,398)	(1,925,160)
	<u>-</u>	<u>(19,097)</u>	<u>(3,745,398)</u>	<u>(1,925,160)</u>
Total fund balances (deficits)	<u>995,156</u>	<u>(19,097)</u>	<u>(3,745,398)</u>	<u>(1,925,160)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 995,156</u>	<u>\$ 2,833,230</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Projects			
West Newport Project	Police Facility	Strategic Planning	Lifeguard Headquarters
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 7,812
-	-	-	-
-	-	109,872	167,299
-	-	109,872	175,111
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(109,872)	(175,111)
-	-	(109,872)	(175,111)
\$ -	\$ -	\$ -	\$ -
(continued)			

CITY OF NEWPORT BEACH
Combining Balance Sheet
Other Governmental Funds
June 30, 2013
(continued)

	Permanent Fund		Total Other Governmental Funds
	Bay Dredging	Ackerman Donation	
Assets			
Cash and investments	\$ 4,889,716	\$ 1,179,798	\$ 32,330,461
Receivables:			-
Accounts (net of allowance)	-	-	4,167,528
Intergovernmental receivables	-	-	2,638,595
Due from other funds	-	-	9,687
Prepaid items	-	-	61,886
Total Assets	\$ 4,889,716	\$ 1,179,798	\$ 39,208,157
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 833	\$ 1,109,483
Unearned revenue	-	-	3,158,362
Due to other funds	-	-	6,541,886
Total Liabilities	-	833	10,809,731
Deferred Inflows of Resources			
Unavailable revenue	-	-	5,426,541
Fund balances (deficits):			
Nonspendable:			
Prepaid Items	-	-	61,886
Permanent Endowment	3,857,000	772,781	4,629,781
Restricted:	1,032,716	406,184	24,196,902
Committed:	-	-	995,156
Unassigned:	-	-	(6,911,840)
Total fund balances (deficits)	4,889,716	1,178,965	22,971,885
Total liabilities, deferred inflows and fund balances	\$ 4,889,716	\$ 1,179,798	\$ 39,208,157

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CITY OF NEWPORT BEACH
Other Governmental Fund Types
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year ended June 30, 2013

	Special Revenue			
	State Gas Tax	Asset Forfeiture	OTS DUI Grant	JAG
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,036,522	378,952	187,772	8,139
Licenses, permits and fees	-	-	-	-
Investment income (loss)	6,247	743	-	-
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	2,042,769	379,695	187,772	8,139
Expenditures:				
Current:				
Public safety	-	115,905	216,238	8,139
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	771,526	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	771,526	115,905	216,238	8,139
Excess (deficiency) of revenues over expenditures	1,271,243	263,790	(28,466)	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	1,271,243	263,790	(28,466)	-
Fund balances (deficits), beginning	5,594,261	1,177,140	(22,339)	-
Fund balances (deficits), ending	\$ 6,865,504	\$ 1,440,930	\$ (50,805)	\$ -

Special Revenue				
Circulation and Transportation	Building Excise Tax	Combined Transportation	Community Development Block Grant	Air Quality Management District
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,924,484	411,737	103,005
358,101	352,307	-	-	-
-	2,421	4,505	-	727
323,907	-	-	-	-
-	-	2,039	-	-
682,008	354,728	2,931,028	411,737	103,732
-	-	-	-	-
-	-	-	-	6,297
-	-	-	113,046	-
243,995	569,448	3,801,183	96,206	-
-	-	-	108,000	-
-	-	-	94,485	-
243,995	569,448	3,801,183	411,737	6,297
438,013	(214,720)	(870,155)	-	97,435
-	-	-	-	-
(259,051)	-	-	-	-
(259,051)	-	-	-	-
178,962	(214,720)	(870,155)	-	97,435
(377,915)	648,308	2,747,366	-	571,340
\$ (198,953)	\$ 433,588	\$ 1,877,211	\$ -	\$ 668,775

(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, 2013
(continued)

	Special Revenue			
	Environmental Liability	Supplemental Law Enforcement	Newport Coast Annexation	Prop 1B Transportation
Revenues:				
Other taxes	\$ 488,545	\$ -	\$ -	\$ -
Intergovernmental	-	107,007	-	-
Licenses, permits and fees	-	-	-	-
Investment income (loss)	5,997	-	9,297	-
Donations	-	-	-	-
Other	50,754	-	-	-
Total revenues	545,296	107,007	9,297	-
Expenditures:				
Current:				
Public safety	-	107,007	-	-
Public works	160,876	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	687,444
Debt service:				
Principal	-	-	1,200,000	-
Interest and fiscal charges	-	-	-	-
Total expenditures	160,876	107,007	1,200,000	687,444
Excess (deficiency) of revenues over expenditures	384,420	-	(1,190,703)	(687,444)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(9,297)	-
Total other financing sources (uses)	-	-	(9,297)	-
Net change in fund balances	384,420	-	(1,200,000)	(687,444)
Fund balances (deficits), beginning	4,347,723	-	6,000,000	-
Fund balances (deficits), ending	\$ 4,732,143	\$ -	\$ 4,800,000	\$ (687,444)

Special Revenue		Capital Projects		
Contributions	Assessment District	CIOSA Construction	Marine Science Center	
\$ -	\$ -	\$ -	\$ -	
1,027,967	-	-	-	
-	-	-	-	
7,299	6,229	-	-	
-	-	-	-	
-	1,160	-	-	
1,035,266	7,389	-	-	
-	-	-	-	
-	1,706,235	-	-	
-	-	-	-	
2,074,272	-	179,051	-	
-	-	-	-	
-	-	-	-	
2,074,272	1,706,235	179,051	-	
(1,039,006)	(1,698,846)	(179,051)	-	
-	-	179,051	125,421	
-	-	-	-	
-	-	179,051	125,421	
(1,039,006)	(1,698,846)	-	125,421	
2,063,153	2,676,436	-	(125,421)	
\$ 1,024,147	\$ 977,590	\$ -	\$ -	

(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, 2013
(continued)

	Capital Projects			
	Facilities Maintenance	Misc SAH Projects	Marina Park	Sunset Ridge Park
Revenues:				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	91,662	-	-
Licenses, permits and fees	-	-	-	-
Investment income (loss)	(4,844)	-	-	-
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	(4,844)	91,662	-	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	56,024	1,532,396	396,623
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	56,024	1,532,396	396,623
Excess (deficiency) of revenues over expenditures	(4,844)	35,638	(1,532,396)	(396,623)
Other financing sources (uses):				
Transfers in	1,000,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	1,000,000	-	-	-
Net change in fund balances	995,156	35,638	(1,532,396)	(396,623)
Fund balances (deficits), beginning	-	(54,735)	(2,213,002)	(1,528,537)
Fund balances (deficits), ending	\$ 995,156	\$ (19,097)	\$ (3,745,398)	\$ (1,925,160)

(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, 2013
(continued)

	Permanent Funds		Total Other Governmental Funds
	Bay Dredging	Ackerman Donation	
Revenues:			
Other taxes	\$ -	\$ -	\$ 488,545
Intergovernmental	-	-	7,277,247
Licenses, permits and fees	-	-	710,408
Investment income (loss)	7,566	1,833	48,020
Donations	-	-	323,907
Other	-	-	53,953
Total revenues	7,566	1,833	8,902,080
Expenditures:			
Current:			
Public safety	-	-	447,289
Public works	-	-	1,873,408
Community development	-	2,999	116,045
Capital outlay	-	-	14,865,506
Debt service:			
Principal	-	-	1,308,000
Interest and fiscal charges	-	-	94,485
Total expenditures	-	2,999	18,704,733
Excess (deficiency) of revenues over expenditures	7,566	(1,166)	(9,802,653)
Other financing sources (uses):			
Transfers in	-	-	5,614,846
Transfers out	-	-	(268,348)
Total other financing sources (uses)	-	-	5,346,498
Net change in fund balances	7,566	(1,166)	(4,456,155)
Fund balances (deficits), beginning	4,882,150	1,180,131	27,428,040
Fund balances (deficits), ending	\$ 4,889,716	\$ 1,178,965	\$ 22,971,885

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 2,217,500	\$ 2,177,585	\$ 2,036,522	\$ (141,063)
Investment income	25,601	25,601	6,247	(19,354)
	<u>2,243,101</u>	<u>2,203,186</u>	<u>2,042,769</u>	<u>(160,417)</u>
Expenditures:				
Capital outlay	2,922,793	790,792	771,526	19,266
	<u>(679,692)</u>	<u>1,412,394</u>	<u>1,271,243</u>	<u>(141,151)</u>
Net change in fund balance				
	<u>5,594,261</u>	<u>5,594,261</u>	<u>5,594,261</u>	<u>-</u>
Fund balance, beginning				
	<u>\$ 4,914,569</u>	<u>\$ 7,006,655</u>	<u>\$ 6,865,504</u>	<u>\$ (141,151)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2013

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 378,952	\$ 378,952
Investment income	-	-	743	743
Total revenues	-	-	379,695	379,695
Expenditures				
Public safety	41,213	41,213	115,905	(74,692)
Net change in fund balance	(41,213)	(41,213)	263,790	305,003
Fund balance, beginning	1,177,140	1,177,140	1,177,140	-
Fund balance, ending	<u>\$ 1,135,927</u>	<u>\$1,135,927</u>	<u>\$ 1,440,930</u>	<u>\$ 305,003</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
OTS DUI Grant Special Revenue Fund
For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 60,600	\$ 323,996	\$ 187,772	\$ (136,224)
Expenditures				
Public safety	-	295,232	216,238	78,994
Net change in fund balance	60,600	28,764	(28,466)	(57,230)
Fund balance (deficit), beginning	(22,339)	(22,339)	(22,339)	-
Fund balance (deficit), ending	<u>\$ 38,261</u>	<u>\$ 6,425</u>	<u>\$ (50,805)</u>	<u>\$ (57,230)</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
JAG Special Revenue Fund
For the Year Ended June 30, 2013

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ -	\$ 8,139	\$ 8,139	\$ -
Expenditures				
Public safety	-	8,139	8,139	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Circulation and Transportation Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, permits and fees	\$ 275,000	\$ 275,000	\$ 358,101	\$ 83,101
Investment income	30,000	30,000	-	(30,000)
Private Donations			\$ 323,907	323,907
Total revenues	<u>305,000</u>	<u>305,000</u>	<u>682,008</u>	<u>377,008</u>
Expenditures:				
Capital outlay	<u>1,136,069</u>	<u>856,069</u>	<u>243,995</u>	<u>612,074</u>
Excess (deficiency) of revenues over expenditures	(831,069)	(551,069)	438,013	989,082
Other financing uses:				
Transfers out	<u>(217,500)</u>	<u>(217,500)</u>	<u>(259,051)</u>	<u>(41,551)</u>
Net change in fund balance	(1,048,569)	(768,569)	178,962	947,531
Fund balance (deficit), beginning	<u>(377,915)</u>	<u>(377,915)</u>	<u>(377,915)</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (1,426,484)</u></u>	<u><u>\$ (1,146,484)</u></u>	<u><u>\$ (198,953)</u></u>	<u><u>\$ 947,531</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Licenses, permits and fees	\$ 105,000	\$ 105,000	\$ 352,307	\$ 247,307
Investment income	4,077	4,077	2,421	(1,656)
Total revenues	109,077	109,077	354,728	245,651
Expenditures:				
Capital outlay	405,000	580,050	569,448	10,602
Net change in fund balance	(295,923)	(470,973)	(214,720)	256,253
Fund balance, beginning	648,308	648,308	648,308	-
Fund balance, ending	<u>\$ 352,385</u>	<u>\$ 177,335</u>	<u>\$ 433,588</u>	<u>\$ 256,253</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Combined Transportation Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,203,026	\$ 4,203,026	\$ 2,924,484	\$ (1,278,542)
Investment income	50,000	50,000	4,505	(45,495)
Other	-	-	2,039	2,039
	<u>4,253,026</u>	<u>4,253,026</u>	<u>2,931,028</u>	<u>(1,321,998)</u>
Total revenues				
Expenditures:				
Capital outlay	7,866,590	5,482,422	3,801,183	1,681,239
	<u>7,866,590</u>	<u>5,482,422</u>	<u>3,801,183</u>	<u>1,681,239</u>
Net change in fund balance	(3,613,564)	(1,229,396)	(870,155)	359,241
Fund balance, beginning	2,747,366	2,747,366	2,747,366	-
	<u>2,747,366</u>	<u>2,747,366</u>	<u>2,747,366</u>	<u>-</u>
Fund balance (deficit), ending	\$ (866,198)	\$ 1,517,970	\$ 1,877,211	\$ 359,241
	<u><u>\$ (866,198)</u></u>	<u><u>\$ 1,517,970</u></u>	<u><u>\$ 1,877,211</u></u>	<u><u>\$ 359,241</u></u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 350,834	\$ 350,834	\$ 411,737	\$ 60,903
Expenditures:				
Community development	131,878	123,323	113,046	10,277
Capital Outlay	100,000	100,000	96,206	3,794
Debt service:				
Principal	108,000	108,000	108,000	-
Interest and fiscal charges	94,485	94,485	94,485	-
Total expenditures	434,363	425,808	411,737	14,071
Net change in fund balance	(83,529)	(74,974)	-	74,974
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	\$ (83,529)	\$ (74,974)	\$ -	\$ 74,974

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 103,005	\$ 3,005
Investment income	3,077	3,077	727	(2,350)
Total revenues	103,077	103,077	103,732	655
Expenditures:				
Public works	10,500	10,500	6,297	4,203
Net change in fund balance	92,577	92,577	97,435	4,858
Fund balance, beginning	571,340	571,340	571,340	-
Fund balance, ending	<u>\$ 663,917</u>	<u>\$ 663,917</u>	<u>\$ 668,775</u>	<u>\$ 4,858</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Other taxes	\$ 455,000	\$ 455,000	\$ 488,545	\$ 33,545
Investment income	44,810	44,810	5,997	(38,813)
Other Revenue	-	-	50,754	50,754
Total revenues	499,810	499,810	545,296	45,486
Expenditures:				
Public works	161,086	171,086	160,876	10,210
Net change in fund balance	338,724	328,724	384,420	55,696
Fund balance, beginning	4,347,723	4,347,723	4,347,723	-
Fund balance, ending	<u>\$ 4,686,447</u>	<u>\$ 4,676,447</u>	<u>\$ 4,732,143</u>	<u>\$ 55,696</u>

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 107,007	\$ 7,007
Expenditures:				
Public safety	100,000	100,000	107,007	(7,007)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -

CITY OF NEWPORT BEACH
Newport Coast Annexation Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Investment income	\$ 54,000	\$ 54,000	\$ 9,297	\$ (44,703)
Expenditures				
Debt service:				
Principal	1,200,000	1,200,000	1,200,000	-
Excess (deficiency) of revenues over expenditures	(1,200,000)	(1,200,000)	(1,190,703)	9,297
Other financing uses				
Transfers out	(1,254,000)	(1,254,000)	(9,297)	1,244,703
Net change in fund balance	(2,454,000)	(2,454,000)	(1,200,000)	1,254,000
Fund balance, beginning	6,000,000	6,000,000	6,000,000	-
Fund balance, ending	<u>\$ 3,546,000</u>	<u>\$ 3,546,000</u>	<u>\$ 4,800,000</u>	<u>\$ 1,254,000</u>

CITY OF NEWPORT BEACH
Proposition 1B Transportation Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 692,224	\$ 692,224	\$ -	\$ (692,224)
Expenditures				
Capital outlay	692,224	692,224	687,444	4,780
Net change in fund balance	-	-	(687,444)	(687,444)
Fund balance, beginning	-	-	-	-
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (687,444)</u>	<u>\$ (687,444)</u>

CITY OF NEWPORT BEACH
Contributions Fund Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 1,371,000	\$ 2,609,612	\$ 1,027,967	\$ (1,581,645)
Investment income	-	-	7,299	7,299
Total revenues	<u>1,371,000</u>	<u>2,609,612</u>	<u>1,035,266</u>	<u>(1,574,346)</u>
Expenditures:				
Capital outlay	<u>4,573,768</u>	<u>3,081,963</u>	<u>2,074,272</u>	<u>1,007,691</u>
Net change in fund balance	(3,202,768)	(472,351)	(1,039,006)	(566,655)
Fund balance, beginning	<u>2,063,153</u>	<u>2,063,153</u>	<u>2,063,153</u>	<u>-</u>
Fund balance (deficit), ending	<u><u>\$ (1,139,615)</u></u>	<u><u>\$ 1,590,802</u></u>	<u><u>\$ 1,024,147</u></u>	<u><u>\$ (566,655)</u></u>

FINANCIAL SECTION

SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS

FINANCIAL SECTION

INTERNAL SERVICE FUNDS

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

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

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

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

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

The ***Equipment Maintenance Fund*** is used to account for the cost of maintaining and replacing the City's rolling stock fleet, parking equipment and coordinated communications system 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, 2013

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 21,288,178	\$ 2,117,539	\$ 1,686,305	\$ 18,423,375	\$ 7,142,864	\$ 50,658,261
Receivables:						
Accounts	629,731	-	1,623,889	5,822	99	2,259,541
Inventories	-	-	-	368,829	-	368,829
Prepaid items	-	-	171,504	1,613,304	75,817	1,860,625
Total current assets	<u>21,917,909</u>	<u>2,117,539</u>	<u>3,481,698</u>	<u>20,411,330</u>	<u>7,218,780</u>	<u>55,147,256</u>
Non-current assets:						
Capital assets:						
Equipment	-	-	-	25,286,392	3,050,127	28,336,519
Software	-	-	-	-	271,280	271,280
Less accumulated depreciation	-	-	-	(18,649,207)	(1,075,025)	(19,724,232)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,637,185</u>	<u>2,246,382</u>	<u>8,883,567</u>
Total assets	<u>21,917,909</u>	<u>2,117,539</u>	<u>3,481,698</u>	<u>27,048,515</u>	<u>9,465,162</u>	<u>64,030,823</u>
Liabilities						
Current liabilities:						
Accounts payable	420,681	4,112	3,051,000	1,038,184	189,364	4,703,341
Accrued payroll	-	-	-	50,892	87,171	138,063
Workers' compensation - current	2,094,183	-	-	-	-	2,094,183
General liability - current	4,827,877	-	-	-	-	4,827,877
Compensated absences - current	-	2,302,499	-	-	-	2,302,499
Early retirement incentive program - current	-	960,396	-	-	-	960,396
Total current liabilities	<u>7,342,741</u>	<u>3,267,007</u>	<u>3,051,000</u>	<u>1,089,076</u>	<u>276,535</u>	<u>15,026,359</u>
Non-current liabilities:						
Workers' compensation	14,461,817	-	-	-	-	14,461,817
General liability	2,356,538	-	-	-	-	2,356,538
Compensated absences	-	6,882,093	-	-	-	6,882,093
Total Noncurrent liabilities	<u>16,818,355</u>	<u>6,882,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,700,448</u>
Total liabilities	<u>24,161,096</u>	<u>10,149,100</u>	<u>3,051,000</u>	<u>1,089,076</u>	<u>276,535</u>	<u>38,726,807</u>
Net Position						
Invested in capital assets	-	-	-	6,637,185	2,246,382	8,883,567
Unrestricted	(2,243,187)	(8,031,561)	430,698	19,322,254	6,942,245	16,420,449
Total net position	<u>\$ (2,243,187)</u>	<u>\$ (8,031,561)</u>	<u>\$ 430,698</u>	<u>\$ 25,959,439</u>	<u>\$ 9,188,627</u>	<u>\$ 25,304,016</u>

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended June 30, 2013

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Operating revenues:						
Charges for services	\$ 5,775,261	\$ 2,231,453	\$ 3,051,000	\$ 5,659,298	\$ 4,964,193	\$ 21,681,205
Retiree reimbursements	-	-	641,983	-	-	641,983
Employee contributions	-	-	209,983	-	-	209,983
Other	249,132	-	26,550	7,048	4,548	287,278
Total operating revenues	6,024,393	2,231,453	3,929,516	5,666,346	4,968,741	22,820,449
Operating expenses:						
Salaries and wages	-	-	-	1,282,871	2,068,087	3,350,958
Depreciation	-	-	-	1,645,796	117,772	1,763,568
Professional services	-	-	-	11,255	80,772	92,027
Maintenance and supplies	-	-	-	764,077	696,879	1,460,956
Fleet parts and supplies	-	-	-	490,010	-	490,010
Telecommunication	-	-	-	-	176,319	176,319
Hardware	-	-	-	-	29,765	29,765
Software	-	-	-	-	57,462	57,462
Workers' compensation	3,369,847	-	-	-	-	3,369,847
Claims and judgments	7,261,300	-	-	-	-	7,261,300
Compensated absences	-	2,021,547	-	-	-	2,021,547
Voluntary Separation Incentive Program	-	124,579	-	-	-	124,579
OPEB ARC- Cash subsidy	-	-	3,051,000	-	-	3,051,000
Other	-	-	1,947,325	-	9,520	1,956,845
Total operating expenses	10,631,147	2,146,126	4,998,325	4,194,009	3,236,576	25,206,183
Operating income (loss)	(4,606,754)	85,327	(1,068,809)	1,472,337	1,732,165	(2,385,734)
Nonoperating revenues:						
Investment income (loss)	39,466	(1,336)	(5,547)	38,059	(12,023)	58,619
Gain on sale of capital assets	-	-	-	551	-	551
Total nonoperating revenues	39,466	(1,336)	(5,547)	38,610	(12,023)	59,170
Income (loss) before transfers	(4,567,288)	83,991	(1,074,356)	1,510,947	1,720,142	(2,326,564)
Transfers in	-	1,013,371	1,500,000	1,000,000	5,551,815	9,065,186
Transfer out	(1,013,371)	-	-	(5,000,000)	(6,136)	(6,019,507)
Net gain (loss) before contributed capital	(5,580,659)	1,097,362	425,644	(2,489,053)	7,265,821	719,115
Contributed Capital	-	-	-	1,151,957	-	1,151,957
Change in net position	(5,580,659)	1,097,362	425,644	(1,337,096)	7,265,821	1,871,072
Net position, beginning	3,337,472	(9,128,923)	5,054	27,296,535	1,922,806	23,432,944
Net position, ending	\$ (2,243,187)	\$ (8,031,561)	\$ 430,698	\$ 25,959,439	\$ 9,188,627	\$ 25,304,016

CITY OF NEWPORT BEACH
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2013

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Cash flows from operating activities						
Receipts from user departments	\$ 5,177,216	\$ 2,231,453	\$ 3,692,983	\$ 5,668,393	\$ 4,964,094	\$ 21,734,139
Payments to employees	(2,490,627)	(2,849,616)	-	(1,278,527)	(2,082,054)	(8,700,824)
Payments to suppliers	(4,092,959)	-	(1,365,858)	(2,463,882)	(1,092,073)	(9,014,772)
Other operating cash receipts	249,132	-	236,533	7,048	4,548	497,261
Net cash provided (used) for operating activities	<u>(1,157,238)</u>	<u>(618,163)</u>	<u>2,563,658</u>	<u>1,933,032</u>	<u>1,794,515</u>	<u>4,515,804</u>
Cash flows from noncapital financing activities:						
Cash received from other funds	-	1,013,371	1,500,000	1,000,000	5,551,815	9,065,186
Cash paid to other funds	(1,013,371)	-	(2,371,806)	(5,000,000)	-	(8,385,177)
Net cash provided by noncapital financing activities	<u>(1,013,371)</u>	<u>1,013,371</u>	<u>(871,806)</u>	<u>(4,000,000)</u>	<u>5,551,815</u>	<u>680,009</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(1,253,570)	(1,898,451)	(3,152,021)
Proceeds from sale of capital assets	-	-	-	53,457	-	53,457
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,200,113)</u>	<u>(1,898,451)</u>	<u>(3,098,564)</u>
Cash flows from investing activities:						
Interest (loss) on investments	39,466	(1,336)	(5,547)	38,059	(12,023)	58,619
Net cash provided by investing activities	<u>39,466</u>	<u>(1,336)</u>	<u>(5,547)</u>	<u>38,059</u>	<u>(12,023)</u>	<u>58,619</u>
Net increase (decrease) in cash and cash equivalents	(2,131,143)	393,872	1,686,305	(3,229,022)	5,435,856	2,155,868
Cash and cash equivalents, beginning	23,419,321	1,723,667	-	21,652,397	1,707,008	48,502,393
Cash and cash equivalents, ending	<u>\$ 21,288,178</u>	<u>\$ 2,117,539</u>	<u>\$ 1,686,305</u>	<u>\$ 18,423,375</u>	<u>\$ 7,142,864</u>	<u>\$ 50,658,261</u>
Reconciliation of cash equivalents to the statement of net position						
Cash and investments reported on statement of net position	21,288,178	2,117,539	1,686,305	18,423,375	7,142,864	50,658,261
Cash and cash equivalents	<u>\$ 21,288,178</u>	<u>\$ 2,117,539</u>	<u>\$ 1,686,305</u>	<u>\$ 18,423,375</u>	<u>\$ 7,142,864</u>	<u>\$ 50,658,261</u>
Reconciliation of operating income to net cash provided by (used) for operating activities:						
Cash flows from operating activities						
Operating income (loss)	\$ (4,606,754)	\$ 85,327	\$ (1,068,809)	\$ 1,472,337	\$ 1,732,165	\$ (2,385,734)
Adjustments to reconcile operating income (loss) to net cash provided by (used) for operating activities:						
Depreciation	-	-	-	1,645,796	117,772	1,763,568
Changes in operating assets and liabilities						
(Increase) decrease in accounts receivable	(598,045)	-	486,379	9,095	(99)	(102,670)
(Increase) in inventories	-	-	-	(1,617,676)	-	(1,617,676)
(Increase) decrease in prepaid items	-	-	95,595	-	(45,151)	50,444
Increase (decrease) in accounts payable and accrued payroll	304,499	4,112	3,050,493	423,480	(10,172)	3,772,412
Increase in workers' compensation	879,220	-	-	-	-	879,220
Increase in general liability	2,863,842	-	-	-	-	2,863,842
Increase in compensated absences	-	252,794	-	-	-	252,794
(Decrease) in early retirement incentive program	-	(960,396)	-	-	-	(960,396)
Total adjustments	<u>3,449,516</u>	<u>(703,490)</u>	<u>3,632,467</u>	<u>460,695</u>	<u>62,350</u>	<u>6,901,538</u>
Net cash provided (used) by operating activities	<u>\$ (1,157,238)</u>	<u>\$ (618,163)</u>	<u>\$ 2,563,658</u>	<u>\$ 1,933,032</u>	<u>\$ 1,794,515</u>	<u>\$ 4,515,804</u>
Non-cash investing, capital, and financing activities:						
Contributed capital from governmental funds	\$ -	\$ -	\$ -	\$ 1,151,957	\$ -	\$ 1,151,957
Gain on sale of capital assets	-	-	-	551	-	551
Total of non-cash activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,508</u>	<u>\$ -</u>	<u>\$ 1,152,508</u>

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FINANCIAL SECTION

SUPPLEMENTARY
INFORMATION
FIDUCIARY FUNDS

FINANCIAL SECTION

FIDUCIARY FUNDS

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

The City of Newport Beach Fiduciary Funds are listed below:

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

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

The ***Integrated Law and Justice Agency for Orange County (ILJAOC) Fund*** is used to account for monies collected from member agencies for the operation of ILJAOC.

CITY OF NEWPORT BEACH
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2013

Assets	Special Assessment District	Business Improvement	ILJAOC	Totals
Cash and investments	\$ 266,865	\$ 252,579	\$ -	\$ 519,444
Cash with fiscal agent	5,308,082	-	-	5,308,082
Receivable	-	17,342	-	17,342
Total assets	<u>\$ 5,574,947</u>	<u>\$ 269,921</u>	<u>\$ -</u>	<u>\$ 5,844,868</u>
Liabilities				
Due to bondholders	\$ 5,574,947	\$ -	\$ -	\$ 5,574,947
Due to others	-	269,921	-	269,921
Total liabilities	<u>\$ 5,574,947</u>	<u>\$ 269,921</u>	<u>\$ -</u>	<u>\$ 5,844,868</u>

CITY OF NEWPORT BEACH
Statement of Changes in Fiduciary Net Position
All Agency Funds
For the Year Ended June 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Special Assessment District:				
Assets				
Cash and investments	\$ 255,771	\$ 3,040,140	\$ (3,029,046)	\$ 266,865
Cash with fiscal agent	6,993,845	17,900,552	(19,586,315)	5,308,082
Total Assets	<u>\$ 7,249,616</u>	<u>\$ 20,940,692</u>	<u>\$ (22,615,361)</u>	<u>\$ 5,574,947</u>
Liabilities				
Due to bondholders	\$ 7,188,967	\$ 20,940,692	\$ (22,554,712)	\$ 5,574,947
Due to City of Newport Beach	60,649	-	(60,649)	-
Total Liabilities	<u>\$ 7,249,616</u>	<u>\$ 20,940,692</u>	<u>\$ (22,615,361)</u>	<u>\$ 5,574,947</u>
Business Improvement District:				
Assets				
Cash and investments	\$ 320,633	\$ 2,019,867	\$ (2,087,921)	\$ 252,579
Receivable	-	17,342	-	17,342
	<u>\$ 320,633</u>	<u>\$ 2,037,209</u>	<u>\$ (2,087,921)</u>	<u>\$ 269,921</u>
Liabilities				
Due to others	<u>\$ 320,633</u>	<u>\$ 2,037,209</u>	<u>\$ (2,087,921)</u>	<u>\$ 269,921</u>
ILJAOC:				
Assets				
Intergovernmental receivable	\$ 448,190	\$ -	\$ (448,190)	\$ -
Total Assets	<u>\$ 448,190</u>	<u>\$ -</u>	<u>\$ (448,190)</u>	<u>\$ -</u>
Liabilities				
Due to City of Newport Beach	\$ 9,215	\$ -	\$ (9,215)	\$ -
Due to ILJAOC	438,975	-	(438,975)	-
Total Liabilities	<u>\$ 448,190</u>	<u>\$ -</u>	<u>\$ (448,190)</u>	<u>\$ -</u>
Totals - All Agency Funds:				
Assets				
Cash and investments	\$ 576,404	\$ 5,060,007	\$ (5,116,967)	\$ 519,444
Cash with fiscal agent	6,993,845	17,900,552	(19,586,315)	5,308,082
Receivable	-	17,342	-	17,342
Intergovernmental receivable	448,190	-	(448,190)	-
Total Assets	<u>\$ 8,018,439</u>	<u>\$ 22,977,901</u>	<u>\$ (25,151,472)</u>	<u>\$ 5,844,868</u>
Liabilities				
Due to bondholders	\$ 7,188,967	\$ 20,940,692	\$ (22,554,712)	\$ 5,574,947
Due to others	320,633	2,019,867	(2,087,921)	269,921
Due to City of Newport Beach	69,864	-	(9,215)	-
Due to ILJAOC	438,975	-	(438,975)	-
Total Liabilities	<u>\$ 8,018,439</u>	<u>\$ 22,960,559</u>	<u>\$ (25,090,823)</u>	<u>\$ 5,844,868</u>

STATISTICAL SECTION

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FINANCIAL TRENDS

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

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

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

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

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

	Fiscal Year			
	2004	2005 ¹	2006	2007
Governmental activities:				
Net investment in capital assets	\$ 1,512,651,096	\$ 1,915,348,883	\$ 2,005,643,651	\$ 2,027,026,053
Restricted	45,494,082	54,285,743	51,901,103	35,017,831
Unrestricted	46,772,913	61,894,956	56,662,229	75,989,169
Total governmental activities	<u>\$ 1,604,918,091</u>	<u>\$ 2,031,529,582</u>	<u>\$ 2,114,206,983</u>	<u>\$ 2,138,033,053</u>
Business-type activities:				
Net investment in capital assets	\$ 94,206,704	\$ 99,641,411	\$ 104,602,266	\$ 107,231,308
Restricted	-	-	-	-
Unrestricted	21,493,528	19,665,535	16,907,367	15,808,357
Total business-type activities	<u>\$ 115,700,232</u>	<u>\$ 119,306,946</u>	<u>\$ 121,509,633</u>	<u>\$ 123,039,665</u>
Primary government:				
Net investment in capital assets	\$ 1,606,857,800	\$ 2,014,990,294	\$ 2,110,245,917	\$ 2,134,257,361
Restricted	45,494,082	54,285,743	51,901,103	35,017,831
Unrestricted	68,266,441	81,560,491	73,569,596	91,797,526
Total primary government	<u>\$ 1,720,618,323</u>	<u>\$ 2,150,836,528</u>	<u>\$ 2,235,716,616</u>	<u>\$ 2,261,072,718</u>

¹ 2005 data varies from trend because of increased capital assets related to PCH Relinquishment

² Reflects restatement of net position due to the implementation of GASB 65 in fiscal year ended June 30, 2013. Additional information on the City's implementation of GASB 65 can be found in the Notes to the Financial Statements.

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

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

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

Fiscal Year					
2008	2009	2010	2011	2012 ²	2013
\$ 2,050,925,370	\$ 2,061,635,642	\$ 2,084,912,221	\$ 2,087,403,003	\$ 2,098,349,998	\$ 2,124,797,794
40,988,923	44,212,747	34,236,929	63,940,282	61,923,719	72,119,674
87,802,996	96,276,381	86,049,492	67,500,916	82,515,232	77,966,414
<u>\$ 2,179,717,289</u>	<u>\$ 2,202,124,770</u>	<u>\$ 2,205,198,642</u>	<u>\$ 2,218,844,201</u>	<u>\$ 2,242,788,949</u>	<u>\$ 2,274,883,882</u>
\$ 107,313,603	\$ 108,510,361	\$ 108,449,847	\$ 108,976,459	\$ 108,981,237	\$ 111,177,135
-	-	-	-	-	-
13,639,027	11,435,306	10,173,912	9,442,988	15,089,798	19,172,398
<u>\$ 120,952,630</u>	<u>\$ 119,945,667</u>	<u>\$ 118,623,759</u>	<u>\$ 118,419,447</u>	<u>\$ 124,071,035</u>	<u>\$ 130,349,533</u>
\$ 2,158,238,973	\$ 2,170,146,003	\$ 2,193,362,068	\$ 2,196,379,462	\$ 2,207,331,235	\$ 2,235,974,929
40,988,923	44,212,747	34,236,929	63,940,282	61,923,719	72,119,674
101,442,023	107,711,687	96,223,404	76,943,904	97,605,030	97,138,812
<u>\$ 2,300,669,919</u>	<u>\$ 2,322,070,437</u>	<u>\$ 2,323,822,401</u>	<u>\$ 2,337,263,648</u>	<u>\$ 2,366,859,984</u>	<u>\$ 2,405,233,415</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses:										
Governmental activities:										
General government	\$ 11,428,379	\$ 11,378,609	\$ 14,509,827	\$ 14,166,168	\$ 15,556,657	\$ 16,430,529	\$ 17,082,705	\$ 15,857,397	\$ 14,325,966	\$ 15,830,575
Public safety	58,178,633	63,214,291	67,789,121	69,795,386	75,821,082	79,301,600	79,402,600	78,128,006	75,696,570	83,235,188
Public works	38,127,832	46,359,871	33,870,359	39,179,844	42,631,401	45,600,429	55,445,327	40,341,323	48,913,412	47,794,631
Community development	6,229,785	6,437,006	8,157,925	9,020,868	10,052,871	10,283,528	10,082,454	8,637,525	9,365,676	9,223,098
Community services	14,741,504	13,073,215	13,803,755	23,304,053	19,146,588	20,589,094	17,232,357	17,272,374	21,554,696	22,244,661
Interest on long-term debt	542,126	508,869	479,529	523,401	532,569	437,207	372,502	5,078,881	8,204,928	7,969,339
Total governmental activities expenses	129,248,259	140,971,861	138,610,516	155,989,720	163,741,168	172,642,387	179,617,945	165,315,506	178,061,248	186,317,492
Business-type activities:										
Water	17,185,034	14,467,233	16,228,213	17,399,900	20,148,517	18,210,789	18,732,351	19,824,996	18,358,646	20,208,300
Wastewater	3,363,954	2,740,908	3,143,629	3,259,837	3,423,592	3,753,042	3,599,034	3,936,949	3,360,418	3,462,165
Total business-type activities expenses	20,548,988	17,208,141	19,371,842	20,659,737	23,572,109	21,963,831	22,331,385	23,761,945	21,719,064	23,670,465
Total primary government expenses	149,797,247	158,180,002	157,982,358	176,649,457	187,313,277	194,606,218	201,949,330	189,077,451	199,780,312	209,987,957
Program revenues:										
Governmental activities:										
Charges for services:										
General government	2,109,141	2,412,769	2,623,272	2,944,100	3,055,982	2,543,880	2,909,603	2,722,527	2,593,741	2,759,306
Public safety	15,739,912	16,264,493	13,669,509	15,756,327	16,649,400	14,757,266	15,006,601	15,686,314	16,240,135	16,008,421
Public works	5,481,464	6,031,248	5,133,728	5,482,167	5,616,118	5,532,871	6,392,877	2,938,315	4,576,208	5,019,835
Community development	5,196,276	5,129,858	5,667,289	5,682,636	5,597,309	4,852,534	4,806,745	5,599,737	6,202,080	7,057,010
Community services	3,846,566	3,952,862	9,433,278	9,054,504	9,203,513	9,052,330	8,673,465	8,962,818	14,119,869	13,176,050
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions:	10,681,329	17,480,834	12,772,599	16,172,023	15,778,851	13,404,286	15,677,617	10,710,266	11,418,147	11,290,989
Capital Grants and Contributions:	674,815	20,205,948 ¹	69,473,891 ²	6,904,716	31,037,915 ³	24,633,716	12,350,100	11,101,239	14,838,783	25,613,846 ⁴
Total governmental activities program revenues	43,729,503	71,478,012	118,773,566	61,996,473	86,939,088	74,776,883	65,817,008	57,721,216	69,988,962	80,925,457
Business-type activities:										
Charges for services:										
Water	18,430,000	17,573,196	17,923,523	17,918,968	17,270,511	16,966,621	17,412,634	20,097,227	23,877,685	26,795,767
Wastewater	2,882,793	2,900,672	3,311,089	3,535,050	3,552,780	3,479,565	3,368,327	3,348,433	3,382,905	3,450,638
Total business-type activities program revenues	21,312,793	20,473,868	21,234,612	21,454,018	20,823,291	20,446,186	20,780,961	23,445,660	27,260,590	30,246,405
Total primary government program revenues	65,042,296	91,951,880	140,008,178	83,450,491	107,762,379	95,223,069	86,597,969	81,166,876	97,249,552	111,171,862
Net revenues (expenses):										
Governmental activities	(85,518,756)	(69,493,849)	(19,836,950)	(93,993,247)	(76,802,080)	(97,865,504)	(113,800,937)	(107,594,290)	(108,072,286)	(105,392,035)
Business-type activities	763,805	3,265,727	1,862,770	794,281	(2,748,818)	(1,517,645)	(1,550,424)	(316,285)	5,541,526	6,575,940
Total net revenues (expenses)	\$ (84,754,951)	\$ (66,228,122)	\$ (17,974,180)	\$ (93,198,966)	\$ (79,550,898)	\$ (99,383,149)	\$ (115,351,361)	\$ (107,910,575)	\$ (102,530,760)	\$ (98,816,095)

¹ 2005 data varies from trend because of increased capital assets related to PCH Relinquishment.

² 2006 data varies from trend because of increased capital assets related mostly to Bristol St. Relinquishment, Newport Coast Community Center, and Fire Station # 7.

³ 2008 data varies from trend because of increased capital assets related to Santa Ana Heights Annexation.

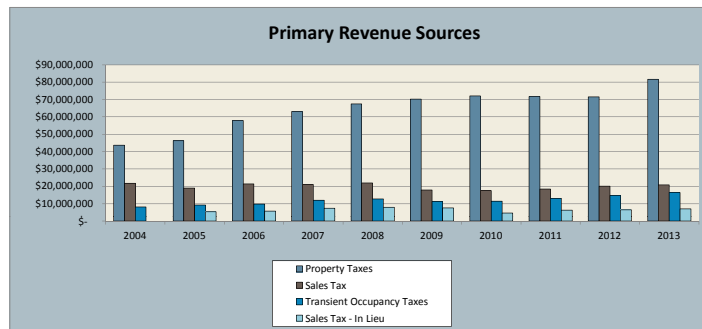
⁴ 2013 data varies from trend because of increased capital assets related to contribution from State of California.

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

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 43,631,829	\$ 46,303,366	\$ 57,888,545	\$ 63,003,057	\$ 67,388,838	\$ 70,126,680	\$ 71,999,680	\$ 71,630,345	\$ 71,546,249	\$ 81,603,194
Sales tax	21,843,884	18,977,828	21,465,557	21,088,118	21,855,242	17,925,956	17,440,736	18,455,181	20,107,597	20,764,204
Sales tax in-lieu	-	5,339,827	5,720,028	7,348,253	8,017,539	7,503,113	4,539,946	6,284,266	6,523,492	7,078,517
Transient occupancy taxes	8,045,132	9,215,862	9,832,729	12,059,008	12,751,518	11,170,956	11,400,710	13,082,451	14,798,191	16,500,285
Business license	2,830,127	3,458,165	3,848,381	3,770,172	4,119,108	4,273,642	4,026,614	4,090,634	4,073,725	4,145,666
Franchise taxes	2,765,519	3,029,476	3,162,588	4,613,932	3,853,119	3,961,634	3,715,946	3,730,819	3,845,901	3,820,723
Motor vehicle license fees	3,624,917	6,395,860	300,751	391,559	304,920	356,237	314,957	403,042	42,911	-
Motor vehicle fines	-	-	-	-	-	-	-	-	-	-
Other taxes	266,642	240,534	508,331	515,128	373,350	230,115	201,893	226,257	278,521	286,880
Investment income	584,415	1,209,074	1,939,941	3,175,582	3,655,314	1,764,827	706,855	366,081	405,674	219,091
Net increase in fair value of investments	(360,586)	(258,125)	(715,615)	(545,533)	508,485	1,096,848	707,200	369,235	246,119	-
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-
Other	214,536	761,111	776,907	2,232,070	1,858,883	1,862,977	1,820,272	2,601,538	2,789,471	2,748,524
Property income	-	-	-	-	-	-	-	-	-	-
Share of joint venture net income	146,819	100,325	(513,791)	253,207	-	-	-	-	-	-
Change in accounting estimates	-	-	-	-	-	-	-	-	8,484,000	-
Capital contributions	102,713,421	213,779,060	-	-	-	-	-	-	7,352	319,884
Sale of service rights	-	-	-	-	-	-	-	-	-	-
Transfers	57,783	-	40,000	-	-	-	-	-	-	-
Total governmental activities	186,364,438	308,552,363	104,254,352	117,904,553	124,686,316	120,272,985	116,874,809	121,239,849	133,149,203	137,486,968
Business-type activities:										
Investment income	203,041	424,157	549,012	792,936	588,870	374,893	128,399	52,996	49,718	22,442
Net increase in fair value of investments	(87,078)	(87,921)	(169,095)	(57,185)	72,913	135,789	100,117	58,977	67,696	-
Property income	29,280	26,970	-	-	-	-	-	-	-	-
Capital contributions	215,331	-	-	-	-	-	-	-	(7,352)	(319,884)
Transfers	(57,783)	-	(40,000)	-	-	-	-	-	-	-
Total business-type activities	302,791	363,206	339,917	735,751	661,783	510,682	228,516	111,973	110,062	(297,442)
Total primary government	186,667,229	308,915,569	104,594,269	118,640,304	125,348,099	120,783,667	117,103,325	121,351,822	133,259,265	137,189,526
Changes in net position:										
Governmental activities	100,845,682	239,058,514	84,417,402	23,911,306	47,884,236	22,407,481	3,073,872	13,645,559	25,076,917	32,094,933
Business-type activities	1,066,596	3,628,933	2,202,687	1,530,032	(2,087,035)	(1,006,963)	(1,321,908)	(204,312)	5,651,588	6,278,498
Total primary government	\$ 101,912,278	\$ 242,687,447	\$ 86,620,089	\$ 25,441,338	\$ 45,797,201	\$ 21,400,518	\$ 1,751,964	\$ 13,441,247	\$ 30,728,505	\$ 38,373,431



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

	Fiscal Year ²			
	2004	2005	2006	2007
General fund:				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total general fund				
All other governmental funds:				
Nonspendable				
Restricted				
Committed				
Assigned				
Unassigned				
Total all other governmental funds				
Total all governmental funds				

	Fiscal Year			
	2004	2005	2006	2007
General fund:				
Reserved	\$ 6,678,579	\$ 4,673,198	\$ 9,374,722	\$ 7,233,703
Unreserved	37,765,801	49,814,197	45,212,339	62,679,499
Total general fund	<u>\$ 44,444,380</u>	<u>\$ 54,487,395</u>	<u>\$ 54,587,061</u>	<u>\$ 69,913,202</u>
All other governmental funds:				
Reserved	\$ 4,889,031	\$ 13,000,882	\$ 36,134,686	\$ 11,168,955
Unreserved, reported in:				
Special revenue funds	34,194,332	26,391,109	7,533,654	18,917,308
Capital projects funds	-	6,076,969	2,077,124	(3,258,201)
Permanent funds	-	285,506	404,771	660,029
Total all other governmental funds	<u>\$ 39,083,363</u>	<u>\$ 45,754,466</u>	<u>\$ 46,150,235</u>	<u>\$ 27,488,091</u>
Total all governmental funds	<u>\$ 83,527,743</u>	<u>\$ 100,241,861</u>	<u>\$ 100,737,296</u>	<u>\$ 97,401,293</u>

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

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

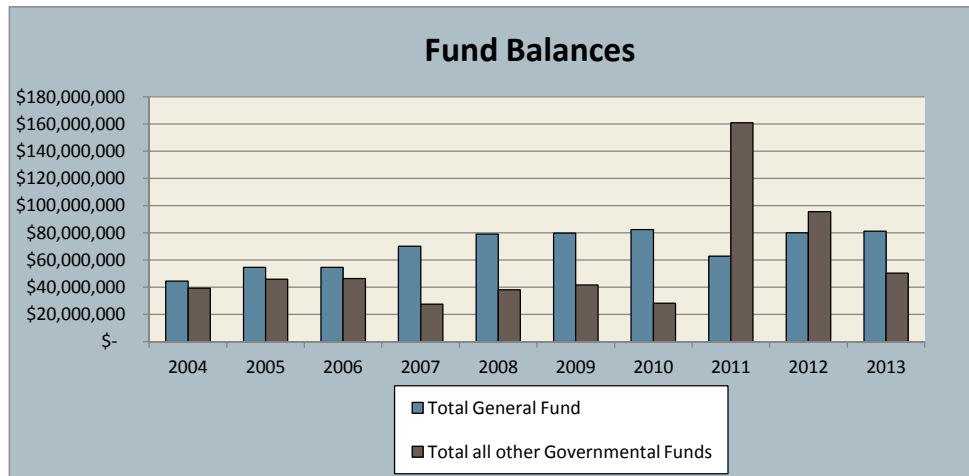
³ 2011 general fund data varies from trend due to \$31.3 million transfer from General Fund to Facilities Financial Planning Reserve Fund.

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

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

Fiscal Year ²					
2008	2009	2010	2011	2012	2013
			\$ 1,031,742	\$ 7,854,478	\$ 9,919,486
			1,681,333	2,263,049	2,410,373
			27,619,902	29,673,333	29,371,507
			11,865,835	19,431,475	6,843,417
			20,570,033	20,570,023	32,585,375
			<u>\$ 62,768,845</u> ³	<u>\$ 79,792,358</u>	<u>\$ 81,130,158</u>
			\$ 5,898,234	\$ 5,396,436	\$ 4,697,220
			36,445,842	30,957,184	27,433,342
			115,923,344	70,500,156	33,961,163
			5,633,558	-	-
			(2,988,102)	(11,339,671)	(15,723,261)
			<u>\$ 160,912,876</u> ⁴	<u>\$ 95,514,105</u>	<u>\$ 50,368,464</u>
			<u>\$ 223,681,721</u>	<u>\$ 175,306,463</u>	<u>\$ 131,498,622</u>

Fiscal Year		
2008	2009	2010
\$ 6,807,094	\$ 5,907,205	\$ 5,472,481
72,252,045	73,703,759	76,685,385
<u>\$ 79,059,139</u>	<u>\$ 79,610,964</u>	<u>\$ 82,157,866</u>
\$ 12,060,365	\$ 8,831,229	\$ 9,363,673
21,670,956	23,849,191	27,973,528
3,271,954	7,671,450	(10,571,278)
934,648	1,170,009	1,294,924
<u>\$ 37,937,923</u>	<u>\$ 41,521,879</u>	<u>\$ 28,060,847</u>
<u>\$ 116,997,062</u>	<u>\$ 121,132,843</u>	<u>\$ 110,218,713</u>



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

	Fiscal Year			
	2004	2005	2006	2007
Revenues:				
Taxes	\$ 79,874,751	\$ 91,606,863 ¹	\$ 102,737,810	\$ 112,230,054
Intergovernmental	16,108,023	19,513,589	14,842,994	18,866,929
Licenses and permits	5,429,632	4,968,234	5,708,965	4,574,659
Charges for services	11,516,782	13,104,478	13,135,366	14,452,723
Fines and forfeitures	3,605,963	3,422,735	3,841,843	4,126,351
Investment income	887,513	2,356,747	3,847,982	5,431,137
Net increase (decrease) in fair value of investments	(360,586)	(493,879)	(1,325,211)	(626,881)
Property income	11,857,671	12,337,339	13,625,142	13,965,815
Donations	2,704,367	1,087,826	883,405	1,379,461
Contributions from property owners	-	14,779,013	-	-
Other	478,200	980,446	1,042,882	1,967,465
Total revenues	<u>132,102,316</u>	<u>163,663,391</u>	<u>158,341,178</u>	<u>176,367,713</u>
Expenditures				
Current:				
General government	11,024,256	10,920,667	12,531,200	13,706,061
Public safety	56,849,718	59,482,134	65,262,069	68,843,947
Public works	22,780,896	24,365,996	26,430,751	28,352,293
Community development	5,723,031	6,144,917	7,900,503	7,753,035
Community services	10,827,346	10,351,414	12,730,727	13,988,589
Capital outlay	15,188,550	33,486,048	24,811,237	45,615,169
Debt service:				
Principal retirement	1,668,350	1,688,801	1,715,542	3,736,587
Interest and fiscal charges	520,228	499,077	480,909	458,035
Issuance of debt costs	-	-	-	-
Total expenditures	<u>124,582,375</u>	<u>146,939,054</u>	<u>151,862,938</u>	<u>182,453,716</u>
Excess (deficiency) of revenues over (under) expenditures	7,519,941	16,724,337	6,478,240	(6,086,003)
Other financing sources (uses):				
Transfers in	16,553,395	20,601,957	25,194,920	20,271,396
Transfers out	(18,495,612)	(20,612,176)	(31,177,725)	(22,521,396)
Proceeds from issuance of debt	-	-	-	5,000,000
Issuance of debt premium	-	-	-	-
Total other financing sources (uses)	<u>(1,942,217)</u>	<u>(10,219)</u>	<u>(5,982,805)</u>	<u>2,750,000</u>
Net change in fund balances	<u>\$ 5,577,724</u>	<u>\$ 16,714,118</u>	<u>\$ 495,435</u>	<u>\$ (3,336,003)</u>
Debt service as a percentage of noncapital expenditures	1.8%	1.7%	1.7%	2.8%

¹ Adjusted to include Property Tax-in lieu of VLF which was previously reported as intergovernmental revenue.

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 118,758,201	\$ 115,711,574	\$ 113,809,443	\$ 117,983,765	\$ 121,710,955	\$ 134,733,550
21,005,429	11,434,885	15,379,698	11,467,471	12,122,963	11,393,589
6,474,789	5,883,515	3,950,967	5,198,986	6,691,125	7,682,555
15,073,178	14,498,120	15,293,362	15,285,813	16,020,825	16,254,399
4,662,442	4,572,611	4,105,632	3,545,229	3,795,787	3,649,532
5,463,066	3,245,677	1,289,890	1,045,592	1,142,935	372,514
720,488	1,472,335	1,155,363	882,317	704,656	-
15,217,803	14,032,342	14,624,923	15,538,387	17,458,143	19,847,371
2,159,637	6,760,140	5,497,640	1,790,073	13,977,850	587,445
-	-	-	-	-	-
4,205,095	8,501,014	7,646,274	5,091,527	691,125	3,543,894
193,740,128	186,112,213	182,753,192	177,829,160	194,316,364	198,064,849
14,508,103	15,567,654	15,169,546	15,424,734	12,896,492	13,671,480
73,486,413	78,554,344	77,202,445	74,947,173	75,377,871	80,546,969
30,108,941	30,619,405	39,922,406	31,442,076	32,399,178	32,451,624
8,703,841	9,971,536	9,556,066	8,430,813	8,939,825	8,994,710
14,478,146	17,485,605	14,916,230	15,662,011	19,296,505	18,872,022
20,524,638	26,002,338	36,796,653	37,645,882	80,617,948	72,133,582
3,263,948	3,292,641	1,820,679	6,230,080	4,529,854	3,998,000
577,299	482,908	383,297	1,179,612	8,320,500	8,152,488
-	-	-	1,219,071	-	-
165,651,329	181,976,431	195,767,322	192,181,452	242,378,173	238,820,875
28,088,799	4,135,782	(13,014,130)	(14,352,292)	(48,061,809)	(40,756,026)
27,583,922	23,354,366	22,380,521	58,763,620	24,640,318	47,875,107
(36,076,952)	(23,354,366)	(21,780,521)	(58,763,620)	(24,953,767)	(50,926,922)
-	-	1,500,000	126,660,000	-	-
-	-	-	1,155,300	-	-
(8,493,030)	-	2,100,000	127,815,300	(313,449)	(3,051,815)
\$ 19,595,769	\$ 4,135,782	\$ (10,914,130)	\$ 113,463,008	\$ (48,375,258)	\$ (43,807,841)
2.5%	2.3%	1.4%	4.8%	8.3%	15.8%

REVENUE CAPACITY

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

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

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

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

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

Fiscal Year Ended June 30	City			Taxable Assessed Value	Change	Total Direct Tax Rate
	Public Utility	Secured	Unsecured			
2004	16,531,505	23,219,166,299	1,372,432,950	24,591,599,249	11.40%	1.000%
2005	53,310	25,193,662,254	1,484,019,033	26,677,681,287	8.48%	1.000%
2006	53,310	28,136,607,566	1,914,106,993	30,050,714,559	12.64%	1.000%
2007	53,310	31,423,473,042	1,569,867,249	32,993,340,291	9.79%	1.000%
2008	53,310	34,188,568,583	1,668,015,342	35,856,583,925	8.68%	1.000%
2009	699,230	36,436,106,070	1,538,539,482	37,974,645,552	5.91%	1.000%
2010	699,230	37,078,595,810	1,564,808,312	38,643,404,122	1.76%	1.000%
2011	699,230	37,080,217,275	1,626,947,910	38,707,165,185	0.16%	1.000%
2012	699,230	37,550,413,836	1,556,752,313	39,107,166,149	1.03%	1.000%
2013	53,310	38,638,269,438	1,593,908,426	40,232,177,864	2.88%	1.000%
2014	53,310	40,860,164,866	1,464,486,452	42,324,651,318	5.20%	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 at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price 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.

The City of Newport Beach has elected to show eleven years of data for this schedule as Fiscal year 2014 data was readily available when compiling this schedule.

Source: County of Orange Auditor-Controller's Office

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	0.006	0.006	0.069	0.078	0.096	0.096	0.110	0.110	0.110	0.110
School Districts	0.1019	0.1439	0.1137	0.1103	0.1092	0.1009	0.1521	0.1548	0.1546	0.1646
Total Overlapping Rate	0.108	0.150	0.182	0.189	0.205	0.197	0.262	0.265	0.264	0.274
Total Direct & Overlapping Rate	\$ 1.108	\$ 1.150	\$ 1.182	\$ 1.189	\$ 1.205	\$ 1.197	\$ 1.262	\$ 1.265	\$ 1.264	\$ 1.274

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	2013			2004		
	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	\$ 1,737,812,513	1	4.32%	\$ 1,347,389,842	1	5.48%
Newport Bluffs LLC	141,631,126	2	0.35%	N/A		0.00%
UDR Newport Beach North LP	122,475,352	3	0.30%	132,811,300	3	0.54%
Coronado South Apartments LP	117,559,664	4	0.29%	N/A		0.00%
610 Newport Center Drive LLC	114,150,522	5	0.28%	N/A		0.00%
Jazz Semiconductor Inc	110,472,661	6	0.27%	58,837,541	10	0.24%
Newport Healthcare Center	109,397,294	7	0.27%	N/A		0.00%
Balboa Bay Club Inc.	105,398,594	8	0.26%	95,872,185	5	0.39%
100 Bayview LLC	96,912,390	9	0.24%	N/A		0.00%
HHR Newport Beach LLC	85,663,692	10	0.21%	N/A		0.00%
	<u>\$ 2,741,473,808</u>		<u>6.81%</u>	<u>\$ 1,634,910,868</u>		<u>6.65%</u>

Source: HdL, Coren and Cone Co.

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years ²	Total Collections to Date	
		Amount ¹	Percent of Levy		Amount	Percent of Levy
2004	42,469,238	41,420,410	97.53%	670,685	42,091,095	99.11%
2005	45,111,328	44,112,400	97.79%	483,804	44,596,204	98.86%
2006	47,286,816	45,558,039	96.34%	728,365	46,286,404	97.88%
2007	70,194,492	68,820,402	98.04%	1,307,043	70,127,445	99.90%
2008	69,315,116	66,675,541	96.19%	2,163,679	68,839,220	99.31%
2009	71,006,357	68,266,624	96.14%	2,123,097	70,389,721	99.13%
2010	68,412,731	66,282,513 ³	96.89%	1,507,391	67,789,904	99.09%
2011	70,476,893	68,577,472	97.30%	1,069,122	69,646,594	98.82%
2012	71,157,295	69,435,794	97.58%	985,344	70,421,138	98.97%
2013	74,165,333	72,532,734	97.80%	- ⁴	72,532,734	97.80%

¹ Net collections reflect deductions for refunds and Impoundments.

² Exclusive of penalty charges

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

⁴ The total amount of Fiscal Year 2013 delinquent taxes collected in subsequent years was not available as of the date the information was collected for the City's Comprehensive Annual Financial Report.

Source: Orange County Auditor Controller's Office

DEBT CAPACITY

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

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

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

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

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

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation ¹	Note Payable	Pre- Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
2004	5,845,000	1,939,133	15,600,000	2,340,000	862,975	N/A
2005	5,570,000	1,789,332	14,400,000	2,276,000	420,773	N/A
2006	5,280,000	1,632,789	13,200,000	2,207,000	166,056	N/A
2007	4,980,000	1,469,202	12,000,000	2,134,000	49,490	3,000,000
2008	4,665,000	1,298,254	10,800,000	2,056,000	-	1,500,000
2009	4,335,000	1,119,613	9,600,000	1,972,000	-	N/A
2010	3,990,000	932,934	8,400,000	1,883,000	-	1,500,000
2011	127,744,977	737,854	7,200,000	1,788,000	-	750,000
2012	125,884,424	-	6,000,000	1,686,000	-	-
2013	123,073,871	-	4,800,000	1,578,000	-	-

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

¹ Amounts include any applicable bond premium.

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

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

	Business-type Activities				
Total Governmental Activities	Water Revenue Bonds	Total Business- type Activities	Total Primary Government	Percentage of Personal Income ²	Debt Per Capita ²
26,587,108	8,535,000	8,535,000	35,122,108	0.65%	435
24,456,105	7,255,000	7,255,000	31,711,105	0.56%	382
22,485,845	5,925,000	5,925,000	28,410,845	0.45%	341
23,632,692	4,540,000	4,540,000	28,172,692	0.43%	335
20,319,254	3,095,000	3,095,000	23,414,254	0.33%	277
17,026,613	1,585,000	1,585,000	18,611,613	0.25%	216
16,705,934	-	-	16,705,934	0.25%	193
138,220,831	-	-	138,220,831	2.34%	1,619
133,570,424	-	-	133,570,424	2.30%	1,553
129,451,871	-	-	129,451,871	1.85%	1,498

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

<u>Fiscal Year Ended June 30</u>	<u>Certificates of Participation</u>	<u>Amounts restricted for debt service</u>	<u>Total</u>	<u>Percent of Assessed Value ¹</u>	<u>General Bonded Debt Per Capita</u>
2004	5,845,000	(275,000)	5,570,000	0.02%	69
2005	5,570,000	(290,000)	5,280,000	0.02%	64
2006	5,280,000	(300,000)	4,980,000	0.02%	60
2007	4,980,000	(315,000)	4,665,000	0.01%	55
2008	4,665,000	(330,000)	4,335,000	0.01%	51
2009	4,335,000	(345,000)	3,990,000	0.01%	46
2010	3,990,000	(360,000)	3,630,000	0.01%	42
2011	127,744,977	(1,488,670)	126,256,307	0.33%	1,479
2012	125,884,424	(2,532,561)	123,351,863	0.32%	1,434
2013	123,073,871	(1,157,250)	121,916,621	0.30%	1,410

¹ 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, 2013

City Assessed Valuation: \$ 40,232,177,864

	Percentage Applicable ¹	Outstanding Debt 6/30/13	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.916%	\$ 165,085,000	\$ 3,163,029
Coast Community College District	32.797%	648,598,698	212,720,915
Rancho Santiago Community College District	2.580%	293,246,944	7,565,771
Laguna Beach Unified School District	14.995%	29,510,000	4,425,025
Laguna Beach U.S.D. Community Facilities District No. 98-1	100.000%	9,330,000	9,330,000
Newport Mesa Unified School District	72.668%	241,779,150	175,696,073
Newport Mesa U.S.D. Community Facilities District No. 90-1	100.000%	9,720,000	9,720,000
Santa Ana Unified School District	6.075%	296,779,272	18,029,341
Irvine Ranch Water District Improvement Districts	19.951% - 100.000%	74,391,150	45,365,007
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	37,735,000	37,735,000
City of Newport Beach Special Improvement District No. 95-1	100.000%	4,235,000	4,235,000
City of Newport Beach 1915 Act Bonds	100.000%	13,558,436	13,558,436
Orange County Assessment District No. 88-1	100.000%	30,690,000	30,690,000
Orange County Reassessment District No. 99-1R	100.000%	9,950,000	9,950,000
Orange County Assessment District No. 01-1	100.000%	43,575,000	43,575,000
Orange County Reassessment District No. 01-1R	100.000%	4,490,000	4,490,000
Orange County General Fund Obligations	9.404%	190,546,000	17,918,946
Orange County Pension Obligations	9.404%	306,287,244	28,803,252
Orange County Board of Education Certificates of Participation	9.404%	15,770,000	1,483,011
Municipal Water District of O.C. Water Facilities Corporation	11.287%	10,035,000	1,132,650
Santa Ana Unified School District Certificates of Participation	6.075%	78,885,880	4,792,317
Overlapping Tax Increment Debt (Successor Agency):	3.205% - 61.860%	41,500,000	15,920,506
TOTAL GROSS OVERLAPPING DEBT		\$ 2,555,697,774	\$ 700,299,278
Less: MWDOC Water Facilities Corporation (100% self-supporting)			(1,132,650)
TOTAL NET OVERLAPPING DEBT			<u>\$ 699,166,628</u>
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	\$ 123,073,871	\$ 123,073,871
Newport Coast Annexation	100.000%	4,800,000	4,800,000
Community Development Block Grant Loan	100.000%	1,578,000	1,578,000
TOTAL DIRECT DEBT		<u>\$ 129,451,871</u>	<u>\$ 129,451,871</u>
TOTAL NET DIRECT AND OVERLAPPING DEBT			<u>\$ 828,618,499</u>
GROSS COMBINED TOTAL DEBT (2)			\$ 829,751,149

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

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

Ratios to 2012-13 Assessed Valuation:

Total Net Overlapping Debt	1.74%
Total Direct Debt (\$129,451,871)	0.32%
Gross Combined Total Debt	2.06%
Net Combined Total Debt	2.06%

Ratios to Redevelopment Incremental Valuation (\$818,969,551)

Total Overlapping Tax Increment Debt	1.94%
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Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2004	2005	2006	2007
Assessed valuation	\$ 24,591,599,249	\$ 26,677,681,287	\$ 30,050,714,559	\$ 32,993,340,291
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	6,147,899,812	6,669,420,322	7,512,678,640	8,248,335,073
Debt limit percentage	15%	15%	15%	15%
Debt limit	922,184,972	1,000,413,048	1,126,901,796	1,237,250,261
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 922,184,972</u>	<u>\$ 1,000,413,048</u>	<u>\$ 1,126,901,796</u>	<u>\$ 1,237,250,261</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					
2008	2009	2010	2011	2012	2013
\$ 35,856,583,925	\$ 37,974,645,552	\$ 38,643,404,122	\$ 38,707,165,185	\$ 39,107,166,149	\$ 40,232,177,864
25%	25%	25%	25%	25%	25%
8,964,145,981	9,493,661,388	9,660,851,031	9,676,791,296	9,776,791,537	10,058,044,466
15%	15%	15%	15%	15%	15%
1,344,621,897	1,424,049,208	1,449,127,655	1,451,518,694	1,466,518,731	1,508,706,670
-	-	-	-	-	-
<u>\$ 1,344,621,897</u>	<u>\$ 1,424,049,208</u>	<u>\$ 1,449,127,655</u>	<u>\$ 1,451,518,694</u>	<u>\$ 1,466,518,731</u>	<u>\$ 1,508,706,670</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

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

- Demographic and Economic Statistics
- Principal Employers

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

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

Fiscal Year	Population ¹	Personal Income (in thousands)	Per Capita Income ²	Unemployment Rate ³
2004	80,800	5,434,285	67,256	1.9%
2005	83,120	5,635,370	67,798	2.4%
2006	83,361	6,335,186	75,997	2.1%
2007	84,218	6,518,052	77,395	2.6%
2008	84,554	7,059,752	83,494	2.4%
2009	86,252	7,468,216	86,586	6.1%
2010	86,738	6,676,484	76,973	6.0%
2011	85,376	5,916,215	69,296	5.8%
2012	85,990	5,809,828	67,564	5.1%
2013	86,436	6,995,784	80,936	4.2%

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

Sources:

⁽¹⁾ California State Department of Finance, E-4 Population Estimates for Cities, Counties and State 2001-2010; and, E-1 Population Estimates for Cities, Counties and State January 1, 2011, 2012 and 2013.

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

⁽³⁾ State of California, Employment Development Department

CITY OF NEWPORT BEACH
Principal Employers¹
Current Year and 8 years ago

Employer	2013			2005 ²		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	4,944	1	5.97%	3,640	1	4.37%
PIMCO Advisors	1,172	2	1.42%	530	7	0.64%
Glidewell Dental	1,066	3	1.29%	N/A ³	-	N/A
Pacific Life Insurance	1,030	4	1.26%	2,788	2	3.35%
Resort at Pelican Hill	900	5	1.10%	N/A ³	-	N/A
City of Newport Beach	752	6	0.92%	788	4	0.95%
Newport-Mesa Unified School District	751	7	0.92%	N/A ³	-	N/A
Jazz Semi-Conductor	643	8	0.79%	730	5	0.88%
Fletcher Jones Motor Cars Inc.	500	9	0.61%	N/A ³	-	N/A
Balboa Bay Club and Resort	473	10	0.58%	N/A ³	-	N/A
The Island Hotel	361	11	0.44%	525 ⁴	8	0.63%
Marriott-Newport Beach	321	12	0.39%	475	9	0.57%

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

² Information for nine years ago is not available.

³ Company listed was unable to provide reliable employee data for 2005.

⁴ The Island Hotel was formerly the Four Seasons Hotel.

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

OPERATING INFORMATION

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

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

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

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

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

Function	Full-Time Employees as of June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	84	86	90	93	93	99	92	94	95	94
Public safety	385	385	388	393	397	397	394	381	359	357
Community development	46	47	48	52	56	57	53	51	58	56
Public works	162	162	163	163	165	160	147	144	130	128
Community services	57	60	65	66	68	71	69	70	68	70
Balboa yacht basin	1	1	-	-	-	-	-	-	-	-
Water	33	34	34	34	35	35	36	37	38	32
Wastewater	13	13	13	13	13	13	14	15	15	15
Total	<u>781</u>	<u>788</u>	<u>801</u>	<u>814</u>	<u>827</u>	<u>832</u>	<u>805</u>	<u>792</u>	<u>763</u>	<u>752</u>

Source: City Finance Department

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

	Fiscal Year			
	2004	2005	2006	2007
Police:				
Adult Arrests	3,201	3,079	2,999	3,289
Parking Citations Issued	71,076	72,665	74,780	67,170
Fire:				
Fire Responses	423	228	214	175
Fire Inspections	4,500	4,550	6,470	7,136
General Services:				
Street Patching (tons of mix)	5,000	4,500	4,600	4,980
Sidewalk Repair (square feet)	50,000	50,000	55,000	59,459
Recreation & Senior Services:				
Co-Sponsored Youth Organizations	185,627	194,749	194,722	201,258
Senior Transportation Services	12,041	11,936	12,628	14,728
Water:				
New connections	53	55	52	95
Average daily consumption (hundred cubic ft.)	17	17	17	17
Sewer:				
New connections	25	24	24	45
Miles of Pipe Cleaned	293	205	335	226
Library Services:				
Library Circulation of Materials	1,392,346	1,475,025	1,443,078	1,622,573

Source: City of Newport Beach

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
3,196	3,245	2,967	3,093	2,982	3,161
70,150	65,176	66,310	67,459	55,418	47,735
393	371	172	165	201	188
7,250	6,912	7,000	7,100	5,861	5,446
4,644	3,882	3,467	2,580	2,246	1,708
58,000	49,644	49,540	39,972	34,000	37,607
318,779	318,000	350,000	322,000	257,322	257,300
15,279	16,035	15,458	15,063	15,264	13,112
60	26	19	28	35	54
17	17	17.25	17.25	15.15	14.02
45	12	9	6	15	14
212	209	200	235	248	215
1,701,476	1,575,518	1,819,122	1,770,683	1,582,953	1,612,894

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

	Fiscal Year			
	2004	2005	2006	2007
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	7	8	8	8
Lifeguard Headquarters	1	1	1	1
Public works:				
Streets (miles)	333	333	333	395
Streetlights	7,277	7,277	7,277	7,278
Traffic signals	131	144	147	147
Recreation & Senior Services:				
Parks	61	61	61	61
Community centers	13	13	13	13
Aquatic Center	1	1	1	1
Water:				
Water mains (miles)	294.81	298.42	299.88	300.35
Maximum daily capacity (thousands of gallons)	20,092	20,633	19,369	20,392
Wastewater:				
Sanitary sewers (miles)	179.15	179.15	179.15	202.80
Storm sewers (miles)	57.60	57.60	57.60	95.50
Library Services:				
Libraries	4	4	4	4

Source: City of Newport Beach

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

Fiscal Year					
2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
8	8	8	8	8	8
1	1	1	1	1	1
395	395	395	395	395	395
7,278	7,278	7,278	7,278	7,277	7,277
148	148	148	148	153	153
62	63	63	63	63	64
14	14	14	14	14	14
1	1	1	1	1	1
300.17	300.31	303.27	303.25	303.25	303.25
20,365	19,707	19,341	28,540	27,508	26,916
202.80	202.80	202.80	202.40	202.40	202.40
95.50	95.50	95.50	95.40	95.40	95.40
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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Type of Customer:										
Residential	\$ 4,362,402	\$ 4,289,629	\$ 4,190,791	\$ 4,492,489	\$ 4,046,969	\$ 3,989,816	\$ 4,251,996	\$ 3,656,705	\$ 4,001,344	\$ 3,890,973
Commercial	1,659,565	1,568,462	1,440,377	1,302,578	1,184,904	1,188,553	1,165,128	1,145,843	2,369,492	2,389,822
Government	486,051	487,189	607,650	601,659	361,457	420,697	349,334	320,821	374,091	394,787
Total	<u>\$ 6,508,018</u>	<u>\$ 6,345,280</u>	<u>\$ 6,238,818</u>	<u>\$ 6,396,726</u>	<u>\$ 5,593,330</u>	<u>\$ 5,599,066</u>	<u>\$ 5,766,458</u>	<u>\$ 5,123,369</u>	<u>\$ 6,744,927</u>	<u>\$ 6,675,582</u>
Total direct rate per 100 cubic ft.	\$ 2.00	\$ 2.00	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.20	\$ 2.46	\$ 2.73	\$ 2.96

Source: City Utilities Department

CITY OF NEWPORT BEACH

Water Rates

Last Ten Fiscal Years

Fiscal Year Ended June 30	Monthly Base Rate	Rate per 100 cubic ft
2004	7.10	2.25
2005	7.10	2.25
2006	9.00	2.38
2007	9.00	2.43
2008	9.00	2.43
2009	9.00	2.43
2010	12.77	2.55
2011	17.59	2.81
2012	19.61	3.08
2013	21.13	3.31

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

Source: City Revenue Division

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

Water Customer	2013			2004		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
The Irvine Company	\$ 346,439	1	1.29%	\$ 247,571	1	1.39%
Big Canyon Country Club	143,791	2	0.54%	197,678	2	1.17%
Newport Beach Country Club	131,122	3	0.49%	126,904	6	0.75%
Hoag Memorial Hospital	126,806	4	0.47%	98,115	11	0.58%
Bluffs Homeowners Association	95,584	5	0.36%	164,496	4	0.97%
Newport-Mesa USD	87,615	6	0.33%	61,787	13	0.37%
UDR Newport Beach	85,208	7	0.32%	N/A	-	0.00%
Park Newport Ltd	85,111	8	0.32%	110,028	8	0.65%
Irvine Company Retail Property	76,866	9	0.29%	180,202	3	1.07%
Pacific View - Pierce Bros.	55,009	10	0.21%	51,792	14	0.31%
Newport Dunes Resort	46,136	11	0.17%	46,136	18	0.27%
Spyglass Hill Community Association	40,056	12	0.15%	93,615	12	0.55%
Jasmine Creek Community Association	39,450	13	0.15%	109,449	9	0.65%
IOIC/PMS Engineering Department	38,184	14	0.14%	38,415	23	0.23%
Hyatt Newporter	37,020	15	0.14%	N/A	-	0.00%
	<u>\$ 1,434,397</u>		<u>5.37%</u>	<u>\$ 1,278,617</u>		<u>8.96%</u>

Source: City Revenue Division



City of Newport Beach

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www.newportbeachca.gov/financialinfo