CITY of NEWPORT BEACH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

JUNE 30, 2014

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Prepared by the Finance Department
Dan Matusiewicz, Director

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

Introductory Section

Introductory Section

CITY OF NEWPORT BEACH

Comprehensive Annual Financial Report
Year Ended June 30, 2014

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(Unaudited)

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CITY OF NEWPORT BEACH

FINANCE DEPARTMENT

December 29, 2014

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, 2014, 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, 2014, 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, 2014, 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.

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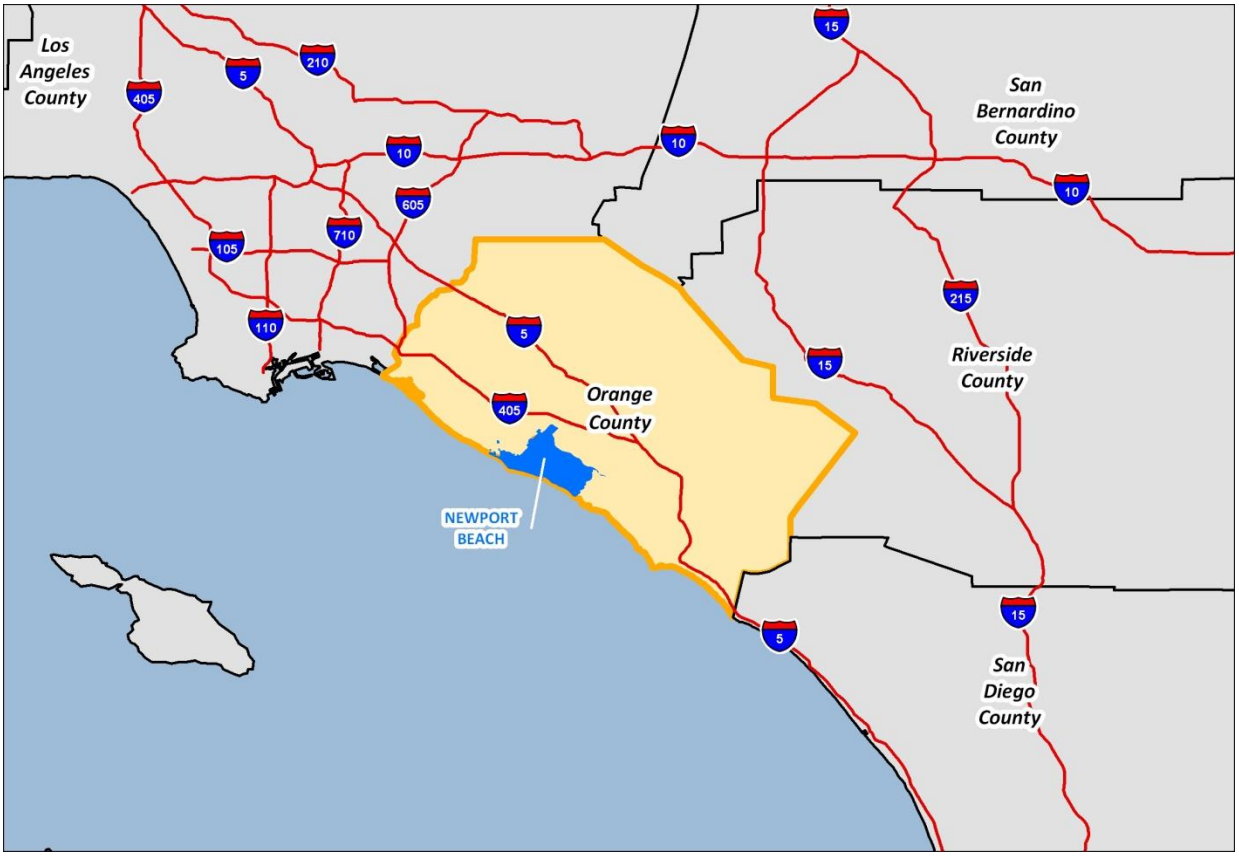
A narrative introduction, overview, and analysis accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Newport Beach MD&A can be found 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 Orange County. In terms of population, Orange County is the third largest county in California trailing Los Angeles and San Diego. It is the sixth largest county in the nation.

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



Newport Beach 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 recreational boating 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 86,874 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.

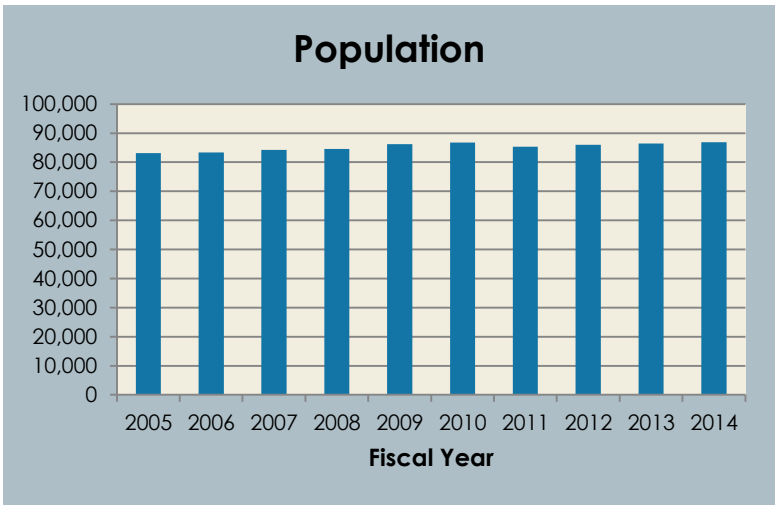
Newport Beach was incorporated September 1, 1906. The City Charter was originally adopted in 1954 but has been updated and amended over time. The City operates under a Council-Manager form of government. Council Members are elected by district but voted on by the population as a whole, and serve up to two four-year staggered terms. The governing council consists of the Mayor and six other members and is responsible for among other things, policy-making, passing local ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney, and City Clerk.

The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day to day operations of the City, and for appointing heads of departments. The City of Newport Beach is a full service city providing its residents and visitors with the following functional services: general governance, legal, financial, information technology, and administrative management; police, fire, paramedic, lifeguard, and emergency medical transport services; engineering, construction, and maintenance of public facilities, public streets, beaches, and parks; planning, zoning, and economic development services; building inspection, plan check and code enforcement services; libraries and cultural and arts services; recreation and senior services; and water, wastewater, and street light utility services. The City provides water and wastewater service to most areas within city limits, but it does not provide gas, cable television, electrical, or other utility 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

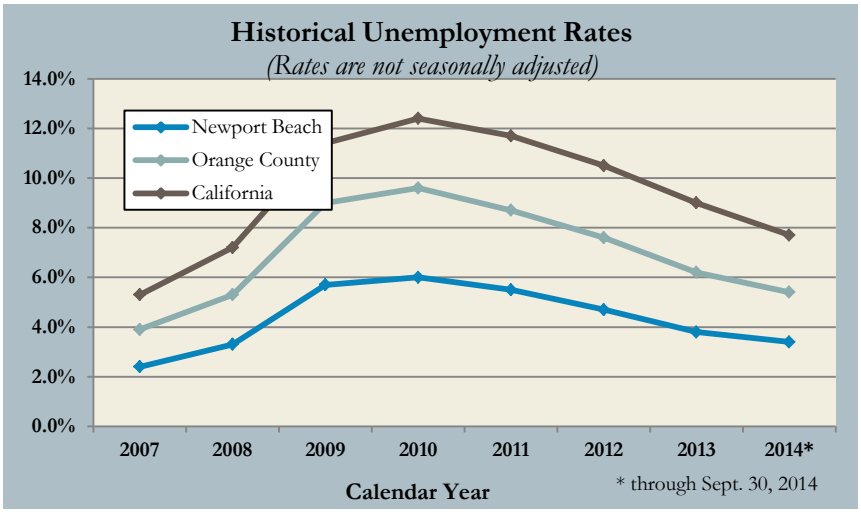
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 86,874, the population has been very stable as indicated by the following chart.



The effective buying income and median household income are generally higher in Newport Beach than in other areas of California 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.

2013 Median Household Income	
City of Newport Beach	$104,523
Orange County	$ 74,163
California	$ 60,190
USA	$ 52,250

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

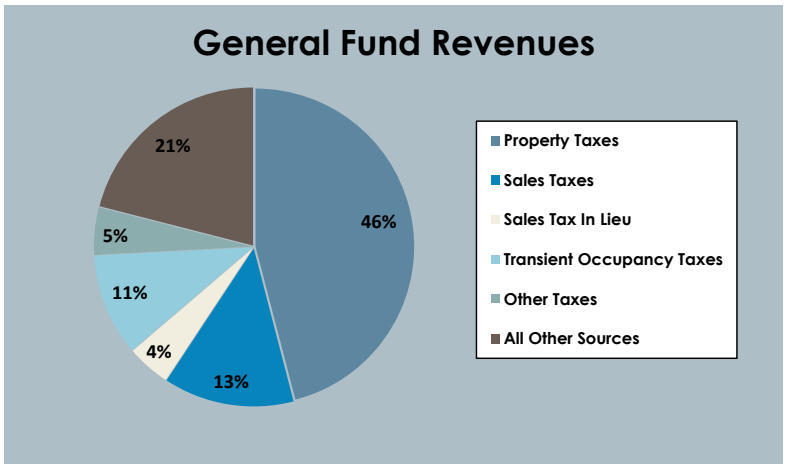
The national unemployment rate fell from 7.3% in the prior fiscal year to 6.1% in the fiscal year ended June 20, 2014, a new post-recession low. California was hit harder in the recession than the rest of the country and took longer to recover, but now the state's job gains are outpacing trends in national employment. California's unemployment rate fell from 9% in the prior fiscal year to 7.4% currently. Each month since April 2012 Southern California has seen at least 2% year-over-year job growth, compared with a 1.7% average across the country. The sense of recovery extends across Orange County. The county's economic expansion has continued to outpace that of both the nation and the state. The County's unemployment rate peaked at 9.5% in 2010, and has recently fallen below 5% - one of the lowest unemployment rates in California. Furthermore, Newport Beach's unemployment rate stands even lower at approximately 3.4% currently. The largest employment gain in Newport Beach was in one of the city's most vital sector, leisure and hospitality.

According to the Bureau of Economic Analysis, the United States real gross domestic product (GDP) for fiscal year 2013-14 averaged 2.4%. California's export trade sector is running well ahead of a record-setting 2013 due largely to the demand for California goods, such as computers and other technology. In-state businesses shipped merchandise valued at $15.77 billion in June, up 3.5% from $15.23 billion in June 2013. State shipments for all of last year totaled $168.13 billion, a record for California. In spite of these favorable economic trends, a generally conservative outlook is warranted as the growth progression may continue at a slow pace.

We are cognizant of threats on the horizon including the potential for continued volatility in financial markets, slow global economic growth, and falling consumer prices in some sectors, such as petroleum. These issues may have a 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 $174 million during FY 2013-14. 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.

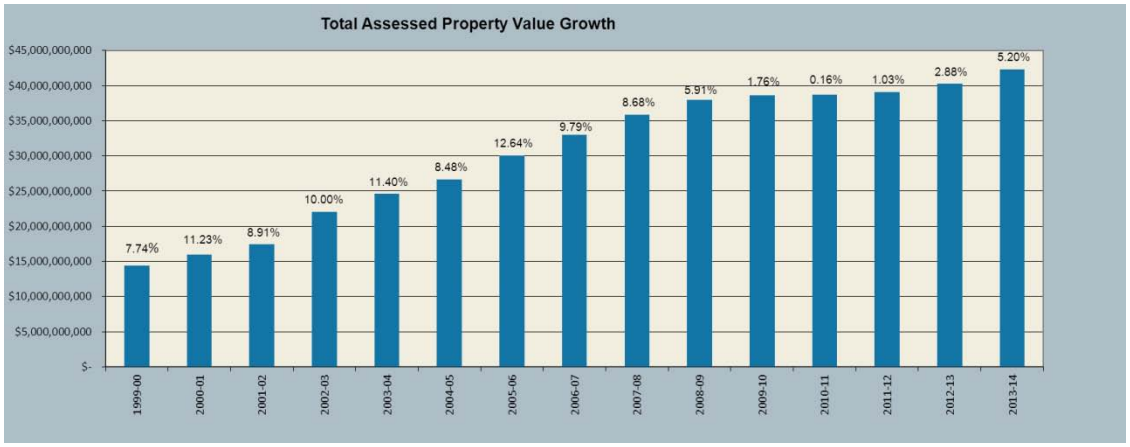


Property Taxes

Unlike many cities, property taxes, not sales taxes, are the number one source of revenue for the City of Newport Beach, representing almost half (46%) 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 6.3% 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 on the following page 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. Note that while growth slowed, the assessed value never declined throughout the recession.



Property tax collections finished the year nearly $1.7 million or 2.1%, lower 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 action 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, and the median price of home sales is now equal to the median price peak realized in 2007 (see table below). 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 $1,625,000 in the city far exceed the County-wide median sales price of $645,000.

CITY OF NEWPORT BEACH
Median Home Sales*
Comparitive Month Ending September

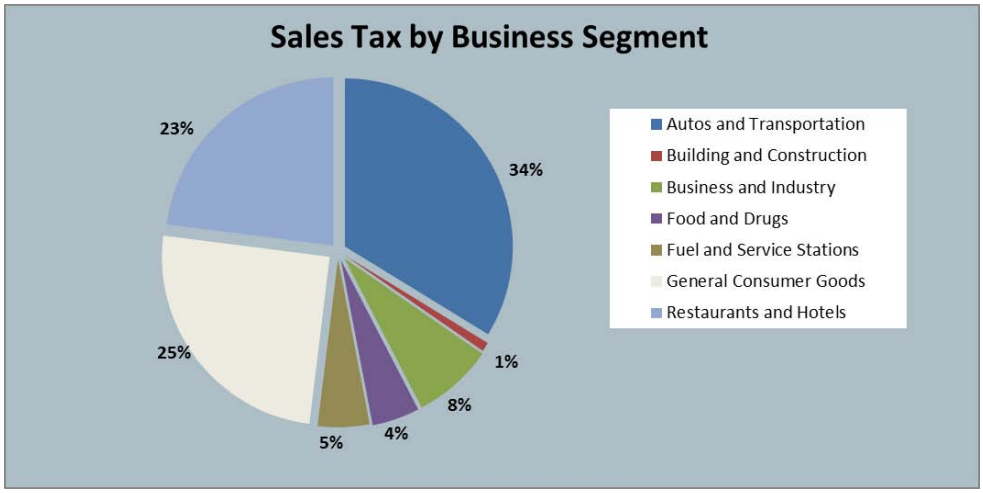
Year	Single Family Residence Sales	Median Sales Price	% Change
2007	878	$ 1,625,000	
2008	599	$ 1,450,000	-10.77%
2009	848	$ 1,100,000	-24.14%
2010	1,150	$ 1,275,000	15.91%
2011	1,189	$ 1,188,000	-6.82%
2012	1,669	$ 1,260,000	6.06%
2013	1,546	$ 1,500,000	19.05%
2014	1,045	$ 1,625,000	8.33%

* 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 17.8% 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 34% of total sales taxes and is represented by 186 new and used auto, boat and aircraft dealers, supply stores and repair shops. The next largest segment, "General Consumer Goods" accounts for 25% 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 23% of total sales tax and is represented by 452 restaurants, hotels, clubs, and other amusement places.



Sales Tax revenue continues to trend upwards, finishing $3.0 million or 10.9% higher than the prior fiscal year. This is the largest year-to-year increase the City has ever realized, surpassing pre-recession levels of fiscal year 2006-07 by approximately $0.99 million.

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 20 inns, motels, hotels and resorts and accounts for 91.2% of TOT revenues. The residential category

is made up of some 700 vacation rentals representing only 8.8% of TOT revenue; together, they accounted for $18.2 million in TOT revenue during FY 2013-14.

TOT collections increased $1.7 million or 10.2% over the prior year. This is the net result of a $188,439 increase in residential transient tax collections and a $1.5 million increase in hotel transient tax collections. The Pelican Hill Resort contributed the most to TOT at $5.4 million or 26.7%. The five hotels with the highest year-over-year increases (Pelican Hill, Marriot Newport, Island, Hyatt, and Fairmont) accounted for over 57% of the hotel transient tax collection. As to be expected, July and August are the most popular months to stay in Newport Beach in just these two short months TOT increased $684 thousand due to mild weather and a greater level of travel and tourism within the region. As of the fiscal year end, actual TOT collections exceeded budget by $0.9 million.

LONG TERM FINANCIAL PLANNING

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

Financial Policies

The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, revenue initiative, competitive contracting, facility replacement planning and more. Of recent note, the City adopted a formal debt policy in 2013 that establishes criteria for the issuance of debt and assures that the amount of any debt is affordable and cost effective. The City's debt policy was recently recognized by the California Debt and Investment Advisory Commission as one of only 14 counties and cities in California whose policies have 20 or more debt management best practice elements. The City's debt and other financial policies can be found on the City's website in the City Council section under City Government at:

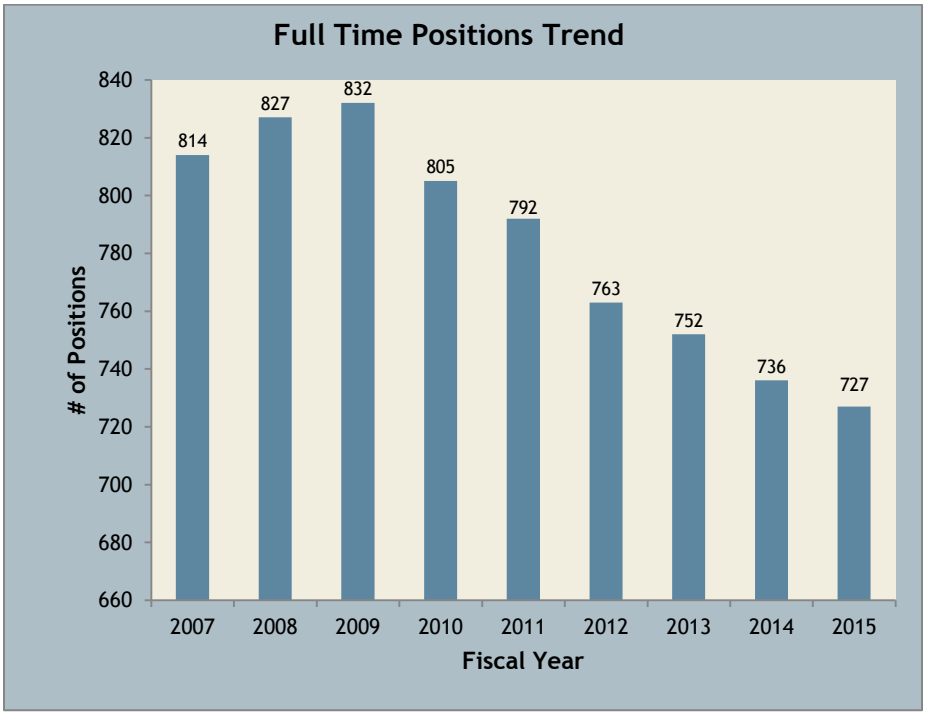
www.newportbeachca.gov/policies

Annual Budget

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

General Fund revenues ended the year 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 refuse collection). Through a combination of early retirement plans, attrition, outsourcing and lay-offs in recent years the full-time work-force has been reduced nearly 13% since FY 2008-09 as depicted in the chart below:



The City Council may authorize the use of Contingency reserves during emergency situations as set forth by the Council Reserve Policy. Of recent note, the City recently changed its reserve policy by increasing its Contingency Reserve level from 15% to 25% of the General Fund "Operating Budget." Credit rating agencies consider a high level of available "fund balance" to be a credit strength. In 2014, rating agency Standard & Poor's reaffirmed the City's AAA credit rating noting the City's excellent financial management, an outstanding economic base, and healthy reserves in their rationale.

Facilities Financing Planning Program (FFPP) Commitment & Major Construction Initiatives

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

The City continued its financial commitment to the Facilities Financial Planning Reserve (FFPR) in FY 2013-14 by allocating significant resources for the following projects that will continue or begin construction/renovation in the coming years: Lido Fire Station, Corona del Mar Library and Fire Station, West Newport Community Center, Marina Park, Sunset Ridge Park, and Bonita Canyon Artificial Turf. Funding for the FFPR comes from a variety of sources, including a contribution from the General Fund as well as large one-time development fees secured for facility and park purposes.

Facilities Financial Planning Reserve Fund	
Beginning Balance 7/1/13	$ 26,752,367
Revenues	
Licenses, Permits and Fees	860,084
Transfer In from General Fund	9,116,831
Interest Income	201,557
Total Revenues	10,178,472
Expenditures	
2010 Civic Center COPs Debt Service [1]	(9,398,500)
Civic Center Construction & FFE	(4,596,000)
Sunset Ridge Park	(9,000,000)
Lifeguard Headquarters	(1,680,269)
Misc - Other Facilities	(650,000)
Total Expenditures	(25,324,769)
Ending Balance 6/30/14	$ 11,606,070

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

Overall, the FFPR balance is decreasing $15.1 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 the elimination of a large one-time transfer in from the General Fund and a one-time Park in Lieu Fee contribution in FY 2012-13. Subsequent to the close of FY 2013-14 the FFPR receipted $32.2 million of developer contributions through the first quarter of 2014-15.

Pensions

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 $258 million as of the last actuarial valuation dated June 30, 2013.

Newport Beach is not alone in facing significant liabilities in its pension program. However, the City Council has taken aggressive action to address this concern – these include:

- Establishing lower benefit formulas for new hires.
- Eliminating the Employer Paid Member Contribution (EPMC).
- Having employees pay more of the pension costs, including a significant share of the unfunded liability.
- Reducing the number of staff by 105 employees since 2009.
- Adopting a fixed and shorter amortization period for the unfunded liability (i.e. contributing more resources now to reduce interest and other expenses later).

The City won a Rose Award in 2013 for its pension reform program from the Orange County Taxpayers Association (OCTax). Rose Awards are given to individuals or organizations that have programs consistent with OCTax's mission that "taxes and tax-supported programs must be fair, understandable, cost-effective and good for the economy." Winning programs must also show measurable results in terms of taxpayer benefit, tax savings, or government waste cutting.

Of recent note, but in Fiscal Year 2014-15, the City Council took action in November of 2014 to speed up payments even more. The November action will result in an accelerated 19-year payment plan on the unfunded pension liability. This will result in present value savings of $47 million from the current 30-year plan and eliminated negative amortization of the unfunded liability that existed in the prior schedule.

TECHNOLOGICAL ENHANCEMENTS

The City commenced the implementation of a new a new Enterprise Resource Planning (ERP) software solution in FY 2013-14 and will continue through FY 2015-16. An ERP is a business management software system that integrates all of the City's core functional requirements for financials, human capital management, citizen services and revenues. The City's current financial management system was implemented over 20

years ago. The City has grown since then and has developed operational needs beyond the abilities of the current system.

The City will realize improved integration between the financial system and other core functions, stronger decision-making support (better and timelier information), expanded use of web and mobile device applications to improve customer convenience, and numerous workflow process improvements that should streamline and enhance workplace efficiency.

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, 2013. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

David A. Kiff
City Manager

Dan Matusiewicz
Finance Director

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, 2013

Executive Director/CEO

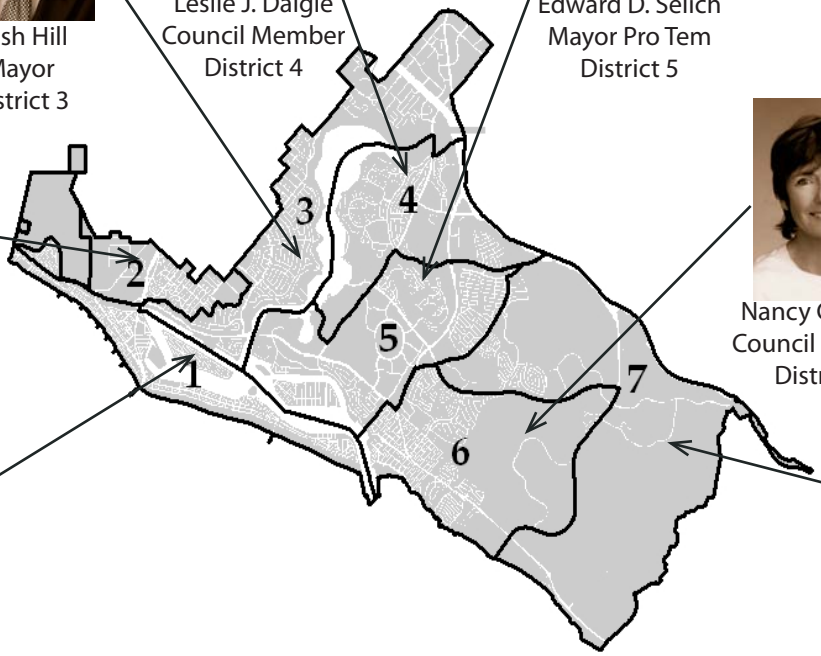
Newport Beach City Officials

Rush Hill
Mayor
District 3

Leslie J. Daigle
Council Member
District 4

Edward D. Selich
Mayor Pro Tem
District 5

Tony Petros
Council Member
District 2



Nancy Gardner
Council Member
District 6

Michael F. Henn
Council Member
District 1

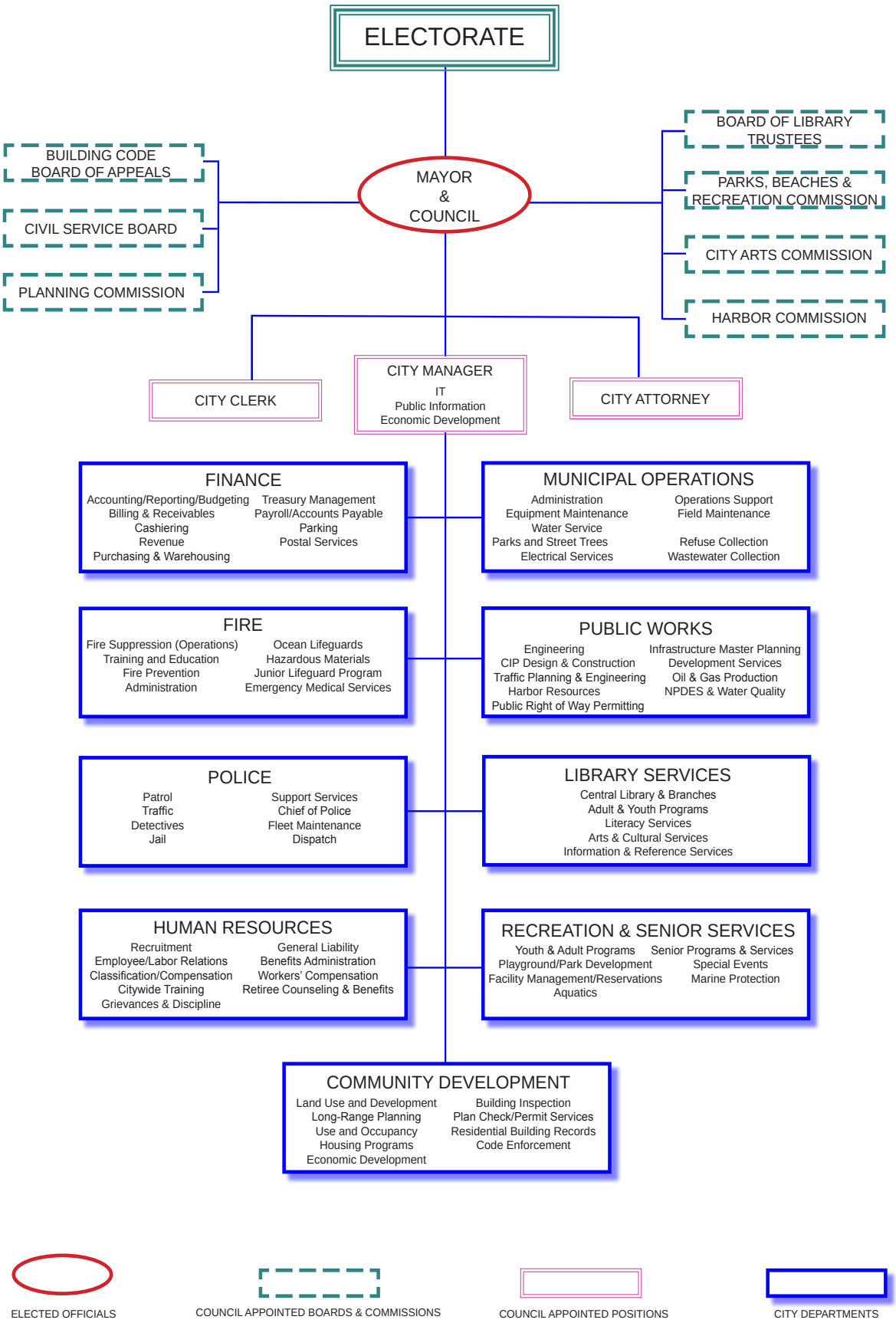
Keith Curry
Council Member
District 7

City Attorney
Aaron Harp

City Manager
Dave Kiff

City Clerk
Leilani Brown

Steve Badum ..... Assistant City Manager
Dan Matusiewicz ..... Finance Director/Treasurer
Kimberly Brandt ..... Community Development Director
Scott Poster ..... Fire Chief
Terri L. Cassidy ..... Deputy City Manager/Human Resources Director
Tim Hetherton ..... Library Services Director
George Murdoch, Mike Pisani ..... Municipal Operations Co-Directors (Acting)
Jay Johnson ..... Police Chief
Dave Webb ..... Public Works Director
Laura Detweiler ..... Recreation & Senior Services Director



Fiscal Year 2013-14

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Financial Section

Independent Auditors' Report

Financial Section

WHITE NELSON DIEHL EVANS LLP
Certified Public Accountants & Consultants

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, 2014, 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.

2875 Michelle Drive, Suite 300, Irvine, CA 92606 • Tel: 714.978.1300 • Fax: 714.978.7893

Offices located in Orange and San Diego Counties

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, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 18 to the financial statements, the net position of the governmental activities and fund balance of the Tide and Submerged Land - Operating Special Revenue Fund were restated. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, 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.

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.

Other Matters (Continued)

Other Information (Continued)

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 29, 2014, 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.

White Nelson Diehl Evans LLP

Irvine, California
December 29, 2014

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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, 2014. 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 S*upplementary Information* section, an optional section that presents combining and budgetary schedules for individual non-major funds. The *Basic Financial Statements* are comprised of three components: 1) *Government-wide Financial Statements*, 2) *Fund Financial Statements* and, 3) *Notes to the Financial Statements*. Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements – The Government-wide Financial Statements use the economic resources measurement focus and accrual basis of accounting which is similar to the accounting standard used by private sector companies. The government-wide financial statements are intended to provide a "Big Picture" view of the City. With the economic resources measurement focus and accrual basis of accounting, changes in net position 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 – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements such as State and Federal law or bond covenants. Other funds are utilized simply to control and manage resources intended for particular purposes. The Fund Financial Statements provide more detailed information about the City's most significant funds (major funds) but not the City as a whole.

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

The City utilizes three broad categories of funds:

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

Proprietary Funds – Business like services for which the City provides goods or services to the general public are generally reported in Proprietary Funds (Enterprise Funds and Internal Service Funds). Like the Government-wide Financial Statements, these funds provide both long and short-term financial information utilizing the economic resources measurement focus. The City's Enterprise Funds (Water and Wastewater Funds) are individual funds

represented in the combined presentation of Business-type Activities in the Government-wide Financial Statements. The individual fund presentation provides more detailed information about each business segment, its operating statements, and statements of cash flow. The City also uses Internal Service Funds that are utilized to report and allocate the cost of certain centrally managed and operated activities (e.g. fleet maintenance and other equipment, risk management, retiree insurance, telecommunications systems, information technology services, etc.). Because the Internal Service Funds primarily serve the government, they are reported with Governmental Activities rather than the Business-type Activities in the Government-wide Financial Statements.

Fiduciary Funds – The City utilizes Fiduciary Funds to account for assets held by the City in a trustee capacity, or as an agent for other governmental entities, private organizations, or individuals. All of the City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities, and a statement of changes in fiduciary assets and liabilities. We exclude these activities from the City's Government-wide Financial Statements because the City cannot use these assets to finance its operations.

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

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

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Net Position Discussion - As shown in Figure 1, the City's combined net position for year ended June 30, 2014 was $2.429 billion, increasing $25.1 million or 1.04% 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 $9.0 million primarily due to a decrease in cash and investments to fund construction costs related to Sunset Ridge Park and Marina Park. Capital assets increased $23.6 million due to work in progress additions related to the construction of both parks, increases to structures related to the renovation of the Lifeguard Headquarters, and completion of the Civic Center and Park.

Current Liabilities decreased $5.6 million primarily due to a decrease in accounts payable related to the final payment for the Civic Center.

Long-term liabilities decreased as a category overall approximately $4.8 million. This was due to increases in accrued claims and judgments and compensated absences, and decreases in workers compensation 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	
	2013	2014	2013	2014	2013	2014
Current and other assets	$ 218,652 [1]	$ 206,798	$ 23,166	$ 26,031	$ 241,817 [1]	$ 232,829
Capital assets	2,254,250	2,273,142	111,177	115,949	2,365,427	2,389,091
Total assets	2,472,902	2,479,940	134,343	141,980	2,607,244	2,621,920
Current liabilities	35,199	29,573	3,993	4,052	39,192	33,625
Long-term liabilities	163,337	158,524	-	-	163,337	158,524
Total liabilities	198,536	188,097	3,993	4,052	202,529	192,149
Net Position						
Net investment in capital assets	2,124,798	2,149,191	111,177	115,948	2,235,975	2,265,139
Restricted	72,120	59,998	-	-	72,120	59,998
Unrestricted	77,448 [1]	82,653	19,172	21,979	96,620 [1]	104,632
Total Net Position	$ 2,274,366	$ 2,291,843	$130,349	$ 137,927	$ 2,404,715	$2,429,770

[1] Prior year net position was restated in conformity with GAAP to reflect current year property income accrued in prior year.

- The largest portion of the City's net position, at $2.265 billion or 93.2%, reflects the net investment in capital assets (e.g., land, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. The city uses these capital assets to provide services to residents and therefore, do not represent a financial resource to the City and consequently are not readily available for funding current obligations.

- Restricted Assets totaled $60.0 million or 2.47% of net position and decreased $12.1 million. This was due primarily to planned transfers (decreases) for construction costs related to Sunset Ridge Park, Civic Center and Park, and Lifeguard Headquarters offset by increases in restricted assets related to the Facilities Maintenance Fund.

- A total of $104.6 million representing 4.31% of net position is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. Some of the unrestricted amount is designated for specific purposes as assigned by the City Manager. Unrestricted net position increased $8.0 million mainly due

to increased revenues in the General and Tidelands- Harbor Capital Funds and various cost savings in the General Fund.

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)

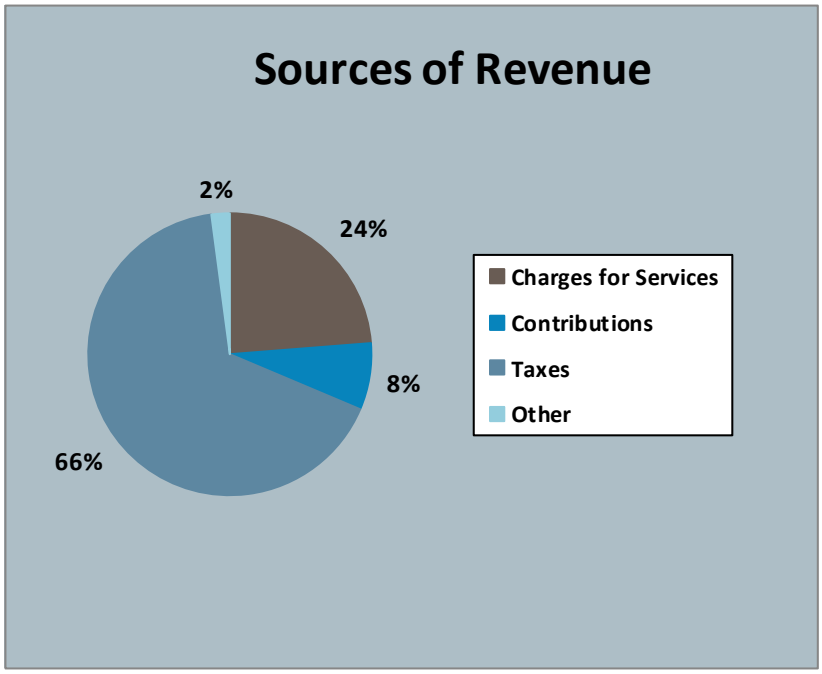
	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program Revenues:						
Charges for services	$ 44,021	$ 49,001	$ 30,246	$ 32,837	$ 74,267	$ 81,839
Operating grants and capital contributions	11,291	15,197	-	-	11,291	15,197
Capital grants and contributions	25,614	564	-	-	25,614	564
General Revenues:						
Taxes:						
Property taxes	81,603	79,889	-	-	81,603	79,889
Sales tax	20,764	23,142	-	-	20,764	23,142
Sales tax in-lieu	7,079	7,728	-	-	7,079	7,728
Transient occupancy taxes	16,500	18,176	-	-	16,500	18,176
Other taxes	8,252	8,371	-	-	8,252	8,371
Investment related income	219	596	22	147	241	743
Other	2,749	3,804	-	-	2,749	3,804
Capital contribution from Enterprise Funds	320	-	(320)	-	-	-
Total revenues	218,412	206,468	29,948	32,984	248,360	239,453
Expenses:						
General government	15,831	18,834	-	-	15,831	18,834
Public safety	83,235	87,676	-	-	83,235	87,676
Public works	47,795	42,953	-	-	47,795	42,953
Community development	9,223	10,283	-	-	9,223	10,283
Community services	22,245	21,357	-	-	22,245	21,357
Interest	7,989	7,888	-	-	7,989	7,888
Water	-	-	20,208	22,037	20,208	22,037
Wastewater	-	-	3,462	3,369	3,462	3,369
Total expenses	186,318	188,991	23,670	25,406	209,987	214,397
Increases in net position	32,095	17,477	6,278	7,578	38,373	25,055
Net Position at beginning of year, as restated	2,242,271	2,274,366 [1]	124,071	130,349	2,366,342	2,404,715 [1]
Net Position at end of year	$ 2,274,366	$ 2,291,843	$ 130,349	$ 137,927	$ 2,404,715	$ 2,429,770

[1] Prior year net position was restated in conformity with GAAP to reflect current year property income accrued in prior year.

Revenue Discussion

Figure 3 illustrates how the $206.5 million in revenue was derived. As shown, $49.0 million or 24% of the revenues were recovered by those who directly benefited from the programs as a charge for service. Another $15.8 million or 8% 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 $141.7 million or 68% represented general revenues of the City including taxes intergovernmental revenues and other miscellaneous revenues.

Figure 3
Governmental Activities Revenue Sources
Year Ended June 30, 2014



As illustrated in Figure 2, charges for services increased almost $5.0 million as a result of increased revenues from all the functional services. The majority of the increase was as a result of increased revenues from paramedic service, junior lifeguard service, planning, building and checking fees, facilities' rental and recreation class fees. Water service charges increased $2.6 million due to rate increases in potable water.

Contributions to the City decreased $21.1 million from the prior year primarily related to a $18.9 million one-time contribution of land from the State in fiscal year 2012-13 offset by an increase in in Operating Grants and Contributions related to California Proposition 84 and Proposition 1B.

The City's general revenues increased by $4.2 million from the prior year largely due to increases in Sales Tax, Sales Tax-in-Lieu and Transient Occupancy Taxes).

The housing market continued to improve in 2014 although the pace of the improvement has slowed due to increase of interest rates and tight inventories. Median sale prices for real estate have continued to increase steadily, but at a slower pace than seen in 2013. The numbers of home sale transactions have declined relative to 2013 statewide. Property tax decreased approximately $1.7 million from the previous year, due to a one-time $5.4 million payment from the State received in fiscal year 2012-13, resulting from the State's actions to dissolve redevelopment agencies. Excluding the one-time $5.4 million payment, property tax collections finished the year $3.7 million higher than the previous year.

At nearly $30.9 million, sales taxes, including sales tax-in-lieu, represent the second largest individual revenue source for the City. Sales taxes increased $3.0 million from the prior year fiscal year. The largest sales tax category, "Autos and Transportation," accounts for approximately 33% of total sales tax, the next largest segment "General Consumer Goods" account for approximately 25% of total sales tax, and the third largest segment "Restaurants and Hotels" accounts for approximately 23% of total sales tax revenue.

At $18.2 million, transient occupancy taxes (TOT) increased by $1.7 million from the previous fiscal year, a net increase of $188,438 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.

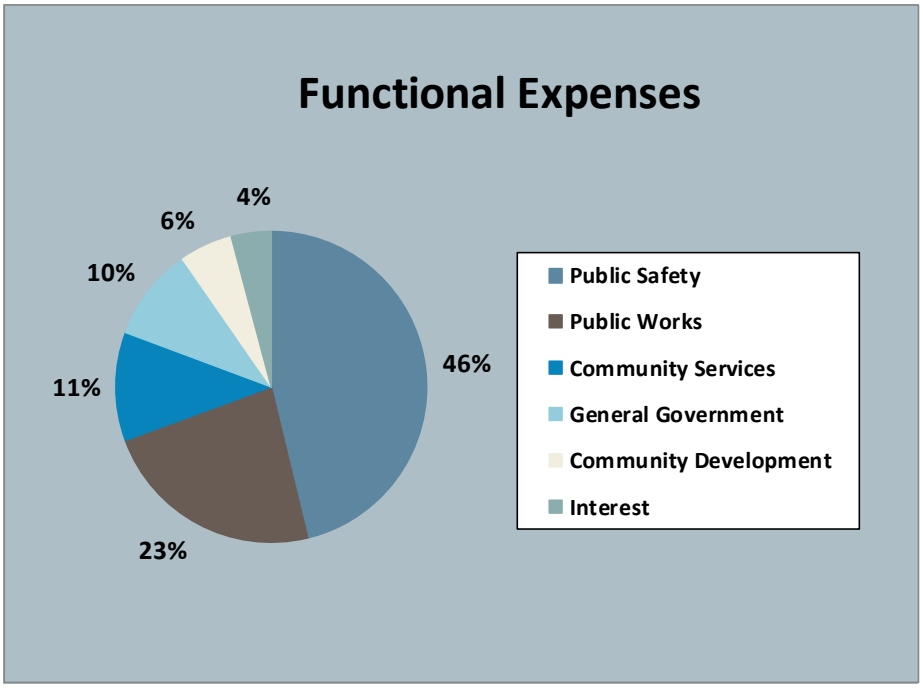
Public Works is comprised of two departments (Public Works and Municipal Operations) providing engineering, construction and maintenance of public streets, highways, buildings, beaches, parks, and related infrastructure; as well as traffic engineering, and street lighting.

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

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

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

Figure 4
Government wide Functional Expenses
Year Ended June 30, 2014



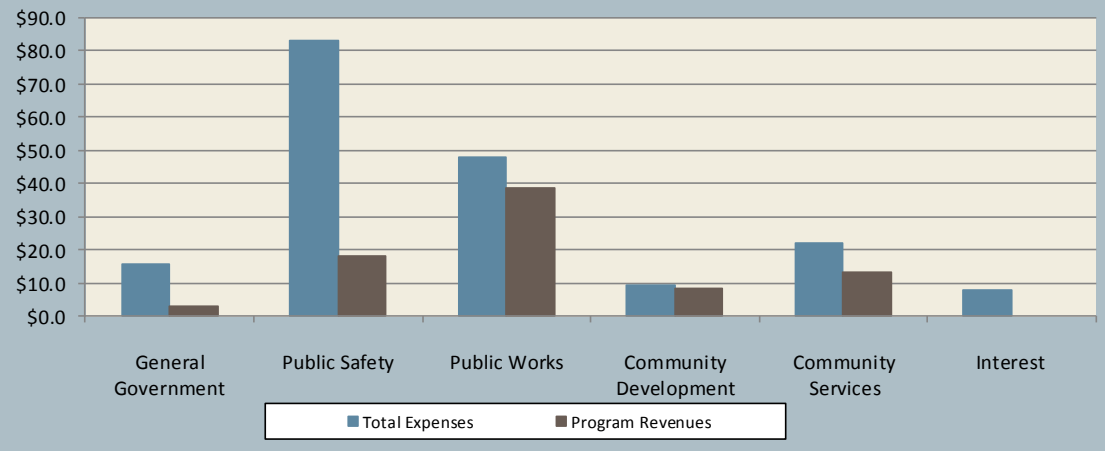
As illustrated in Figure 2, the current year expenses for all governmental activities totaled $189 million. The increase of $2.7 million (1.43%) from the prior year is the net result of increases and decreases. Increases include the first year of depreciation on the new Civic and Park Center, and increases in information technology and compensated absences expenses Expense decreases include reduction in assessment district activity, contracts and professional services, and salaries.

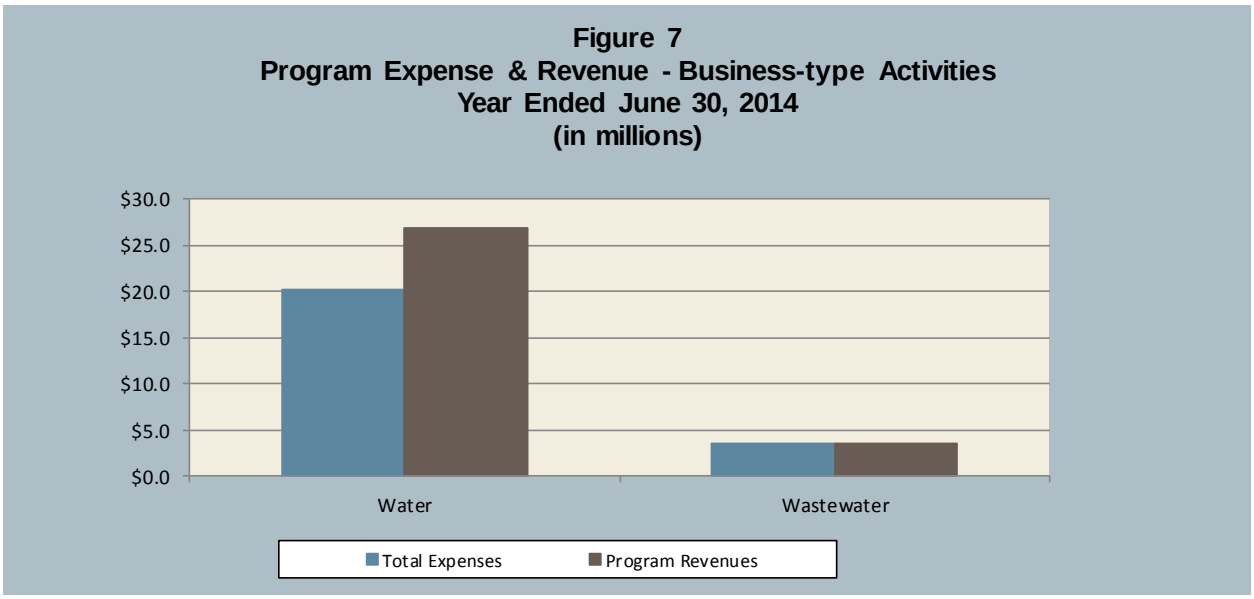
As illustrated in Figures 5 and 6, the total illustrates the net cost of each service. The net cost represents the extent to which governmental activities are subsidized by taxes and other general revenues of the City.

Figure 5
Governmental Activities
(in thousands)

	2013		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	$ 15,831	$ (12,989)	$ 18,834	$ (15,767)
Public safety	83,235	(65,208)	87,676	(66,661)
Public works	47,795	(9,151)	42,953	(24,774)
Community development	9,223	(1,001)	10,283	(1,132)
Community services	22,245	(9,053)	21,357	(8,008)
Interest	7,989	(7,990)	7,888	(7,888)
	$ 186,318	$ (105,392)	$ 188,992	$ (124,231)

Figure 6
Program Expenses and Revenue - Governmental Activities
Year Ended June 30, 2014
(in millions)





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

Water

Of the $22 million in water related expenses, $10 million (45.4%) is for the purchase of water, $3.9 million (17.7%) covers employee related costs, $4.6 million (20.9%) is for maintenance, supplies, and depreciation of the water system, $1.6 million (7.3 %) is for professional services, and the remaining $1.8 million (8.2%) is collectively attributable to miscellaneous other expenses.

Wastewater

Of the $3.4 million in wastewater related expenses, $1.5 million (45.5%) is for maintenance, supplies, and depreciation of the wastewater system, $1.4 million (42.7%) is for employee related costs, and the remaining $384,933 (11.4%) is attributable to professional services and other miscellaneous 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 $128.5 million, a decrease of $2.5 million from the prior year. The decrease is the net result of decreases in fund balance to the Facilities Financial Planning Reserve Fund and the Marina Park Fund due to ongoing construction of the Marina and Sunset Ridge parks, offset by increases in all other major funds and across all three categories of non-major funds. The General Fund represented $85.4 million or 66.5% of the combined fund balances of the Governmental Funds.

Nonspendable Fund Balance – The City has $20.9 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the $20.9 million nonspendable fund balance, $283,448 is for prepaid items, $223,492 is for inventories, $15.8 million is for long-term loan receivable and $4.6 million is for permanent endowments.

Restricted Fund Balance – The City has $37.2 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 $37.2 million restricted fund balance, close to $4 million is restricted in the General Fund, of which $3.0 million is for Affordable Housing and $972,855 is for Oceanfront Encroachment; $3.0 million is in the Tide and Submerged Land – Operating Fund, of which $2.6 million is restricted for capital projects and $430,626 is restricted for the Upper Newport Bay restoration; $2.4 million is restricted for Civic Center COP debt service, and $982,071 for park improvements in the Facilities Financing Planning Reserve Fund. Of the remaining $26.9 million in restricted fund balance, $24.5 million is restricted for various special revenue funds, $909,554 is restricted for an Assessment District Fund and $1.5 million of fund balance is restricted for permanent funds.

Committed Fund Balance – The City has $32.3 million in fund balance classified as committed to indicate that the City Council committed how the money will be spent. Of the $32.3 million committed fund balance; $10.6 million is committed to the Facilities Financial Planning Reserve Fund; $12.8 million is committed to the General Fund of which $6 million is for capital re-appropriations, $5.6 million is for encumbrances and the remaining $1.2 million is committed to various General Fund activities; $4 million for Sunset Ridge Park Fund; $1.8 million is committed to the Civic Center and Park Fund; $2.2 million is committed to the Facilities Maintenance Fund; $480,000 is committed to the oil and gas reserves in the Tide and Submerged Land - Operating Fund; and $340,493 is committed to various capital projects.

Assigned Fund Balance – The City has $1.3 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 $36.7 million in fund balance is classified as unassigned to indicate that it is the residual balance not otherwise restricted.

Additional information on the City's Fund Balance can be found in Note (17) of the Notes to the Financial Statements.

- Overall General Fund Revenues finished $3.4 million or 2.0% higher than the prior year while expenditures finished $5.2 million or 3.6% higher than the prior year. The net result is that General Fund income before transfers and other financing sources and uses decreased by nearly $1.7 million. Actual General Fund revenues were $4.0 million over estimated revenues primarily due to conservative tax estimates and higher than expected fee for service activity. Expenditures came in at $8.6 million under budget primarily due to control of labor costs (including overtime and benefits), reduction in professional services, and multi-year capital improvement projects not completed in the current fiscal year. In total, the General Fund increased $4.3 million ending the year with $85.4 million fund balance.

- The Tide and Submerged Land - Operating Fund ended the current year with $3.5 million in fund balance of which $2.6 million represented project encumbrances and commitments, $430,626 restricted for the Upper Newport Bay restoration, and $480,000 committed for oil well improvements.

- The Tide and Submerged Land – Harbor Capital Fund increased $868,920 to close the fiscal year at a $7.9 million deficit fund balance. This increase is due to increased property income, a one-time refund of prior year expenditures from the Army Corps of Engineers, and capital projects not completed and re-appropriated to next year.

- The Facilities Financial Planning Reserve fund balance decreased $15.1 million to $11.6 million. This was largely due to transfers out to provide for the construction costs associated with the Marina Park and Sunset Ridge Park projects.

- The Marina Park fund balance ended the year with a $6.2 million deficit fund balance due to ongoing construction activity.

- **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 $7.3 million due to higher water usage (sales), resulting from hotter weather and rate increase (the last of a five-year rate plan).

Net Position in the Wastewater Fund increased $104,140 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 $4 million in the current year. Operating loss of $3.5 million mostly due to increases in claims and judgments, were offset by $1.5 million in non-operating revenues (gain on sale of vehicles and investment income) and $6 million in net transfers.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to Original Budget

Final budgeted revenues for the General Fund increased $3.8 million from the original budget during the year ended June 30, 2014. Significant factors contributing to this fluctuation are highlighted as follows:

Final budgeted property taxes increased $1.9 million from the original budget due to mid-year budget revisions based on higher than expected collection trends primarily due to increased assessed value and construction activity.

Final budgeted transient occupancy tax increased $927,910 from the original budget due to mid-year budget revisions based on higher than expected collection trends due to a generally improving travel and tourism business sector.

Final budgeted licenses and permits increased $103,000 from the original budget primarily due to the recognition of records management fee revenues.

Final budgeted sales tax including sales tax in lieu, other taxes, and other revenue increased by $465,856 from the original budget due to improved consumer spending, investigative film fees and contributions to the library.

Final budgeted intergovernmental revenue and revenue from fines and forfeitures increased by $158,046 primarily due to increases in grants and facilities' rental fees.

Final budgeted donations increased $142,011 from the original budget due to higher than expected private donations.

Final budgeted charges for services increased $110,479 from the original budget primarily due to a grant from the State of California, Office of Traffic Safety.

Final budgeted expenditures for the General Fund decreased $7.5 million from the original budget during the year ended June 30, 2014. 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 activity. This amount is offset by increases in expenditures appropriated for professional services, library supplies due to unexpected library donations, and unplanned overtime.

Variance with Final Budget

Actual revenues came in at $4.0 million above final budgeted revenues for the year ended June 30, 2014 due to the growing strength of the economy resulting in higher property, sales, transient occupancy taxes, charges for services, and property income. Significant factors contributing to this favorable variance are summarized as follows:

- A $450,530 favorable variance was realized in property taxes due to higher than expected tax revenues.

- Higher than expected sales tax and transient occupancy tax revenues of $1.8 million is the result of the growing economic impact of the state's travel and tourism industry.

- A $673,527 favorable variance was realized in other taxes due to higher than expected business license tax, cable franchise taxes, utility, and solid waste taxes.

- 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, zoning, and planning check fees, various permits, and paramedic service fees.

- A $481,901 favorable variance was realized in property income related to increased facilities' rental revenue.

Unfavorable variances of $994,311 related to licensing and permits, fines, forfeitures, and sales tax-in lieu.

Actual General Fund expenditures of $148.9 million were significantly less than final budgetary estimates of $157.6 million. Significant factors contributing to this $8.7 million surplus are summarized as follows:

- A $1.8 million favorable variance was realized in General Government due to salary savings and reduction in professional services, outside counsel and special department expenses.

- A $1.3 million favorable variance in Public Safety was generated by salary savings and uniform expenditures, a reduction in professional services and helicopter contract services, and reduction in the purchase of equipment.

- A $969,888 favorable variance in Public Works was due to a reduction in contract services, salary savings, maintenance, and electricity.

- A $886,468 favorable variance in Community Development due to salary savings, and a reduction in professional and contract services.

- A $1.2 million favorable variance in Community Services generated by salary savings and contract services.

- A $2.7 million favorable variance was realized from capital improvement projects due to incomplete projects being re-budgeted to the following year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for governmental and business-type activities as of June 30, 2014, amounts to $2.39 billion, net of accumulated depreciation. This investment is comprised of a broad range of capital assets including land, buildings, machinery and equipment, park facilities, road improvements, storm drains, piers, oil wells, sound walls, 800 MHz radio communications system, parking pay stations and meters and bridges. The total net increase (including additions and deletions) of $23.7 million represents the result of additions of $32.7 million, and deletions of $9.0 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	$ 1,869,387	$1,871,641	$ 2,219	$ 2,219	$ 1,871,606	$1,873,860
Structures	174,144	179,589	531	516	174,675	180,105
Equipment	13,678	16,553	90	80	13,768	16,633
Infrastructure	189,972	189,467	103,476	107,406	293,448	296,873
Work in progress	7,069	15,892	4,861	5,727	11,930	21,619
Totals	$2,254,250	$2,273,142	$ 111,177	$ 115,948	$ 2,365,427	$ 2,389,090

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

- The City capitalized $32.7 million in capital assets in both the Governmental and Business Type Activities in the current year. Of the $32.7 million, $19.1 million represents additions of non-depreciable assets such land and rights of way and work in progress. The remaining $13.6 million is comprised of additions from structures of $5.6 million, equipment of $3.4 million, and infrastructure of $4.6 million

- Of the $23.0 million capitalized as governmental assets in the current year, work in progress contributed to the majority at $11.3 million, which was mainly due to an increase in construction activity on the Sunset Ridge and Marina Park projects. The remaining $11.7 million capitalized in the current year as governmental assets, is comprised of $2.3 million in land acquisitions, $5.6 million in additions to structures net of depreciation, $3.4 million of equipment net of depreciation, and $573,720 in infrastructure net of depreciation.

- The $9.6 million capitalized in the current year as business-type assets is comprised of $5.6 million of work in progress related to Corona Del Mar Transmission Pipeline improvements and $4.0 million of infrastructure additions related to the Big Canyon Reservoir.

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 $125.2 million for all governmental activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Certificates of participation	$122,230	$ 119,455	$ -	$ -	$122,230	$ 119,455
Bond premium	844	723	-	-	844	723
Pre-annexation agreement	4,800	3,600	-	-	4,800	3,600
CDBG Loan	1,578	1,462	-	-	1,578	1,462
Totals	$ 129,452	$ 125,240	$ -	$ -	$129,452	$ 125,240

The City's total debt decreased $4.2 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

According to a recent survey of economists, the U.S. economy is poised for stronger growth in 2015 thanks to falling gas prices, a tighter job market and expectations of larger wage gains. The boost to household finances and confidence should continue into next year, the economists said in the survey. The drop in oil prices – a tumble of more than 40% since June of 2014 – has been a major upside surprise to economic growth in the second half of 2014. Another major support to the outlook is an expectation of faster wage growth amid a tighter labor market. The consensus view sees the unemployment rate falling from November's 5.8% to 5.3% by the end of 2015, delivering the lowest national jobless rate since April 2008. Consumer spending, which accounts for more than two-thirds of the total demand in the U.S., was the overwhelming driver of growth this year. The confluence of economic data suggests continued economic growth, strengthening labor markets, and steadily rising tax revenue in 2015 for the City of Newport Beach.

Discretionary Appropriations

The City Council adopted an FY 2014-15 budget that is reflective of an expanding economy including the addition contract inspection, plan review services, and code enforcement staff due to the sustained uplift in construction activity; expanding Recreation and Senior Services due to support higher attendance in preschool programs and improving the safety and aesthetics of 32 city playgrounds; changing the role of the Fire Department to become better equipped for emergency medical response; increasing Public Works contractual services (engineering and technical support) to expedite infrastructure construction and renovation; and adding police staff/equipment to fight crime. Available funding in FY 2014-15 also allowed for the acceleration of contributions to the City's unfunded pension liability.

Labor Contracts

Memorandums of Understanding (MOU) between the City and several bargaining units will or may expire at June 30, 2015: City Employees Association, Professional and Technical Employees Association, Employees League, and the Part Time Employees Association.

Although the economy, and associated revenue that comes from an expanding economy, is expected to continue in 2015, management will continue to focus on prudent financial planning, reporting and control with the intended outcome of long-term fiscal sustainability; and providing accurate, relevant and reliable information about the

City's financial condition to the City Council, departments and the public to improve accountability.

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, 2014

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments (note 4)	$ 176,945,775	$ 18,884,157	$ 195,829,932
Receivables:			
Accounts (net of allowance)	8,527,654	6,866,922	15,394,576
Interest	559,740	-	559,740
Intergovernmental receivables	9,274,063	-	9,274,063
Cash with fiscal agent (note 4)	7,901,395	-	7,901,395
Internal balances	(272,798)	272,798	-
Net Other post employment benefits (assets)	1,500,000	-	1,500,000
Inventory	584,582	-	584,582
Investment in joint ventures (note 15)	188,937	-	188,937
Prepaid items	1,588,439	7,000	1,595,439
Capital assets, (note 5):			
Non-depreciable	1,887,533,344	7,946,269	1,895,479,613
Depreciable	571,181,017	168,728,354	739,909,371
Accumulated depreciation	(185,572,121)	(60,726,101)	(246,298,222)
Total Assets	2,479,940,027	141,979,399	2,621,919,426
Liabilities:			
Accounts payable	12,921,493	3,791,929	16,713,422
Accrued payroll	5,373,377	233,641	5,607,018
Accrued interest payable	3,900,697	-	3,900,697
Deposits payable	2,896,504	27,046	2,923,550
Unearned revenue	4,480,860	-	4,480,860
Noncurrent liabilities (note 6):			
Due within one year	14,271,645	-	14,271,645
Due in more than one year	144,252,530	-	144,252,530
Total Liabilities	188,097,106	4,052,616	192,149,722
Net Position:			
Net investment in capital assets	2,149,191,364	115,948,522	2,265,139,886
Restricted for:			
Public safety	1,936,364	-	1,936,364
Public works	34,033,944	-	34,033,944
Community services	11,964,126	-	11,964,126
Community development	5,946,605	-	5,946,605
Debt service	-	-	-
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,487,524	-	1,487,524
Unrestricted	82,653,213	21,978,261	104,631,474
Total Net Position	$ 2,291,842,921	$ 137,926,783	$ 2,429,769,704

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Statement of Activities
Year Ended June 30, 2014

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Functions/Programs					
Primary government:					
Governmental activities:					
General government	$ 18,834,165	$ 3,046,232	$ 20,526	$ -	$ 3,066,758
Public safety	87,676,061	19,124,112	1,890,945	-	21,015,057
Public works	42,953,119	5,517,103	12,176,834	485,323	18,179,260
Community development	10,283,481	8,043,390	1,108,391	-	9,151,781
Community services	21,357,271	13,270,316	-	78,463	13,348,779
Interest on long-term debt	7,888,192	-	-	-	-
Total governmental activities	188,992,289	49,001,154	15,196,696	563,786	64,761,636
Business-type activities:					
Water	22,037,284	29,397,882	-	-	29,397,882
Wastewater	3,368,656	3,438,670	-	-	3,438,670
Total business-type activities	25,405,940	32,836,552	-	-	32,836,552
Total primary government	$ 214,398,229	$ 81,837,706	$ 15,196,696	$ 563,786	$ 97,598,188

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

Change in net position

Net Position at beginning of year, as restated (note 18)

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
$ (15,767,407)	$ -	$ (15,767,407)
(66,661,004)	-	(66,661,004)
(24,773,859)	-	(24,773,859)
(1,131,700)	-	(1,131,700)
(8,008,492)	-	(8,008,492)
(7,888,192)	-	(7,888,192)
(124,230,653)	-	(124,230,653)
-	7,360,598	7,360,598
-	70,014	70,014
-	7,430,612	7,430,612
(124,230,653)	7,430,612	(116,800,041)
79,889,346	-	79,889,346
23,142,065	-	23,142,065
7,727,876	-	7,727,876
18,176,369	-	18,176,369
4,156,130	-	4,156,130
3,998,943	-	3,998,943
216,604	-	216,604
542,915	128,439	671,354
53,783	18,199	71,982
3,803,728	-	3,803,728
141,707,759	146,638	141,854,397
17,477,106	7,577,250	25,054,356
2,274,365,815	130,349,533	2,404,715,348
$ 2,291,842,921	$ 137,926,783	$ 2,429,769,704

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

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, 2014

		Special Revenue Funds	
Assets	**General**	**Tide and Submerged Land - Operating**	**Tide and Submerged Land - Harbor Capital**
Cash and investments (note 4)	$ 69,253,846	$ 3,598,785	$ 8,389,198
Receivables:			
Accounts (net of allowance)	4,092,232	907,812	374,917
Interest	559,740	-	-
Intergovernmental receivables	5,859,089	-	20,490
Cash with fiscal agent (note 4)	-	-	-
Advance to other funds (note 13)	15,809,559	-	-
Due from other funds (note 13)	6,611,724	-	-
Prepaid items	283,448	-	-
Inventory	223,492	-	-
Total assets	$ 102,693,130	$ 4,506,597	$ 8,784,605
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 6,792,321	$ 741,160	$ 542,630
Accrued payroll	5,201,813	21,298	-
Deposits payable	2,774,485	122,019	-
Unearned revenue	2,457,278	-	-
Advance from other funds (note 13)	-	-	15,809,559
Due to other funds (note 13)	-	-	-
Total liabilities	17,225,897	884,477	16,352,189
Deferred Inflows of Resources:			
Unavailable revenue	86,758	112,400	374,917
Total deferred inflows of resources	86,758	112,400	374,917
Fund balances (deficits):			
Nonspendable:			
Prepaid items	283,448	-	-
Inventories	223,492	-	-
Long-Term Loan Receivable	15,809,559	-	-
Permanent Endowment	-	-	-
Restricted:			
Affordable housing	2,966,896	-	-
Oceanfront Encroachment	972,855	-	-
Upper Newport Bay Restoration	-	430,626	-
Other	-	2,599,094	-
Committed:			
Capital Re-appropriations	6,026,110	-	-
Oil and Gas	-	480,000	-
Other	6,756,125	-	-
Assigned:	1,326,170	-	-
Unassigned:	51,015,820	-	(7,942,501)
Total fund balances (deficits)	85,380,475	3,509,720	(7,942,501)
Total liabilities, deferred inflows of resources and fund balances	$ 102,693,130	$ 4,506,597	$ 8,784,605

See accompanying notes to basic financial statements

Capital Project Funds		Debt Service Fund		
Facilities Financial Planning Reserve	Marina Park	Civic Center COP	Other Governmental Funds	Totals
$ 6,057,467	$ -	$ -	$ 42,205,015	$ 129,504,311
-	-	-	365,885	5,740,846
-	-	-	-	559,740
-	-	-	3,394,484	9,274,063
-	-	7,901,395	-	7,901,395
-	-	-	-	15,809,559
5,548,603	-	-	-	12,160,327
-	-	-	-	283,448
-	-	-	-	223,492
$ 11,606,070	$ -	$ 7,901,395	$ 45,965,384	$ 181,457,181
$ -	$ 742,950	$ 46	$ 1,883,593	$ 10,702,700
-	-	-	-	5,223,111
-	-	-	-	2,896,504
-	-	-	2,023,582	4,480,860
-	-	-	-	15,809,559
-	5,496,102	5,548,603	126,134	11,170,839
-	6,239,052	5,548,649	4,033,309	50,283,573
-	-	-	2,124,067	2,698,142
-	-	-	2,124,067	2,698,142
-	-	-	-	283,448
-	-	-	-	223,492
-	-	-	-	15,809,559
-	-	-	4,629,781	4,629,781
-	-	-	-	2,966,896
-	-	-	-	972,855
-	-	-	-	430,626
982,071	-	2,352,746	26,879,253	32,813,164
-	-	-	504,990	6,531,100
-	-	-	-	480,000
10,623,999	-	-	7,904,400	25,284,524
-	-	-	-	1,326,170
-	(6,239,052)	-	(110,416)	36,723,851
11,606,070	(6,239,052)	2,352,746	39,808,008	128,475,466
$ 11,606,070	$ -	$ 7,901,395	$ 45,965,384	$ 181,457,181

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, 2014

Fund balances of governmental funds	$	128,475,466
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.		2,260,553,896
Long-term debt that has 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		(119,455,000)
Premium on certificates		(723,318)
Pre-annexation agreement liability		(3,600,000)
CDBG loan		(1,462,000)
Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.		(3,900,697)
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.		2,698,142
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.		29,340,293
Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.		188,937
Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.		(272,798)
Net position of governmental activities	$	2,291,842,921

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, 2014

		Special Revenue Funds	
	General	**Tide and Submerged Land - Operating**	**Tide and Submerged Land - Harbor Capital**
Revenues			
Taxes and assessments:			
Property tax	$ 79,889,346	$ -	$ -
Sales tax	23,142,065	-	-
Sales tax in-lieu	7,727,876	-	-
Transient occupancy tax	18,176,369	-	-
Other taxes	8,434,367	-	-
Intergovernmental	1,714,445	-	516,133
Licenses, permits and fees	5,299,166	41,496	-
Charges for services	16,808,431	55,661	-
Fines and forfeitures	3,271,910	1,041	-
Investment income	542,915	62,896	2,302
Net increase in fair value of investments	53,783	11,990	5,413
Property income	7,831,964	11,524,465	2,857,827
Donations	208,486	-	-
Other	768,280	263	601,413
Total revenues	173,869,403	11,697,812	3,983,088
Expenditures			
Current:			
General government	14,074,327	396,840	-
Public safety	74,071,885	7,812,378	-
Public works	28,605,116	3,589,713	-
Community development	9,640,708	-	-
Community services	16,841,719	2,206,094	-
Capital outlay	5,587,015	716,276	3,114,168
Debt service (note 6):			
Principal	-	-	-
Interest and fiscal charges	175,611	-	-
Total expenditures	148,996,381	14,721,301	3,114,168
Excess (deficiency) of revenues over expenditures	24,873,022	(3,023,489)	868,920
Other financing sources (uses)			
Transfers in (note 14)	563,552	4,532,086	-
Transfers out (note 14)	(21,186,257)	-	-
Total other financing sources (uses)	(20,622,705)	4,532,086	-
Net change in fund balances	4,250,317	1,508,597	868,920
Fund balances (deficits), beginning, as restated (note 18)	81,130,158	2,001,123	(8,811,421)
Fund balances (deficits), ending	$ 85,380,475	$ 3,509,720	$ (7,942,501)

See accompanying notes to basic financial statements

Capital Project Funds		Debt Service Fund		
Facilities Financial Planning Reserve	Marina Park	Civic Center COP	Other Governmental Funds	Totals
$ -	$ -	$ -	$ -	$ 79,889,346
-	-	-	-	23,142,065
-	-	-	-	7,727,876
-	-	-	-	18,176,369
-	-	-	540,856	8,975,223
-	-	2,352,662	12,242,599	16,825,839
860,084	-	-	458,457	6,659,203
-	-	-	-	16,864,092
-	-	-	-	3,272,951
190,419	-	287	337,243	1,136,062
11,138	-	-	42,115	124,439
-	-	-	-	22,214,256
-	-	-	961,685	1,170,171
-	-	-	30,092	1,400,048
1,061,641	-	2,352,949	14,613,047	207,577,940
-	-	-	-	14,471,167
-	-	-	758,725	82,642,988
-	-	-	219,628	32,414,457
-	-	-	128,220	9,768,928
-	-	-	-	19,047,813
-	2,493,654	-	21,661,080	33,572,193
-	-	2,775,000	1,316,000	4,091,000
-	-	7,780,953	96,363	8,052,927
-	2,493,654	10,555,953	24,180,016	204,061,473
1,061,641	(2,493,654)	(8,203,004)	(9,566,969)	3,516,467
9,116,831	-	9,398,500	17,612,758	41,223,727
(25,324,769)	-	-	(734,257)	(47,245,283)
(16,207,938)	-	9,398,500	16,878,501	(6,021,556)
(15,146,297)	(2,493,654)	1,195,496	7,311,532	(2,505,089)
26,752,367	(3,745,398)	1,157,250	32,496,476	130,980,555
$ 11,606,070	$ (6,239,052)	$ 2,352,746	$ 39,808,008	$ 128,475,466

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 Governmenal Funds to the Statement of Activities
Year Ended June 30, 2014

Net change in fund balances - total governmental funds	$	(2,505,089)
Amounts reported for governmental activities in the statement of activities differ from the amounts reported in governmental funds because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		15,187,803
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.		4,091,000
Issuance of debt premium Premium on bonds is 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 is the net change in accrued interest for the current period.		44,182
Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds.This is the net change in unavailable revenue for the current period.		(3,329,812)
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.		4,036,277
Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities.		(8,401)
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.		(159,407)
Change in net position of governmental activities	$	17,477,106

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
General Fund
Budgetary Comparison Statement
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes and assessments:				
Property	$ 77,560,970	$ 79,438,816	$ 79,889,346	$ 450,530
Sales	22,247,340	22,267,601	23,142,065	874,464
Sales tax in-lieu	7,919,248	7,926,293	7,727,876	(198,417)
Transient occupancy	16,363,510	17,291,420	18,176,369	884,949
Other taxes	7,725,840	7,760,840	8,434,367	673,527
Intergovernmental	1,443,521	1,496,567	1,714,445	217,878
Licenses, permits and fees	5,382,970	5,485,970	5,299,166	(186,804)
Charges for services	15,291,626	15,402,105	16,808,431	1,406,326
Fines and forfeitures	3,776,000	3,881,000	3,271,910	(609,090)
Investment income	545,322	545,322	542,915	(2,407)
Net increase in fair value of investments	-	-	53,783	53,783
Property income	7,281,541	7,350,063	7,831,964	481,901
Donations	59,000	201,011	208,486	7,475
Other	445,803	849,353	768,280	(81,073)
Total revenues	166,042,691	169,896,361	173,869,403	3,973,042
Expenditures				
General government:				
City council	1,054,992	1,927,658	1,509,395	418,263
City clerk	655,701	655,701	682,840	(27,139)
City attorney	2,295,766	2,292,833	2,090,616	202,217
City manager	3,414,961	2,997,059	2,370,605	626,454
Finance	5,472,979	5,294,528	4,855,955	438,573
Human resources	2,666,358	2,687,563	2,564,916	122,647
Total General government	15,560,757	15,855,342	14,074,327	1,781,015
Public safety:				
Police	44,681,449	43,010,194	42,312,233	697,961
Fire	37,329,354	32,321,021	31,759,652	561,369
Total Public safety	82,010,803	75,331,215	74,071,885	1,259,330
Public works:				
MOD- General services	23,432,414	22,723,551	22,169,419	554,132
Public works	6,266,267	5,896,437	5,551,312	345,125
MOD - Utilities	955,016	955,016	884,385	70,631
Total Public works	30,653,697	29,575,004	28,605,116	969,888

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
General Fund
Budgetary Comparison Statement
For the Year Ended June 30, 2014
(continued)

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Community development:				
Community development	9,103,929	9,348,667	8,665,648	683,019
Code and water quality enforcement	1,178,349	1,178,509	975,060	203,449
Total Community development	10,282,278	10,527,176	9,640,708	886,468
Community services:				
Parking operations	1,806,173	1,047,633	741,187	306,446
Library services	6,870,106	7,505,396	7,139,584	365,812
Recreation and senior services	9,484,620	9,503,104	8,960,948	542,156
Total Community services	18,160,899	18,056,133	16,841,719	1,214,414
Capital outlay	8,450,267	8,296,546	5,587,015	2,709,531
Debt service:				
Interest and Fiscal Charges	-	-	175,611	(175,611)
Total expenditures	165,118,701	157,641,416	148,996,381	8,645,035
Excess (deficiency) of revenues over expenditures	923,990	12,254,945	24,873,022	12,618,077
Other financing sources (uses)				
Transfers in	-	234,000	563,552	329,552
Transfers out	(9,250,000)	(16,528,645)	(21,186,257)	(4,657,612)
Total other financing sources (uses)	(9,250,000)	(16,294,645)	(20,622,705)	(4,328,060)
Net change in fund balance	(8,326,010)	(4,039,700)	4,250,317	8,290,017
Fund balance, beginning	81,130,158	81,130,158	81,130,158	-
Fund balance, ending	$ 72,804,148	$ 77,090,458	$ 85,380,475	$ 8,290,017

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Licenses, permits and fees	$ 2,038,500	$ 125,850	$ 41,496	$ (84,354)
Charges for services	115,000	115,000	55,661	(59,339)
Fines and forfeitures	15,000	15,000	1,041	(13,959)
Investment income (loss)	22,000	22,000	62,896	40,896
Net increase in fair value of investments	-	-	11,990	11,990
Property income	9,884,286	11,254,653	11,524,465	269,812
Other	-	-	263	263
Total revenues	12,074,786	11,532,503	11,697,812	165,309
Expenditures				
General government	-	396,840	396,840	-
Public safety	-	7,812,378	7,812,378	-
Public works	754,484	3,843,203	3,589,713	253,490
Community services	2,022,043	2,070,906	2,206,094	(135,188)
Capital outlay	3,218,737	995,696	716,276	279,420
Total expenditures	5,995,264	15,119,023	14,721,301	397,722
Excess (deficiency) of revenues over expenditures	6,079,522	(3,586,520)	(3,023,489)	563,031
Other financing sources				
Transfers in	-	-	4,532,086	4,532,086
Net change in fund balance	6,079,522	(3,586,520)	1,508,597	5,095,117
Fund balance, beginning	2,519,190	2,519,190	2,519,190	-
Prior Year Restatement	(518,067)	(518,067)	(518,067)	-
Restated fund balance, beginning	2,001,123	2,001,123	2,001,123	-
Fund balance, ending	$ 8,080,645	$ (1,585,397)	$ 3,509,720	$ 5,095,117

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$ -	$ -	$ 516,133	$ 516,133
Investment income	-	-	2,302	2,302
Net increase in fair value of investments	-	-	5,413	5,413
Property income	1,205,748	1,024,919	2,857,827	1,832,908
Other	-	-	601,413	601,413
Total revenues	1,205,748	1,024,919	3,983,088	2,958,169
Expenditures				
Capital outlay	334,179	6,366,370	3,114,168	3,252,202
Net change in fund balance	871,569	(5,341,451)	868,920	6,210,371
Fund balance (deficit), beginning	(8,811,421)	(8,811,421)	(8,811,421)	-
Fund balance (deficit), ending	$ (7,939,852)	$ (14,152,872)	$ (7,942,501)	$ 6,210,371

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 though 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, 2014

	Enterprise Funds			
Assets	**Water**	**Wastewater**	**Total Enterprise Funds**	**Governmental Activities Internal Service Funds**
Current assets:				
Cash and investments	$ 16,539,011	$ 2,345,146	$ 18,884,157	$ 47,441,464
Receivables:				
Accounts (net of allowance)	6,178,491	688,431	6,866,922	2,786,808
Inventories	-	-	-	361,090
Net other pension employment benefits (assets)	-	-	-	1,500,000
Prepaid items	5,250	1,750	7,000	1,304,991
Total current assets	22,722,752	3,035,327	25,758,079	53,394,353
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	-
Equipment	140,191	-	140,191	29,157,914
Software	-	-	-	1,687,212
Infrastructure	122,600,953	45,298,814	167,899,767	-
Work in progress	5,603,342	123,477	5,726,819	914,637
Less accumulated depreciation	(44,931,533)	(15,794,568)	(60,726,101)	(19,171,419)
Total capital assets (net of accumulated depreciation)	86,320,799	29,627,723	115,948,522	12,588,344
Total noncurrent assets	86,320,799	29,627,723	115,948,522	12,588,344
Total assets	109,043,551	32,663,050	141,706,601	65,982,697
Liabilities				
Current liabilities:				
Accounts payable	3,767,083	24,846	3,791,929	2,218,793
Accrued payroll	168,331	65,310	233,641	150,266
Deposits payable	27,046	-	27,046	-
Due to other funds (note 13)	-	-	-	989,488
Workers' compensation - current	-	-	-	2,730,836
General liability - current	-	-	-	5,240,695
Compensated absences - current	-	-	-	1,996,561
Total current liabilities	3,962,460	90,156	4,052,616	13,326,639
Noncurrent liabilities (note 6):				
Workers' compensation	-	-	-	11,225,164
General liability	-	-	-	4,651,670
Compensated absences	-	-	-	7,438,931
Total noncurrent liabilities	-	-	-	23,315,765
Total liabilities	3,962,460	90,156	4,052,616	36,642,404
Net Position				
Investment in capital assets	86,320,799	29,627,723	115,948,522	12,588,344
Unrestricted	18,760,292	2,945,171	21,705,463	16,751,949
Total net position	$ 105,081,091	$ 32,572,894	137,653,985	$ 29,340,293
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			272,798	
Net position of business-type activities			$ 137,926,783	

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, 2014

	Enterprise Funds			
	Water	Wastewater	Total Enterprise Funds	Governmental Activities Internal Service Funds
Operating revenues:				
Charges for sales and services:				
Water sales	$ 29,302,523	$ -	$ 29,302,523	$ -
Charges for services	-	-	-	20,999,244
Sewer service and connection fees	-	3,425,549	3,425,549	-
Retiree reimbursements	-	-	-	281,477
Employee contributions	-	-	-	177,447
Other	95,359	13,121	108,480	413,616
Total operating revenues	29,397,882	3,438,670	32,836,552	21,871,784
Operating expenses:				
Purchase of water	10,040,347	-	10,040,347	-
Salaries and benefits	3,922,977	1,440,034	5,363,011	3,522,007
Depreciation	1,573,373	602,168	2,175,541	2,482,841
Professional services	1,646,146	233,970	1,880,116	149,263
Maintenance and supplies	1,815,334	723,090	2,538,424	1,647,025
System maintenance	1,250,684	207,102	1,457,786	-
Fleet parts and supplies	-	-	-	443,942
800 MHz	-	-	-	22,259
Telecommunication	-	-	-	216,697
Hardware	-	-	-	301,155
Software	-	-	-	31,177
Workers' compensation	-	-	-	384,056
Claims and judgments	-	-	-	9,870,699
Compensated absences	-	-	-	1,965,699
Early retirement incentive program	-	-	-	397,154
OPEB ARC - Cash subsidy	-	-	-	3,381,000
Other	1,829,239	150,963	1,980,202	531,164
Total operating expenses	22,078,100	3,357,327	25,435,427	25,346,138
Operating income (loss)	7,319,782	81,343	7,401,125	(3,474,354)
Nonoperating revenues (expenses):				
Investment income	107,898	20,541	128,439	360,898
Net increase in fair value of investments	15,943	2,256	18,199	43,221
Gain (loss) on removal of capital assets	(129,920)	-	(129,920)	1,084,956
Total nonoperating revenues (expenses)	(6,079)	22,797	16,718	1,489,075
Income (loss) before transfers	7,313,703	104,140	7,417,843	(1,985,279)
Transfers in (note 14)	-	-	-	8,120,000
Transfers out (note 14)	-	-	-	(2,098,444)
Change in net position	7,313,703	104,140	7,417,843	4,036,277
Net position, beginning of year	97,767,388	32,468,754		25,304,016
Net position, end of year	$ 105,081,091	$ 32,572,894		$ 29,340,293
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			159,407	
Change in net position of business-type activities			$ 7,577,250	

See accompanying notes to basic financial statements

CITY OF NEWPORT BEACH
Proprietary Fund
Statement of Cash Flows
For the Year Ended June 30, 2014

	Enterprise Funds			
	Water	Wastewater	Total Enterprise Funds	Governmental Activities Internal Service Funds
Cash flows from operating activities:				
Cash received from customers or user departments	$ 28,953,478	$ 3,427,981	$ 32,381,459	$ 21,861,727
Cash payments to employees for services	(3,919,798)	(1,434,094)	(5,353,892)	(9,563,333)
Cash payments to suppliers for goods and services	(14,687,922)	(1,186,680)	(15,874,602)	(18,418,755)
Cash received (payments made) for other operating activities	(1,733,880)	(137,842)	(1,871,722)	591,063
Net cash provided (used) by operating activities	8,611,878	669,365	9,281,243	(5,529,298)
Cash flows from noncapital financing activities:				
Cash received from other funds	-	-	-	9,109,488
Cash paid to other funds	-	-	-	(2,098,444)
Net cash provided (used) by noncapital financing activities	-	-	-	7,011,044
Cash flows from capital related financing activities:				
Acquisition of capital assets	(6,953,371)	(123,477)	(7,076,848)	(6,727,601)
Proceeds from sale of capital assets	-	-	-	1,624,939
Net cash (used) for capital related financing activities	(6,953,371)	(123,477)	(7,076,848)	(5,102,662)
Cash flows from investing activities:				
Interest on investments	123,841	22,797	146,638	404,119
Net cash provided by investing activities	123,841	22,797	146,638	404,119
Net increase (decrease) in cash and cash equivalents	1,782,348	568,685	2,351,033	(3,216,797)
Cash and cash equivalents, beginning	14,756,663	1,776,461	16,533,124	50,658,261
Cash and cash equivalents, ending	$ 16,539,011	$ 2,345,146	$ 18,884,157	$ 47,441,464
Reconciliation of cash equivalents to the statement of net assets:				
Cash and investments reported on statement of net assets	$ 16,539,011	$ 2,345,146	$ 18,884,157	$ 47,441,464
Cash and cash equivalents	$ 16,539,011	$ 2,345,146	$ 18,884,157	$ 47,441,464
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 7,319,782	$ 81,343	$ 7,401,125	$ (3,474,354)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,573,373	602,168	2,175,541	2,482,841
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(350,203)	2,432	(347,771)	(527,267)
Decrease in inventories	-	-	-	7,739
(Increase) decrease in net other pension employment benefits	-	-	-	(1,500,000)
(Increase) decrease in prepaid items	(5,250)	(1,750)	(7,000)	555,634
Increase (decrease) in accounts payable and accrued payroll	73,018	(14,828)	58,190	(2,472,345)
Increase in deposits payable	1,158	-	1,158	-
(Decrease) in workers' compensation	-	-	-	(2,600,000)
Increase in general liability	-	-	-	2,707,950
Increase in compensated absences	-	-	-	250,900
(Decrease) in early retirement incentive program	-	-	-	(960,396)
Total adjustments	1,292,096	588,022	1,880,118	(2,054,944)
Net cash provided (used) by operating activities	$ 8,611,878	$ 669,365	$ 9,281,243	$ (5,529,298)
Noncash investing, capital and financing activities:				
Net increase in fair value of investments	$ 15,943	$ 2,256	$ 18,199	$ 43,221
Gain (loss) on disposal of capital assets	(129,920)	-	(129,920)	1,084,956
Total of noncash activities	$ (113,977)	$ 2,256	$ (111,721)	$ 1,128,177

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, 2014

Assets	**Totals**
Cash and investments (note 4)	$ 606,527
Cash with fiscal agent (note 4)	5,310,284
Total assets	$ 5,916,811

Liabilities	
Due to bondholders	$ 5,501,831
Due to others	414,980
Total liabilities	$ 5,916,811

See accompanying notes to basic financial statements

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Financial Section

Notes to the Financial Statements

Financial Section

(1) Summary of Significant Accounting Policies

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

a. Reporting Entity

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

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

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

Blended Component Unit

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

transactions are 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.

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate they should not be considered "available spendable resources" since they do not represent "available spendable resources". Recognition of governmental fund type revenues represented by non-current receivables are reported as unavailable 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 "available spendable resources", such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

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

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.

Permanent Funds, also referred to as Endowment Funds, are governmental funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support City programs. The amount of net appreciation on investments that is available to support City programs is $1,487,524. 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 Position. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504. The authority for spending investment earnings for scholarships resides with the City Manager and for periodic maintenance dredging in the Newport Bay resides with the City Council.

Proprietary & Fiduciary Funds

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

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

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

c. Fund Classifications

The City utilizes the following broad categories of funds:

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

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

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.

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

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. Pending Accounting Standards

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

- 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 71 – "Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68", effective for periods beginning after June 15, 2014.

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, 2014, the balance for Allowance for Doubtful Accounts was as follows:

General Fund:	$1,133,721
Tide and Submerged Land – Operating:	$4,855
Water Fund:	$146,613
Waste Water Fund:	$16,858
Equipment Maintenance Fund:	$15,085

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 $27,023,388 at June 30, 2014. This investment value is based on information provided by the State Treasurer's Office. The carrying value of the City's position in the fund is materially consistent with the fair value of the fund shares. This pool is under the regulatory oversight of the State Treasurer's Office. The LAIF Board consists of five members as designated by Statute. The Chairman is the State Treasurer, or his designated representative. Two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers or business managers employed by any County, City or local district or

municipal corporation of this state, are appointed by the State Treasurer. The term of each appointment is two years, or at the pleasure of the appointing authority.

g. Intergovernmental Receivables

Intergovernmental receivables represent grant reimbursement requests, capital project billings, and pending transfers of taxes and fees collected by other government agencies. As of June 30, 2014, the balance of this account was $9,274,063.

h. Inventories

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

i. Capital Assets

Capital assets, which include land, structures, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Equipment purchased in excess of $5,000 is capitalized if it has an expected useful life of three years or more. Building, infrastructure, and improvements are capitalized if cost is in excess of $30,000 if it has an expected useful life of three years or more. The cost of normal maintenance and repairs that do not add to the value of the asset's 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 ranges of useful life for depreciation purposes for each capital asset class are 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.

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	1st installment
	March 1	2nd installment
Collection dates	December 10	1st installment
	April 10	2nd 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.

n. Unearned Revenue

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

o. Deferred Inflows of Resources

In the governmental funds financial statements, deferred inflows represent 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, the governmental fund balance is made up of different classifications and the following provides explanations as to the nature and purpose of each classification:

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

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

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

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

Unassigned fund balance
That residual portion of a fund balance that is 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 uses 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 position are available, the City applies restricted net position 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 $128,475,466 differs from "net position" of governmental activities $2,291,842,921 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital Related Items

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

Cost of capital assets	$2,426,954,598
Accumulated depreciation	(166,400,702)
Total capital assets, net*	$2,260,553,896

*Amount excludes net capital assets of $12,588,344 from Internal Service funds.

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at June 30, 2014 were:

Certificates of participation	$119,455,000
Bond premium	723,318
Pre-annexation agreement	3,600,000
CDBG Loan	1,462,000
Total	$125,240,318

Accrued Interest

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

Accrued interest added	$3,900,697

Investment in Joint Venture

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

Net equity in joint venture	$188,937

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	$2,698,142

Internal Service Funds

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

Internal Service Funds	$29,340,293

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.

Explanation of Differences Betweeen 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	$ 129,504,311	$ -	$ -	$ -
Receivables:				
Accounts	5,740,846	-	-	-
Advances to other funds	15,809,559	-	-	-
Interest	559,740	-	-	-
Intergovernmental receivables	9,274,063	-	-	-
Cash with fiscal agent	7,901,395	-	-	-
Interfund balances	12,160,327	-	-	-
Investment in joint venture	-	-	-	-
Inventory	223,492	-	-	-
Net other pension employment benefits (assets)	-	-	-	-
Prepaid items	283,448	-	-	-
Capital assets	-	2,426,954,598	-	-
Accumulated depreciation	-	-	(166,400,702)	-
Total assets	$ 181,457,181	$ 2,426,954,598	$ (166,400,702)	$ -
Liabilities, Deferred Inflows of Resources and Fund Balances/New Position				
Liabilities:				
Accounts payable	$ 10,702,700	$ -	$ -	$ -
Accrued payroll	5,223,111	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,896,504	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Unearned revenue	4,480,860	-	-	-
Interfund balance	11,170,839	-	-	-
Advance from other funds	15,809,559	-	-	-
Long-term liabilities	-	-	-	125,240,318
Total liabilities	50,283,573	-	-	125,240,318
Deferred Inflows of Resources:				
Unavailable revenue	2,698,142	-	-	-
Total deferred inflows of resources	2,698,142	-	-	-
Fund balances / net position	128,475,466	2,426,954,598	(166,400,702)	(125,240,318)
Total liabilities, deferred inflows of resources and fund balances / net position	$ 181,457,181	$ 2,426,954,598	$ (166,400,702)	$ -

Interest Payable	Investment in Joint Venture	Unavailable Revenue	Internal Service Funds	Reclassifications and Eliminations	Statement of Net Position
$ -	$ -	$ -	$ 47,441,464	$ -	$ 176,945,775
-	-	-	2,786,808	-	8,527,654
-	-	-	-	(15,809,559)	-
-	-	-	-	-	559,740
-	-	-	-	-	9,274,063
-	-	-	-	-	7,901,395
-	-	-	-	(12,433,125)	(272,798)
-	188,937	-	-	-	188,937
-	-	-	361,090	-	584,582
-	-	-	1,500,000	-	1,500,000
-	-	-	1,304,991	-	1,588,439
-	-	-	31,759,763	-	2,458,714,361
-	-	-	(19,171,419)	-	(185,572,121)
$ -	$ 188,937	$ -	$ 65,982,697	$ (28,242,684)	$ 2,479,940,027
$ -	$ -	$ -	$ 2,218,793	$ -	$ 12,921,493
-	-	-	150,266	-	5,373,377
3,900,697	-	-	-	-	3,900,697
-	-	-	-	-	2,896,504
-	-	-	5,240,695	-	5,240,695
-	-	-	2,730,836	-	2,730,836
-	-	-	1,996,561	-	1,996,561
-	-	-	-	-	4,480,860
-	-	-	989,488	(12,160,327)	-
-	-	-	-	(15,809,559)	-
-	-	-	23,315,765	-	148,556,083
3,900,697	-	-	36,642,404	(27,969,886)	188,097,106
-	-	(2,698,142)	-	-	-
-	-	(2,698,142)	-	-	-
(3,900,697)	188,937	2,698,142	29,340,293	(272,798)	2,291,842,921
$ -	$ 188,937	$ -	$ 65,982,697	$ (28,242,684)	$ 2,479,940,027

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

Net position of the City's Enterprise Funds of $137,653,985 differs from net position of the business-type activities of $137,926,783 reported in the government-wide statement of net position. The difference, $272,798, 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

Assets	Total Enterprise Funds	Internal Service Funds	Government-wide Statement of Net Position
Cash and investments	$ 18,884,157	$ -	$ 18,884,157
Receivables:			
Accounts	6,866,922	-	6,866,922
Interfund balances	-	272,798	272,798
Prepaid items	7,000	-	7,000
Capital assets, net	115,948,522	-	115,948,522
Total assets	$ 141,706,601	$ 272,798	$ 141,979,399
Liabilities and Fund Balances / Net Position			
Liabilities:			
Accounts payable	$ 3,791,929	$ -	$ 3,791,929
Accrued payroll	233,641	-	233,641
Deposits payable	27,046	-	27,046
Total liabilities	4,052,616	-	4,052,616
Net Position			
Net investment in capital assets	$ 115,948,522	$ -	$ 115,948,522
Unrestricted	21,705,463	272,798	21,978,261
	$ 137,653,985	$ 272,798	$ 137,926,783

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

The "net change in fund balances" for governmental funds ($2,505,089) differs from the "change in net position" for governmental activities $17,477,106 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the difference is illustrated below.

Capital Related Items

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

Capital outlay	$ 29,206,665
Transfers out of WIP	(2,436,180)
Capital outlays expended	26,770,485
Governmental funds - asset deletions	(2,935,484)
Capital contributions	900,000
Net change in capital related items	$ 24,735,001
Depreciation expense	$ (11,301,924)
Deletions in governmental funds accumulated depreciation	1,754,726
Net change in accumulated depreciation	$ (9,547,198)

Long-Term Debt Transactions

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

Civic Center Certificates of Participation	$2,775,000
Pre-annexation agreement	1,200,000
CDBG loan	116,000
Amortization of debt premium	120,553
Total debt payments	$4,211,553

Accrued Interest

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

Net change in accrued interest	$44,182

Investment in Joint Venture

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

Net change in investment in joint venture	($8,401)

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	$(3,329,812)

Internal Service Funds

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

Net change in Internal Service Funds	$4,036,277

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	$(159,407)

Explanation of Differences Betweeen 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	$ 137,910,879	$ -	$ -	$ -
Intergovernmental	16,825,839	-	-	-
Licenses and permits	6,659,203	-	-	-
Charges for services	16,864,092	-	-	-
Fines and forfeitures	3,272,951	-	-	-
Investment income	1,136,062	-	-	-
Net increase in fair value of investments	124,439	-	-	-
Property income	22,214,256	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	1,170,171	-	-	-
Gain on sale of capital assets	-	-	-	-
Capital contributions	-	900,000	-	-
Other	1,400,048	-	-	-
Total revenues	207,577,940	900,000	-	-
Expenditures:				
Current:				
General government	14,471,167	75,245	2,563,921	-
Public safety	82,642,988	756,734	(371,846)	-
Public works	32,414,457	1,853,985	5,941,333	-
Community development	9,768,928	-	21,371	-
Community services	19,047,813	249,520	1,392,419	-
Capital outlay	33,572,193	(26,770,485)	-	-
Debt service:				
Principal retirement	4,091,000	-	-	(4,091,000)
Interest and fiscal charges	8,052,927	-	-	
Amortization of debt premium	-	-	-	(120,553)
Total expenses	204,061,473	(23,835,001)	9,547,198	(4,211,553)
Other financing sources (uses):				
Transfers in	41,223,727	-	-	-
Transfers out	(47,245,283)	-	-	-
Total other financing sources (uses)	(6,021,556)	-	-	-
Net change in fund balances / net position	(2,505,089)	24,735,001	(9,547,198)	4,211,553
Fund balances / net position, beginning of year as restated	130,980,555	2,402,219,597	(156,853,504)	(129,451,871)
Fund balances / net position, end of year	$ 128,475,466	$ 2,426,954,598	$ (166,400,702)	$ (125,240,318)

Interest Payable	Investment in Joint Venture	Unavailable Revenue	Internal Service Funds	Reclassifications and Eliminations	Statement of Net Position
$ -	$ -	$ -	$ -	$ -	$ 137,910,879
-	-	(3,329,812)	-	-	13,496,027
-	-	-	-	-	6,659,203
-	-	-	-	(159,407)	16,704,685
-	-	-	-	-	3,272,951
-	-	-	360,898	-	1,496,960
-	-	-	43,221	-	167,660
-	-	-	-	-	22,214,256
-	(8,401)	-	-	-	(8,401)
-	-	-	-	-	1,170,171
-	-	-	1,084,956	-	1,084,956
-	-	-	-	-	900,000
-	-	-	-	-	1,400,048
-	(8,401)	(3,329,812)	1,489,075	(159,407)	206,469,395
-	-	-	817,330	906,502	18,834,165
-	-	-	826,891	3,821,295	87,676,062
-	-	-	1,277,848	1,465,495	42,953,118
-	-	-	309,132	184,050	10,283,481
-	-	-	243,153	424,366	21,357,271
-	-	-	-	(6,801,708)	-
-	-	-	-	-	-
(44,182)	-	-	-	-	8,008,745
-	-	-	-	-	(120,553)
(44,182)	-	-	3,474,354	-	188,992,289
-	-	-	8,120,000	(49,343,727)	-
-	-	-	(2,098,444)	49,343,727	-
-	-	-	6,021,556	-	-
44,182	(8,401)	(3,329,812)	4,036,277	(159,407)	17,477,106
(3,944,879)	197,338	6,027,954	25,304,016	(113,391)	2,274,365,815
$ (3,900,697)	$ 188,937	$ 2,698,142	$ 29,340,293	$ (272,798)	$ 2,291,842,921

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 $7,417,843 differs from the change in net position of the business-type activities $7,577,250 reported in the government-wide statement of activities. The difference, $159,407, 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	$ 29,302,523	$ -	$ 29,302,523
Sewer service and connection fees	3,425,549	-	3,425,549
Other	108,480	-	108,480
Total operating revenues	32,836,552	-	32,836,552
Operating expenses:			
Purchase of water	10,040,347	-	10,040,347
Salaries and wages	5,363,011	-	5,363,011
Depreciation	2,175,541	-	2,175,541
Professional Services	1,880,116	-	1,880,116
Maintenance and supplies	2,538,424	(159,407)	2,379,017
System maintenance	1,457,786	-	1,457,786
Other	1,980,202	-	1,980,202
Total operating expenses	25,435,427	(159,407)	25,276,020
Operating income	7,401,125	159,407	7,560,532
Nonoperating revenues (expenses):			
Investment income	128,439	-	128,439
Net increase in fair value of investments	18,199	-	18,199
Loss on removal of capital assets	(129,920)	-	(129,920)
Total nonoperating revenues (expenses)	16,718	-	16,718
Change in net position	7,417,843	159,407	7,577,250
Net position, beginning of year	130,236,142	113,391	130,349,533
Net position, end of year	$ 137,653,985	$ 272,798	$ 137,926,783

(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.

Expenditures exceeded appropriations in the following governmental funds:

	Appropriations	Expenditures	Variance
Supplemental Law Enforcement	138,222	159,560	(21,338)

The following funds reported deficit fund balances:

Major Funds	
Tide and Submerged Land - Harbor Capital Fund	$ 7,942,501
Marina Park	$ 6,239,052
Other Governmental Funds	
Office of the Traffic Safety (OTS) DUI Grant Fund	$ 109,021
Misc Facilities Financing	$ 1,395
Internal Service Funds	
Insurance Reserve	$ 3,223,646
Compensated Absences	$ 8,130,555

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

(4) Cash and Investments

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	$ 195,829,932
Cash with fiscal agent	7,901,395
Fiduciary funds:	
Cash and investments	606,527
Cash with fiscal agent	5,310,284
Total cash and investments	$ 209,648,138

Cash and investments as of June 30, 2014, consist of the following:

Cash on hand	$ 26,237
Deposits with financial institutions	15,313,455
Investments	194,308,446
Total cash and investments	$ 209,648,138

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	30%	5%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposit	2 years	30%	5%
Repurchase Agreements	30 days	10%	5%
Reverse Repurchase Agreements	30 days	10%	5%

Medium-Term Notes	5 years	30%	5%
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	5%	None
Local Agency Investment Fund (LAIF)	N/A	None	$50M
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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
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

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 Maturities (In Years)				
	Fair Value	Less than 1	1 to 3	3 to 5	More than 5	Total
Investment Type						
Money Market Funds	$ 1,879,258	$ 1,879,258	$ -	$ -	$ -	$ 1,879,258
U.S. Treasury Obligations	37,616,845	3,977,061	32,554,480	1,085,304	-	37,616,845
U.S. Agency Securities	57,394,242	2,553,092	43,410,486	11,430,664	-	57,394,242
Mortgage Pass-Through	3,186,081	-	1,253,835	1,932,246	-	3,186,081
Medium-Term Notes	40,626,118	10,525,609	29,501,667	598,842	-	40,626,118
Certificate of Deposit	6,199,234	1,200,000	4,999,234	-	-	6,199,234
Commercial Paper	6,894,225	6,894,225	-	-	-	6,894,225
LAIF	27,023,388	27,023,388	-	-	-	27,023,388
Local Agency Bonds	277,376	-	277,376	-	-	277,376
Cash with Fiscal Agent:						
Money Market Funds	12,031,103	12,031,103	-	-	-	12,031,103
Investment Agreements*	1,180,576	-	-	-	1,180,576	1,180,576
Total	$ 194,308,446	$ 66,083,736	$ 111,997,078	$ 15,047,056	$ 1,180,576	$ 194,308,446

* 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, 2014, the City did not have any investments (including investments held by fiscal agent) whose fair values were highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented 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	1,879,258	AAA	$ -	$ 1,879,258	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Treasury Obligations	37,616,845	N/A	37,616,845	-	-	-	-	-	-	-	-	-	-
U.S. Agency Securities	57,394,242	N/A	-	-	57,394,242	-	-	-	-	-	-	-	-
Mortgage Pass-Through	3,186,081	A	-	2,252,552	-	-	-	-	-	-	-	-	933,529
Medium-Term Notes	40,626,118	A	-	801,017	7,880,387	9,863,290	5,591,481	6,041,642	7,830,875	2,617,426	-	-	-
Certificate of Deposit	6,199,234	A-1	-	-	-	-	-	-	-	-	2,500,000	2,400,000	1,299,234
Commercial Paper	6,894,225	A-1	-	-	-	-	-	-	-	-	-	6,894,225	-
LAIF	27,023,388	N/A	-	-	-	-	-	-	-	-	-	-	27,023,388
Local Agency Bonds	277,376	AA	-	-	-	277,376	-	-	-	-	-	-	-
Cash with Fiscal Agent:													
Money Market Funds	12,031,103	AAA	-	12,031,103	-	-	-	-	-	-	-	-	-
Investment Agreements	1,180,576	N/A	-	-	-	-	-	-	1,180,576	-	-	-	-
	$ 194,308,446		$ 37,616,845	$ 16,963,930	$ 65,274,629	$ 10,140,666	$ 5,591,481	$ 6,041,642	$ 9,011,451	$ 2,617,426	$ 2,500,000	$ 9,294,225	$ 29,256,151

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
FHLB	Federal agency securities	$ 15,093,611
FNMA	Federal agency securities	$ 19,971,709

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The

California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2014, 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.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2014
Non-depreciable:				
Land and rights of way	$ 1,869,387,482	$ 2,253,876	$ -	$ 1,871,641,358
Work in progress	7,068,517	11,259,649	(2,436,180)	15,891,986
Depreciable:				
Structures	193,366,259	9,659,053	(145,635)	202,879,677
Equipment	35,951,819	6,380,612	(4,511,501)	37,820,930
Infrastructure	325,053,319	7,281,077	(1,853,986)	330,480,410
	2,430,827,396	36,834,267	(8,947,302)	2,458,714,361
Less accumulated depreciation for:				
Structures	(19,222,477)	(4,111,517)	43,690	(23,290,304)
Equipment	(22,273,957)	(2,965,891)	3,971,517	(21,268,331)
Infrastructure	(135,081,302)	(6,707,357)	775,173	(141,013,486)
	(176,577,736)	(13,784,765)	4,790,380	(185,572,121)
Net Capital Assets	$ 2,254,249,660	$ 23,049,502	$ (4,156,922)	$ 2,273,142,240

Governmental Activities capital assets net of accumulated depreciation at June 30, 2014 are comprised of the following:

General Capital Assets, net	$ 2,260,553,896
Internal Service Fund Capital Assets, net	12,588,344
	$ 2,273,142,240

Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2014
Non-depreciable:				
Land and rights of way	$ 2,219,450	$ -	$ -	$ 2,219,450
Work in progress	4,860,579	5,611,025	(4,744,785)	5,726,819
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	140,191	-	-	140,191
Infrastructure	162,176,223	6,210,608	(487,064)	167,899,767
	170,084,839	11,821,633	(5,231,849)	176,674,623
Less accumulated depreciation for:				
Structures	(157,204)	(14,797)	-	(172,001)
Equipment	(49,924)	(10,368)	-	(60,292)
Infrastructure	(58,700,576)	(2,150,376)	357,144	(60,493,808)
	(58,907,704)	(2,175,541)	357,144	(60,726,101)
Net Capital Assets	$ 111,177,135	9,646,092	(4,874,705)	$ 115,948,522

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

	Governmental Activities*	Business-type Activities
General government	$ 2,986,452	$ -
Public safety	1,530,379	-
Public works	7,105,085	-
Community development	103,705	-
Community service	2,059,144	-
Water	-	1,573,373
Wastewater	-	602,168
	$ 13,784,765	$ 2,175,541

*Internal Service Fund depreciation of $2,482,841 is allocated to governmental functions above.

(6) Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of participation payable	$ 122,230,000	$ -	$ (2,775,000)	$ 119,455,000	$ 2,860,000
Bond premium	843,871	-	(120,553)	723,318	120,553
Pre-annexation agreement	4,800,000	-	(1,200,000)	3,600,000	1,200,000
CDBG loan	1,578,000	-	(116,000)	1,462,000	123,000
Workers' compensation payable	16,556,000	384,055	(2,984,055)	13,956,000	2,730,836
Claims and judgments payable	7,184,415	9,955,647	(7,247,697)	9,892,365	5,240,695
Compensated absences	9,184,592	2,362,853	(2,111,953)	9,435,492	1,996,561
Early Retirement Incentive Program (see note 11)	960,396	-	(960,396)	-	-
Total governmental activities	$ 163,337,274	$ 12,702,555	$ (17,515,654)	$ 158,524,175	$ 14,271,645

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

Governmental Activities

- Certificates of Participation

In Fiscal Year 2010-11, the City issued $20,085,000 of Series 2010A (Tax Exempt) and $106,575,000 of Series 2010B (Federally Taxable Direct Pay Build America Bonds) Certificates of Participation. The 2010A Certificates were issued to prepay the $3,990,000 principal outstanding on the 1998 Library Certificates of Participation. 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 were applied to pay certain costs of issuance incurred in connection with the Certificates.

The lease payments made by the City are held by a trustee who makes semi-annual payments on the Certificates of Participation. The lease payments began January 1, 2011, and are in amounts sufficient to cover the payment of principal and interest of the Certificates. Interest on the Certificates is payable semiannually on January 1 and July 1 of each year. The 2010A Certificates carry interest rates from 2.00% to 4.00%, while the 2010B Certificates interest rates range from 4.45% to 7.17%. The City has designated the Series 2010B Certificates as “Build America Bonds” (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009. Thus, the City receives refundable credits from the United States Treasury on the interest paid on the 2010B Certificates. As of June 30, 2014 the City has received $6,446,017 of BABs Subsidy from the United States Treasury and expects to receive subsidy equal to about 32% on future interest payable on the 2010B Certificates. 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, 2014 amounted to $119,455,000.

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

Year Ending June 30	Principal	Interest	Total
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	3,310,000	7,204,077	10,514,077
2020-2023	12,910,000	24,004,957	36,914,957
2024-2027	14,425,000	24,510,677	38,935,677
2028-2031	17,240,000	20,187,631	37,427,631
2032-2035	20,620,000	14,933,453	35,553,453
2036-2039	24,740,000	8,595,866	33,335,866
2040-2041	14,165,000	1,534,669	15,699,669
	$ 119,455,000	$ 131,049,798	$ 250,504,798

- 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, 2014, amounted to $3,600,000.

- 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 $123,000 to $208,000 through June 30, 2023. The outstanding balance at June 30, 2014, amounts to $1,462,000.

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

Year Ending June 30	Principal	Interest	Total
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	160,000	50,306	210,306
2020-2023	756,000	95,596	851,596
	$ 1,462,000	$ 430,476	$ 1,892,476

- 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, 2014, 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, 2014, for general liability amounted to $9,892,365 and for workers' compensation was $13,956,000.

- 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, 2014, is $9,435,492.
  .

- 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. As of June 30, 2014 there is no outstanding obligation. See Note (11).

(7) Limited Obligation Bonds

Special Assessment Districts Bonds

The City has issued certain Assessment District and Community Facilities District Bonds. Although the City collects and disburses funds for these districts, the City has no obligation or duty to pay any delinquency out of any available funds of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds, and therefore the bonded indebtedness is not shown in the financial statements of the City. The City holds reserve funds on behalf of bondholders; and the assets are recorded in the Special Assessment Agency Fund. Bonds outstanding at June 30, 2014, for each district under the Bond Acts of 1911 and 1915, and other special assessments, are as follows:

Assessment District	Original Issue	Bonds Outstanding June 30, 2014
Reassessment District 2012	$13,583,436	$12,216,670
No. 95-1 CIOSA Refunding Series A	$15,495,000	$ 3,190,000

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

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

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

Type of Coverage	Self-Insured Retention (SIR)	Coverage Limits
General Liability	$500,000	$25,000,000
Workers' Compensation	$500,000	Statutory

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

The Insurance Reserve fund was established to account for costs associated with general liability and workers' compensation. The Insurance Reserve fund is accounted for as an internal service fund where assets are set aside for risk management,

administration, claim settlements and benefit distribution. A premium is charged to each fund that accounts for part-time or full-time employees. The total charge allocated to each of the funds is calculated using trends in actual experience after considering unexpected and unusual claims.

Fund liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of payouts and other economic and social factors. The total liability claims payable includes $23,848,365, which represents the discounted present value at June 30, 2014. The claims are discounted using an interest rate of three percent.

	General Liability		Workers' Compensation	
	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014
Unpaid claims, beginning of fiscal year	$ 4,320,573	$ 7,184,415	$ 15,676,780	$ 16,556,000
Incurred claims (including IBNR)	7,482,922	9,955,647	2,490,628	384,055
Claim payments	(4,619,080)	(7,247,697)	(1,611,408)	(2,984,055)
Unpaid claims, end of fiscal year	$ 7,184,415	$ 9,892,365	$ 16,556,000	$ 13,956,000

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 $90,172,551 at June 30, 2014.

(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 the PERS annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

The City of Newport Beach 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

The City contracts with the employee bargaining units all include pension cost sharing provisions. All Tiers 1, 2 and 3 participant contributions to PERS and to the City are shown in the table below. Benefit provisions and all other requirements are established by State statues and City contract with employee bargaining groups.

As of 6/30/14									
Bargaining Unit	Tier I			Tier II			Tier III		
	EE Contribution to PERS	EE Contribution to City	EE Contribution TOTAL	EE Contribution to PERS	EE Contribution to City	EE Contribution TOTAL	EE Contribution to PERS	EE Contribution to City	EE Contribution TOTAL
Miscellaneous									
CEA, Prof Tech, League, Key & Mgmt, City Manager, City Clerk, City Atty	8.00%	1.45%	9.45%	7.00%	2.45%	9.45%	6.25%	3.20%	9.45%
PTEANB (part time unit)	8.00%	1.45%	9.45%	7.00%	2.45%	9.45%	6.25%	3.20%	9.45%
Firefighters Association (Miscellaneous)	8.00%	1.45%	9.45%	7.00%	2.45%	9.45%	6.25%	3.20%	9.45%
Police Association (Miscellaneous)	8.00%	0.00%	8.00%	7.00%	0.00%	7.00%	6.25%	0.00%	6.25%
Safety									
Police Management Association	9.00%	3.802%	12.80%	9.00%	3.802%	12.80%	11.25%	1.552%	12.80%
Police Association (Safety)	9.00%	3.10%	12.10%	9.00%	3.10%	12.10%	11.25%	0.85%	12.10%
Fire Management (FMA) and Lifeguard Management (LMA)	9.00%	0.00%	9.00%	9.00%	0.00%	9.00%	11.25%	0.00%	11.25%
Firefighters Association (FA)	9.00%	0.00%	9.00%	9.00%	0.00%	9.00%	11.25%	0.00%	11.25%
Fire Chief/Assistant Chiefs	9.00%	0.00%	9.00%	9.00%	0.00%	9.00%	11.25%	0.00%	11.25%
Police Chief/Assistant Chief	9.00%	3.802%	12.80%	9.00%	3.802%	12.80%	11.25%	1.552%	12.80%

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, 2013 to June 30, 2014, has been determined by an actuarial valuation of the plan as of June 30, 2011. The contribution rate indicated for the period is 14.686% for non-safety employees and 39.309% 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, 2014, the contribution rate is multiplied by the payroll of covered employees that were paid during the period from July 1, 2013 to June 30, 2014.

Annual Pension Cost

For 2014, the City's annual pension cost of $19,424,095 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:

	Miscellaneous Plan	Safety Plan
Valuation Date	June 30, 2011	June 30, 2011
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Average Remaining Period	26 Years as of the Valuation Date	31 Years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market	15-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.50% (net of administrative expenses)	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on age, service, and type of employment	3.30% to 14.20% depending on age, service, and type of employment
Inflation Rate	2.75%	2.75 %
Payroll Growth	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% 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.

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12			
Misc.	$6,385	100%	$0
Safety	$11,633	100%	$0
Total	$18,018	100%	$0
6/30/13			
Misc.	$6,683	100%	$0
Safety	$11,463	100%	$0
Total	$18,146	100%	$0
6/30/14			
Misc.	$6,829	100%	$0
Safety	$12,595	100%	$0
Total	$19,424	100%	$0

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.

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	Market Value		
	(A)	(B)	(A - B)	(B/A)		(C)	[(A-B) / C]
6/30/2011							
Misc.	$ 287,109	$ 228,755	$ 58,354	79.7%	71.2%	$ 40,787	143.070%
Safety	405,879	295,076	110,803	72.7%	64.8%	28,820	384.466%
Total	$ 692,988	$ 523,831	$ 169,157	75.6%	67.4%	$ 69,607	243.017%
6/30/2012							
Misc.	$ 302,007	$ 238,870	$ 63,137	79.1%	66.3%	$ 39,975	157.941%
Safety	424,869	302,366	122,503	71.2%	59.3%	28,440	430.742%
Total	$ 726,876	$ 541,236	$ 185,640	74.5%	62.2%	$ 68,415	271.344%
6/30/2013							
Misc.	$ 316,857	$ 222,108	$ 94,749	70.1%	70.1%	$ 38,408	246.691%
Safety	437,688	274,485	163,203	62.7%	62.7%	28,759	567.485%
Total	$ 754,545	$ 496,593	$ 257,952	65.8%	65.8%	$ 67,167	384.046%

Beginning with 6/30/2013, Market Value and Actuarial Value of Assets (AVA) are equal due to CalPERS Direct Smoothing Rate Policy.

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, including establishing and amending contribution requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council resolved to match the employees' contributions of 3.75%. The City's contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2014, the City's covered payroll for employees participating in the plan was $2,794,662. Employees made contributions of $104,800 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled $2,180,760 at June 30, 2014.

(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 Absences, 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. There is no outstanding obligation at June 30, 2014.

(12) 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, except for the Public Employees' Medical and Hospital Care Act ("PEMHCA") minimum which is the responsibility of the City.

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

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

Total participants involved in the plan are 1,397 as of June 30, 2014, consisting of 451 miscellaneous employees, 258 safety employees, and 688 retirees and/or termed and their beneficiaries. Copies of the 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 dependent'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.

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, 2013
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:	3.0% 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:	2.8% per year
Health Care Cost Trend Rate:	7.5% grading down to 5.0%

Annual Required Contribution (ARC)

The 2013-14 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 Contributiion	Current Year OPEB Obligation (Asset)	Percentage Contributed	Annual Covered Payroll	ARC As a % of Payroll	Ending Balance
2013-14									
Cash Subsidy	$ -	$ 3,381	$ 3,381	$ 4,881	(1,500)	144%	$ 65,193	5.2%	(1,500)
Net OPEB Obligation (Asset)	$ -	$ 3,381	$ 3,381	$ 4,881	$ (1,500)	144%	$ 65,193	5.2%	$ (1,500)

[1] AOC is equal to the ARC adjusted for interest and amoritization of the NOO.

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 Net OPEB Obligation (NOO) (Asset) Trend

The NOO (Asset) is the historical difference between the ARC and actual contributions. If the City always contributes the entire ARC, then the NOO (Asset) 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, 2014, NOO (Asset) is determined as follows (in 000's):

Fiscal Year	July 1, NOO	AOC	Prefunding Contributions & Benefit Payments	June 30, NOO (Asset)
2011-12				
Cash Subsidy	$ -	$ 2,614	$ (2,614)	$ -
Implied Subsidy	8,484	-	(8,484) [1]	-
Total	$ 8,484	$ 2,614	$ (11,098)	$ -
2012-13				
Cash Subsidy	$ -	$ 2,806	$ (2,806)	$ -
Implied Subsidy	-	-	[2]	-
Total	$ -	$ 2,806	$ (2,806)	$ -
2013-14				
Cash Subsidy	$ -	$ 3,381	$ (4,881)	$ (1,500)
Implied Subsidy	-	-		-
Total	$ -	$ 3,381	$ (4,881)	$ (1,500)

1 - 2011-2012 estimated implied subsidy
2 - 2012-2013 full amortization for NOO and interest on NOO

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 2013-14 AOC is determined as follows (in 000's):

	ARC	Interest on NOO	Amortization of NOO	Total AOC	AOC as % of Payroll
Cash Subsidy	$3,381	$ -	$ -	$ 3,381	5.2%
Implied Subsidy	-	-	-	-	0.0%
Total	$3,381	$ -	$ -	$ 3,381	5.2%

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 ($ Amounts in thousands).

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded AAL (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2010						
Cash Subsidy	$34,707	$ 7,476	$27,231	21.5%	$68,112	40.0%
Implied Subsidy	-	-	-	0.0%	$68,112	0.0%
Total	$34,707	$7,476	$27,231	21.5%	$68,112	40.0%
6/30/2011						
Cash Subsidy	$35,922	$ 7,889	$28,033	22.0%	$70,326	39.9%
Implied Subsidy	-	-	-	0.0%	$70,326	0.0%
Total	$35,922	$7,889	$28,033	22.0%	$70,326	39.9%
6/30/2013						
Cash Subsidy	$35,564	$ 9,979	$25,585	28.0%	$65,193	39.0%
Implied Subsidy	-	-	-	0.0%	$65,193	0.0%
Total	$35,564	$9,979	$25,585	28.0%	$65,193	39.0%

(13) Interfund Receivables and Payables

At June 30, 2014, interfund advances receivable and payable were as follows:

	Advance from	Advance To
General Fund	$15,809,559	$ -
Tide and Submerged Land - Harbor Capital Fund	-	15,809,559
Total	$15,809,559	$15,809,559

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, 2014, interfund receivables and payable were as follows:

	Due from	Due to
General Fund	$ 6,611,724	$ -
Facilities Financing Plan	5,548,603	-
Civic Center COP	-	5,548,603
Marina Park		5,496,102
Internal Service Funds	-	989,488
Nonmajor Funds	-	126,134
Total	$ 12,160,327	$ 12,160,327

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

(14) Interfund Transfers

Interfund transfers at June 30, 2014, consisted of the following:

		Transfers In						
		General Fund	Tide and Submerged Land - Operating	Facilities Financial Planning Reserve	Civic Center COP	Internal Service Fund	Non-Major Funds	Total
Transfers Out	General Fund	$ -	$ 4,527,351	$ 9,116,831	$ -	$ 6,120,000	$ 1,422,075	$ 21,186,257
	Facilities Financial Planning Reserve	100,000	-	-	9,398,500	-	15,826,269	25,324,769
	Internal Service Fund	-	-	-	-	2,000,000	98,444	2,098,444
	Non-Major Funds	463,552	4,735	-	-	-	265,970	734,257
	Total	$ 563,552	$ 4,532,086	$ 9,116,831	$ 9,398,500	$ 8,120,000	$ 17,612,758	$ 49,343,727

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred $4,527,351 to subsidize the maintenance and operation of the Tide and Submerged Land-Operating Fund; $8,000,000 to the Facilities Financial Planning Reserve Fund to cash fund construction projects for General Fund supported facilities; another $1,116,831 to the Facilities Financial Planning Reserve Fund due to reclassification of certain reserves from the General Fund to the Facilities Financial Planning Reserve Fund; $1,500,000 to the Equipment Maintenance Fund to fund for 800 MHz radios and infrastructure; $1,500,000 to the Retiree Insurance Fund to accelerate payments on retiree insurance unfunded liability; $3,000,000 to the General Liability Fund to mitigate certain liabilities; $120,000 to Information Technology Fund for additional Police CAD/RMS hardware and interface software; and $1,422,075 to non-major funds which includes $1,250,000 to fund Facilities Maintenance, $100,000 for the rehabilitation of the Lifeguard Headquarters and, $72,074 to the Contributions Fund for bike lane design which were not eligible for grant reimbursement.

The Facilities Financial Planning Reserve Fund transferred $100,000 to the General Fund to help fund old City Hall reuse plans; $4,000,000 to the Civic Center and Park Fund for Civic Center construction, as well as furniture fixtures and equipment; $9,398,500 to the Civic Center COP Fund for the debt service payments related to the Civic Center Certificates of Participation; $9,000,000 to the Sunset Ridge Park Fund to cash fund design and construction of Sunset Ridge Park; $2,276,269 to the Lifeguard Headquarters Fund for the rehabilitation of the Lifeguard Headquarters; $250,000 to the Fire Station Fund for projects related to Fire Stations; and $300,000 to the Strategic Planning Fund for concept development needed to further refine the Major Facilities Financing Plan.

The Circulation and Transportation Fund transferred $80,000 to the General Fund for administrative costs, and $94,676 to the CIOSA Construction Fund for debt service. As required by the pre-annexation agreement, $40,963 of interest accrued in the Newport

Coast Annexation fund was transferred to the General Fund. The Combined Transportation Fund transferred $171,296 to the Circulation and Transportation fund to reimburse the fund for expenditures inadvertently charged to the Circulation and Transportation fund. In addition, $342,589 was transferred from the Miscellaneous Santa Ana Heights Projects Fund to the General Fund to reimburse the General Fund for inception to date project management fees. The Contributions fund transferred $4,735 to the Tide and Submerged Land-Operating fund to reimburse the fund for expenditures inadvertently charged to the Tide and Submerged Land-Operating Fund.

The Equipment Maintenance Fund transferred $2,000,000 to the Information Technology Fund to support IT strategic investments, and $98,444 to the Air Quality Management District Fund for their portion of proceeds from the sale of CNG refuse trucks.

(15) 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, 2014, the contributions from property owners have been fully spent and no funds are held in trust as cash with fiscal agent. The City does not make any annual contributions to this joint venture. The City does not include the Authority as a component unit, as the City is not financially accountable for the Authority's activities and the Authority is not fiscally dependent on the City. The City's equity interest in this joint venture is not readily determinable. Complete separate financial statements can be obtained at the Newport Mesa Unified School District, 2985 Bear Street, Suite 8M, Costa Mesa, California.

Metro Cities Fire Authority

The City of Newport Beach is a member of a joint venture agreement with the cities of Anaheim, Fountain Valley, Fullerton, Garden Grove, Huntington Beach, and Orange for the operation of a communication network to provide fire suppression, emergency medical assistance, and rescue services. The oversight board consists of one voting member and one alternate appointed by the governing body of each member agency. The City of Newport Beach's costs are based each fiscal year upon the number of recorded incidents attributable to the City divided by the recorded incidents attributable to all members during the year and, are recorded in the General Fund as an expenditure

for service. Upon termination of the agreement, the proceeds from the sale of the property and assets of the joint venture will be paid to each member agency pursuant to their fair share percentage. Annually, the amounts paid by the City to this joint venture are approximately $486,952. The City's 10.02% interest in the net equity of this joint venture at June 30, 2014, amounts to $188,937. 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 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, 2014. 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.

(16) 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, 2014, the City received $189,352 of Fair Share Fees, and $94,676 was paid to the CIOSA Construction capital projects fund. Through June 30, 2014, $4,874,741 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 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, 2014 was $3.6 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 September 27, 2011 and subsequently amended on January 28, 2014 extending the agreement through December 31, 2024. The City pays VNB 18% of the Total Transient Occupancy Tax collected during the fiscal year. For the Fiscal Year ending June 30, 2014, the City paid VNB $3,994,173.

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
MARINA PARK	$ 26,385,550	$ 2,493,654	$ 22,504,793
SUNSET RIDGE PARK	$ 8,730,796	$ 3,098,894	$ 3,517,378
MARINA PARK	$ 6,132,900	$ 2,931,175	$ 1,793,284
PARK AVE BRIDGE RPLCMNT	$ 810,264	$ 165,391	$ 644,943

(17) 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, 2014, is classified as follows:

Govermental Fund Balance

							Non-Major Governmental Funds			
	General	Tide and Submerged Land Operating	Tide and Submerged Land Harbor Capital	Facilities Financial Planning Reserve	Marina Park	Civic Center COP	Special Revenue Funds	Capital Project Funds	Permanent Funds	Totals
Nonspendable:										
Prepaid items (legally restricted)	$ 283,448	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 283,448
Inventories (legally restricted)	223,492	-	-	-	-	-	-	-	-	223,492
Long-term loan receivable (form restricted)	15,809,559	-	-	-	-	-	-	-	-	15,809,559
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:										
Affordable housing	2,966,896	-	-	-	-	-	-	-	-	2,966,896
Oceanfront encroachment	972,855	-	-	-	-	-	-	-	-	972,855
Upper Newport bay restoration	-	430,626	-	-	-	-	-	-	-	430,626
Streets and highways	-	-	-	-	-	-	3,056,278	-	1,075,663	4,131,941
Public safety	-	-	-	-	-	-	1,729,458	-	-	1,729,458
Parks	-	-	-	982,071	-	-	-	-	-	982,071
Transportation	-	-	-	-	-	-	171,375	-	-	171,375
Air quality improvement	-	-	-	-	-	-	873,658	-	-	873,658
Environmental liability mitigation	-	-	-	-	-	-	5,208,561	-	-	5,208,561
Libraries	-	-	-	-	-	-	-	-	186,191	186,191
Scholarships	-	-	-	-	-	-	-	-	225,670	225,670
Debt service	-	-	-	-	-	2,352,746	-	-	-	2,352,746
Capital re-appropriations	-	2,013,027	-	-	-	-	10,851,285	826,984	-	13,691,296
Encumbrance reserve	-	586,067	-	-	-	-	2,591,560	82,570	-	3,260,197
Committed:										
Facilities replacement	-	-	-	10,623,999	-	-	-	-	-	10,623,999
Facilities maintenance	-	-	-	-	-	-	-	1,939,863	-	1,939,863
Civic center and park	-	-	-	-	-	-	-	1,834,130	-	1,834,130
Sunset ridge park	-	-	-	-	-	-	-	270,591	-	270,591
Fire Station	-	-	-	-	-	-	-	239	-	239
Oil and gas liabilities	-	480,000	-	-	-	-	-	-	-	480,000
In-lieu & off-street parking	73,288	-	-	-	-	-	-	-	-	73,288
Bicycle Safety	167,857	-	-	-	-	-	-	-	-	167,857
Cable franchise reserve	476,616	-	-	-	-	-	-	-	-	476,616
Neighborhood enhancement	444,304	-	-	-	-	-	-	-	-	444,304
Capital re-appropriations	6,026,110	-	-	-	-	-	-	504,990	-	6,531,100
Encumbrance reserve	5,594,060	-	-	-	-	-	-	3,859,578	-	9,453,638
Assigned:										
Recreation and senior services	1,272,387	-	-	-	-	-	-	-	-	1,272,387
Fair value Adjustment Reserve	53,783	-	-	-	-	-	-	-	-	53,783
Unassigned:	51,015,820	-	(7,942,501)	-	(6,239,052)	-	(109,021)	(1,395)	-	36,723,851
Total fund balances	$85,380,475	$ 3,509,720	$ (7,942,501)	$ 11,606,070	$ (6,239,052)	$2,352,746	$ 24,373,154	$ 9,317,549	$6,117,305	$128,475,465

(18) Net Position/Fund Balance Restatement

During the current year it was discovered that rental property income accrued in the prior year was related to the current fiscal year. The restatement affected the beginning net position in the government-wide statements and the fund balance of the Tide and Submerged Land – Operating Fund as follows:

	Governmental Activties	Tide and Submerged Land - Operating
Beginning of the year, as previously reported		
Net position	$2,274,883,882	$ -
Fund balance	-	2,519,190
Adjustments:		
To adjust prior year fund balances in conformity with GAAP	(518,067)	(518,067)
Net position at July 1, 2013, as restated	$2,274,365,815	$ -
Fund balance at July 1,2013, as restated	$ -	$ 2,001,123

(19) Subsequent Events

Sale of Property

On July 22, 2014, the City Council approved execution of a Purchase and Sale Agreement and Escrow Instructions with Kobe, Inc. for disposition of the City property located at 1499 Monrovia Avenue for a sale price of $5.8 million. The $5.8 million sale price was the highest bid received and exceeded the City's purchase price of $4.3 million and the appraised value conducted prior to the City's acquisition of the site in 2012. Escrow successfully closed on this transaction on October 1, 2014 and ownership of the property was transferred to Kobe, Inc.

Property Acquisition

On August 12, 2014, the City Council approved execution of a Purchase and Sale Agreement for acquisition of real property from Lido Pacific, LLC, for the purchase of 3201 Newport Boulevard and 3204 Marcus Avenue for a sale price of $6.35 million. The properties will be used for the Newport Boulevard and 32nd Street Modification project. The City used Orange County Transportation Authority (OCTA) Measure M competitive grant funds to pay a portion of the acquisition price. Escrow successfully closed on this transaction on October 7, 2014 and ownership of the property was transferred to the City.

Developer Contributions

On October 29, 2014, the City received a $19.4 million developer contribution payment from The Irvine Company, LLC related to the North Newport Center Development Agreement. This payment represents the Public Benefit Fee for the development and was triggered by the issuance of building permits for the residential units authorized for development within the property.

California Public Employees Retirement System (PERS) Fresh Start

On November 25, 2014, the City Council approved to employ a “fresh start” resetting the amortization of the City’s unfunded pension liability to 19 years for both the Safety and Miscellaneous pension plans. The program amended the 2014-15 budget to provide for the additional $6.6 million year one cost.

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

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

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

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

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

The ***Strategic Planning Fund*** is used to account for expenditures for study and concept development needed to further refine the 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
Other Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue			
	State Gas Tax	**Asset Forfeiture**	**OTS DUI Grant**	**Circulation and Transportation**
Assets				
Cash and investments	$ 6,303,079	$ 1,360,054	$ -	$ 951,391
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	109,021	-
Total assets	$ 6,303,079	$ 1,360,054	$ 109,021	$ 951,391
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 218,028	$ 26,428	-	$ -
Unearned revenue	-	-	-	-
Due to other funds	-	-	109,021	-
Total liabilities	218,028	26,428	109,021	-
Deferred inflows of resources:				
Unavailable revenue	-	-	109,021	-
Fund balances (deficits):				
Nonspendable:				
Permanent Endowment	-	-	-	-
Restricted:	6,085,051	1,333,626	-	951,391
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	(109,021)	-
Total fund balances (deficits)	6,085,051	1,333,626	(109,021)	951,391
Total liabilities, deferred inflows of resources and fund balances	$ 6,303,079	$ 1,360,054	$ 109,021	$ 951,391

Special Revenue			
Building Excise Tax	Combined Transportation	Community Development Block Grant	Air Quality Management District
$ 420,192	$ 3,420,739	$ -	$ 873,658
-	-	-	-
-	775,667	30,641	-
$ 420,192	$ 4,196,406	$ 30,641	$ 873,658
$ -	$ 234,362	$ 22,481	$ -
-	74,231	-	-
-	-	8,160	-
-	308,593	30,641	-
-	401,344	-	-
-	-	-	-
420,192	3,486,469	-	873,658
-	-	-	-
-	-	-	-
-	-	-	-
420,192	3,486,469	-	873,658
$ 420,192	$ 4,196,406	$ 30,641	$ 873,658

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2014
(continued)

	Special Revenue			
	Environmental Liability	**Supplemental Law Enforcement**	**Newport Coast Annexation**	**Prop 1B Transportation**
Assets				
Cash and investments	$ 5,220,529	$ -	$ 3,602,822	$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	7,558	-	-
Total assets	$ 5,220,529	$ 7,558	$ 3,602,822	$ -
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 11,968	$ -	$ 2,822	$ -
Unearned revenue	-	-	-	-
Due to other funds	-	7,558	-	-
Total liabilities	11,968	7,558	2,822	-
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Permanent Endowment	-	-	-	-
Restricted:	5,208,561	-	3,600,000	-
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	-	-
Total fund balances (deficits)	5,208,561	-	3,600,000	-
Total liabilities, deferred inflows of resources and fund balances	$ 5,220,529	$ 7,558	$ 3,602,822	$ -

Special Revenue	Capital Projects		
Contributions	Assessment District	CIOSA Construction	Fire Station
$ 2,019,946	$ 910,338	$ -	$ 249,759
365,885	-	-	-
2,471,597	-	-	-
$ 4,857,428	$ 910,338	$ -	$ 249,759
$ 74,687	$ 784	$ -	$ -
645,812	-	-	-
-	-	-	-
720,499	784	-	-
1,613,702	-	-	-
-	-	-	-
2,523,227	909,554	-	-
-	-	-	249,759
-	-	-	-
-	-	-	-
2,523,227	909,554	-	249,759
$ 4,857,428	$ 910,338	$ -	$ 249,759

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2014
(continued)

	Capital Projects			
	Facilities Maintenance	**Misc SAH Projects**	**Civic Center and Park**	**Sunset Ridge Park**
Assets				
Cash and investments	$ 2,242,177	$ 1,304,107	$ 1,878,812	$ 4,996,183
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Total assets	$ 2,242,177	$ 1,304,107	$ 1,878,812	$ 4,996,183
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 568	$ 40,061	$ 1,008,214
Unearned revenue	-	1,303,539	-	-
Due to other funds	-	-	-	-
Total liabilities	-	1,304,107	40,061	1,008,214
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
Fund balances (deficits):				
Nonspendable:				
Permanent Endowment	-	-	-	-
Restricted:	-	-	-	-
Committed:	2,242,177	-	1,838,751	3,987,969
Assigned:	-	-	-	-
Unassigned:	-	-	-	-
Total fund balances (deficits)	2,242,177	-	1,838,751	3,987,969
Total liabilities, deferred inflows of resources and fund balances	$ 2,242,177	$ 1,304,107	$ 1,878,812	$ 4,996,183

Capital Projects		
Strategic Planning	**Lifeguard Headquarters**	**Misc Facilities Financing**
$ 56,872	$ 275,552	$ -
-	-	-
-	-	-
$ 56,872	$ 275,552	$ -
$ -	$ 241,690	$ -
-	-	-
-	-	1,395
-	241,690	1,395
-	-	-
-	-	-
-	-	-
56,872	33,862	-
-	-	-
-		(1,395)
56,872	33,862	(1,395)
$ 56,872	$ 275,552	$ -

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Balance Sheet
June 30, 2014
(continued)

	Permanent Fund		
	Bay Dredging	**Ackerman Donation**	**Total Other Governmental Funds**
Assets			
Cash and investments	$ 4,932,663	$ 1,186,142	$ 42,205,015
Receivables:			
Accounts (net of allowance)	-	-	365,885
Intergovernmental receivables	-	-	3,394,484
Total assets	$ 4,932,663	$ 1,186,142	$ 45,965,384
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ -	$ 1,500	$ 1,883,593
Unearned revenue	-	-	2,023,582
Due to other funds	-	-	126,134
Total liabilities	-	1,500	4,033,309
Deferred inflows of resources:			
Unavailable revenue	-	-	2,124,067
Fund balances (deficits):			
Nonspendable:			
Permanent Endowment	3,857,000	772,781	4,629,781
Restricted:	1,075,663	411,861	26,879,253
Committed:	-	-	8,409,390
Assigned:	-	-	-
Unassigned:	-	-	(110,416)
Total fund balances (deficits)	4,932,663	1,184,642	39,808,008
Total liabilities, deferred inflows of resources and fund balances	$ 4,932,663	$ 1,186,142	$ 45,965,384

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CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year ended June 30, 2014

	Special Revenue		
	State Gas Tax	**Asset Forfeiture**	**OTS DUI Grant**
Revenues:			
Other taxes	$ -	$ -	$ -
Intergovernmental	2,619,748	257,694	163,552
Licenses, permits and fees	-	-	-
Investment income	55,550	11,085	-
Net increase in fair value of investments	6,051	1,314	-
Donations	-	-	-
Other	-	-	-
Total revenues	2,681,349	270,093	163,552
Expenditures:			
Current:			
Public safety	-	377,397	221,768
Public works	-	-	-
Community development	-	-	-
Capital outlay	3,461,802	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	3,461,802	377,397	221,768
Excess (deficiency) of revenues over expenditures	(780,453)	(107,304)	(58,216)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(780,453)	(107,304)	(58,216)
Fund balances (deficits), beginning	6,865,504	1,440,930	(50,805)
Fund balances (deficits), ending	$ 6,085,051	$ 1,333,626	$ (109,021)

Special Revenue				
Circulation and Transportation	Building Excise Tax	Combined Transportation	Community Development Block Grant	Air Quality Management District
$ -	$ -	$ -	$ -	$ -
-	-	3,071,094	328,276	106,573
189,352	269,105	-	-	-
4,554	2,223	25,636	-	5,382
839	404	3,560	-	743
961,685	-	-	-	-
-	-	-	-	-
1,156,430	271,732	3,100,290	328,276	112,698
-	-	-	-	-
-	-	-	-	6,259
-	-	-	123,554	-
2,705	285,128	1,319,737	-	-
-	-	-	116,000	-
-	-	-	88,722	-
2,705	285,128	1,319,737	328,276	6,259
1,153,725	(13,396)	1,780,553	-	106,439
171,295	-	-	-	98,444
(174,676)	-	(171,295)	-	-
(3,381)	-	(171,295)	-	98,444
1,150,344	(13,396)	1,609,258	-	204,883
(198,953)	433,588	1,877,211	-	668,775
$ 951,391	$ 420,192	$ 3,486,469	$ -	$ 873,658

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014
(continued)

	Special Revenue			
	Environmental Liability	**Supplemental Law Enforcement**	**Newport Coast Annexation**	**Prop 1B Transportation**
Revenues:				
Other taxes	$ 540,856	$ -	$ -	$ -
Intergovernmental	-	159,560	-	693,000
Licenses, permits and fees	-	-	-	-
Investment income	38,410	-	36,315	-
Net increase in fair value of investments	4,981	-	4,648	-
Donations	-	-	-	-
Other	30,092	-	-	-
Total revenues	614,339	159,560	40,963	693,000
Expenditures:				
Current:				
Public safety	-	159,560	-	-
Public works	137,921	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	5,556
Debt service:				
Principal	-	-	1,200,000	-
Interest and fiscal charges	-	-	-	-
Total expenditures	137,921	159,560	1,200,000	5,556
Excess (deficiency) of revenues over expenditures	476,418	-	(1,159,037)	687,444
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(40,963)	-
Total other financing sources (uses)	-	-	(40,963)	-
Net change in fund balances	476,418	-	(1,200,000)	687,444
Fund balances (deficits), beginning	4,732,143	-	4,800,000	(687,444)
Fund balances (deficits), ending	$ 5,208,561	$ -	$ 3,600,000	$ -

Special Revenue	Capital Projects		
Contributions	Assessment District	CIOSA Construction	Fire Station
$ -	$ -	$ -	$ -
3,074,874	-	-	-
-	-	-	-
30,750	7,063	-	270
3,783	349	-	239
-	-	-	-
-	-	-	-
3,109,407	7,412	-	509
-	-	-	-
-	75,448	-	-
-	-	-	-
1,677,666	-	94,676	750
-	-	-	-
-	-	-	-
1,677,666	75,448	94,676	750
1,431,741	(68,036)	(94,676)	(241)
72,074	-	94,676	250,000
(4,735)	-	-	-
67,339	-	94,676	250,000
1,499,080	(68,036)	-	249,759
1,024,147	977,590	-	-
$ 2,523,227	$ 909,554	$ -	$ 249,759

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014
(continued)

	Capital Projects			
	Facilities Maintenance	**Misc SAH Projects**	**Civic Center and Park**	**Sunset Ridge Park**
Revenues:				
Other taxes	$ -	$ -	$ -	$ -
Intergovernmental	-	1,768,228	-	-
Licenses, permits and fees	-	-	-	-
Investment income	8,045	10,982	44,823	7,234
Net increase in fair value of investments	2,154	318	1,743	4,789
Donations	-	-	-	-
Other	-	-	-	-
Total revenues	10,199	1,779,528	46,566	12,023
Expenditures:				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	13,178	1,417,843	7,979,367	3,098,894
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	7,641	-
Total expenditures	13,178	1,417,843	7,987,008	3,098,894
Excess (deficiency) of revenues over expenditures	(2,979)	361,685	(7,940,442)	(3,086,871)
Other financing sources (uses):				
Transfers in	1,250,000	-	4,000,000	9,000,000
Transfers out	-	(342,588)	-	-
Total other financing sources (uses)	1,250,000	(342,588)	4,000,000	9,000,000
Net change in fund balances	1,247,021	19,097	(3,940,442)	5,913,129
Fund balances (deficits), beginning	995,156	(19,097)	5,779,193	(1,925,160)
Fund balances (deficits), ending	$ 2,242,177	$ -	$ 1,838,751	$ 3,987,969

Capital Projects		
Strategic Planning	**Lifequard Headquarters**	**Misc Facilities Financing**
$ -	$ -	$ -
-	-	-
-	-	-
168	1,337	-
56	270	-
-	-	-
-	-	-
224	1,607	-
-	-	-
-	-	-
-	-	-
133,480	2,168,903	1,395
-	-	-
-	-	-
133,480	2,168,903	1,395
(133,256)	(2,167,296)	(1,395)
300,000	2,376,269	-
-	-	-
300,000	2,376,269	-
166,744	208,973	(1,395)
(109,872)	(175,111)	-
$ 56,872	$ 33,862	$ (1,395)

(continued)

CITY OF NEWPORT BEACH
Other Governmental Funds
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014
(continued)

	Permanent Funds		
	Bay Dredging	**Ackerman Donation**	**Total Other Governmental Funds**
Revenues:			
Other taxes	$ -	$ -	$ 540,856
Intergovernmental	-	-	12,242,599
Licenses, permits and fees	-	-	458,457
Investment income	38,212	9,204	337,243
Net increase in fair value of investments	4,735	1,139	42,115
Donations	-	-	961,685
Other	-	-	30,092
Total revenues	42,947	10,343	14,613,047
Expenditures:			
Current:			
Public safety	-	-	758,725
Public works	-	-	219,628
Community development	-	4,666	128,220
Capital outlay	-	-	21,661,080
Debt service:			
Principal	-	-	1,316,000
Interest and fiscal charges	-	-	96,363
Total expenditures	-	4,666	24,180,016
Excess (deficiency) of revenues over expenditures	42,947	5,677	(9,566,969)
Other financing sources (uses):			
Transfers in	-	-	17,612,758
Transfers out	-	-	(734,257)
Total other financing sources (uses)	-	-	16,878,501
Net change in fund balances	42,947	5,677	7,311,532
Fund balances (deficits), beginning	4,889,716	1,178,965	32,496,476
Fund balances (deficits), ending	$ 4,932,663	$ 1,184,642	$ 39,808,008

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$ 2,517,083	$ 2,517,083	$ 2,619,748	$ 102,665
Investment income	20,947	20,947	55,550	34,603
Net increase in fair value of investments	-	-	6,051	6,051
Total revenues	2,538,030	2,538,030	2,681,349	143,319
Expenditures:				
Capital outlay	6,426,990	4,598,662	3,461,802	1,136,860
Net change in fund balance	(3,888,960)	(2,060,632)	(780,453)	1,280,179
Fund balance, beginning	6,865,504	6,865,504	6,865,504	-
Fund balance, ending	$ 2,976,544	$ 4,804,872	$ 6,085,051	$ 1,280,179

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Asset Forfeiture Special Revenue Fund
For the Year Ended June 30, 2014

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$ -	$ 108,965	$ 257,694	$ 148,729
Investment income	-	7,695	11,085	3,390
Net increase in fair value of investments	-	-	1,314	1,314
Total revenues	-	116,660	270,093	153,433
Expenditures				
Public safety	433,309	433,309	377,397	55,912
Net change in fund balance	(433,309)	(316,649)	(107,304)	209,345
Fund balance, beginning	1,440,930	1,440,930	1,440,930	-
Fund balance, ending	$ 1,007,621	$ 1,124,281	$ 1,333,626	$ 209,345

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
OTS DUI Grant Special Revenue Fund
For the Year Ended June 30, 2014

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$ 46,250	$ 163,552	$ 163,552	$ -
Expenditures				
Public safety	-	221,768	221,768	-
Net change in fund balance	46,250	(58,216)	(58,216)	-
Fund balance (deficit), beginning	(50,805)	(50,805)	(50,805)	-
Fund balance (deficit), ending	$ (4,555)	$ (109,021)	$ (109,021)	$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Circulation and Transportation Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Licenses, permits and fees	$ 373,024	$ 373,024	$ 189,352	$ (183,672)
Investment income	-	-	4,554	4,554
Net increase in fair value of investments	-	-	839	839
Private donations	-	-	961,685	961,685
Total revenues	373,024	373,024	1,156,430	783,406
Expenditures:				
Capital outlay	601,379	184,881	2,705	182,176
Excess (deficiency) of revenues over expenditures	(228,355)	188,143	1,153,725	965,582
Other financing sources (uses):				
Transfers in	-	-	171,295	171,295
Transfers out	(266,512)	(266,512)	(174,676)	91,836
Total other financing sources (uses)	(266,512)	(266,512)	(3,381)	263,131
Net change in fund balance	(494,867)	(78,369)	1,150,344	1,228,713
Fund balance (deficit), beginning	(198,953)	(198,953)	(198,953)	-
Fund balance (deficit), ending	$ (693,820)	$ (277,322)	$ 951,391	$ 1,228,713

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Building Excise Tax Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Licenses, permits and fees	$ 235,000	$ 235,000	$ 269,105	$ 34,105
Investment income	2,855	2,855	2,223	(632)
Net increase in fair value of investments	-	-	404	404
Total revenues	237,855	237,855	271,732	33,877
Expenditures:				
Capital outlay	358,394	336,075	285,128	50,947
Net change in fund balance	(120,539)	(98,220)	(13,396)	84,824
Fund balance, beginning	433,588	433,588	433,588	-
Fund balance, ending	$ 313,049	$ 335,368	$ 420,192	$ 84,824

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Combined Transportation Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$ 2,760,717	$ 2,760,717	$ 3,071,094	$ 310,377
Investment income	30,809	30,809	25,636	(5,173)
Net increase in fair value of investments	-	-	3,560	3,560
Total revenues	2,791,526	2,791,526	3,100,290	308,764
Expenditures:				
Capital outlay	7,346,444	4,819,651	1,319,737	3,499,914
Excess (deficiency) of revenues over expenditures	(4,554,918)	(2,028,125)	1,780,553	3,808,678
Other financing uses:				
Transfers out	-	-	(171,295)	(171,295)
Net change in fund balance	(4,554,918)	(2,028,125)	1,609,258	3,637,383
Fund balance, beginning	1,877,211	1,877,211	1,877,211	-
Fund balance (deficit), ending	$ (2,677,707)	$ (150,914)	$ 3,486,469	$ 3,637,383

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Community Development Block Grant Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental	$ 350,669	$ 350,669	$ 328,276	$ (22,393)
Expenditures:				
Community development	132,362	137,487	123,554	13,933
Capital Outlay	3,794	-	-	-
Debt service:				
Principal	116,000	116,000	116,000	-
Interest and fiscal charges	88,722	88,722	88,722	-
Total expenditures	340,878	342,209	328,276	13,933
Net change in fund balance	9,791	8,460	-	(8,460)
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ 9,791	$ 8,460	$ -	$ (8,460)

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Air Quality Management District Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$ -	$ 100,000	$ 106,573	$ 6,573
Investment income	2,882	2,882	5,382	2,500
Net increase in fair value of investments	-	-	743	743
Total revenues	2,882	102,882	112,698	9,816
Expenditures:				
Public works	10,500	10,500	6,259	4,241
Excess (deficiency) of revenues over expenditures	(7,618)	92,382	106,439	5,575
Other financing sources				
Transfers in	-	-	98,444	98,444
Net change in fund balance	(7,618)	92,382	204,883	112,501
Fund balance, beginning	668,775	668,775	668,775	-
Fund balance, ending	$ 661,157	$ 761,157	$ 873,658	$ 112,501

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Environmental Liability Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Other taxes	$ 484,160	$ 484,160	$ 540,856	$ 56,696
Investment income	34,042	34,042	38,410	4,368
Net increase in fair value of investments	-	-	4,981	4,981
Other Revenue	-	-	30,092	30,092
Total revenues	518,202	518,202	614,339	96,137
Expenditures:				
Public works	180,528	180,528	137,921	42,607
Net change in fund balance	337,674	337,674	476,418	138,744
Fund balance, beginning	4,732,143	4,732,143	4,732,143	-
Fund balance, ending	$ 5,069,817	$ 5,069,817	$ 5,208,561	$ 138,744

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Supplemental Law Enforcement Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$ 138,222	$ 138,222	$ 159,560	$ 21,338
Expenditures:				
Public safety	138,222	138,222	159,560	(21,338)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ -	$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Newport Coast Annexation Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Investment income	$ 29,211	$ 29,211	$ 36,315	$ 7,104
Net increase in fair value of investments	-	-	4,648	4,648
Total revenues	29,211	29,211	40,963	11,752
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)	(1,200,000)	-
Other financing uses				
Transfers out	(1,254,000)	(54,000)	(40,963)	13,037
Net change in fund balance	(2,424,789)	(1,224,789)	(1,200,000)	24,789
Fund balance, beginning	4,800,000	4,800,000	4,800,000	-
Fund balance, ending	$ 2,375,211	$ 3,575,211	$ 3,600,000	$ 24,789

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Proposition 1B Transportation Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ -	$ 693,000	$ 693,000	$ -
Expenditures				
Capital outlay	-	5,556	5,556	-
Net change in fund balance	-	687,444	687,444	-
Fund balance (deficit), beginning	(687,444)	(687,444)	(687,444)	-
Fund balance (deficit), ending	$ (687,444)	$ -	$ -	$ -

CITY OF NEWPORT BEACH
Budgetary Comparison Schedule
Contributions Fund Special Revenue Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	$ 1,703,786	$ 2,700,143	$ 3,074,874	$ 374,731
Investment income	-	-	30,750	30,750
Net increase in fair value of investments	-	-	3,783	3,783
Total revenues	1,703,786	2,700,143	3,109,407	409,264
Expenditures:				
Capital outlay	7,934,791	2,881,816	1,677,666	1,204,150
Excess (deficiency) of revenues over expenditures	(6,231,005)	(181,673)	1,431,741	1,613,414
Other financing sources (uses):				
Transfers in	-	72,074	72,074	-
Transfers out	-	-	(4,735)	(4,735)
Total other financing sources (uses)	-	72,074	67,339	(4,735)
Net change in fund balance	(6,231,005)	(109,599)	1,499,080	1,608,679
Fund balance, beginning	1,024,147	1,024,147	1,024,147	-
Fund balance (deficit), ending	$ (5,206,858)	$ 914,548	$ 2,523,227	$ 1,608,679

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Financial Section

Supplementary Information

Internal Service Funds

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, 2014

Assets	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Current assets:						
Cash and investments	$20,771,804	$ 1,311,925	$ -	$ 18,518,097	$ 6,839,638	$ 47,441,464
Receivables:						
Accounts	38,562	-	2,732,162	16,084	-	2,786,808
Inventories	-	-	-	361,090	-	361,090
Net other pension employment benefits	-	-	1,500,000	-	-	1,500,000
Prepaid items	-	-	175,716	1,073,408	55,867	1,304,991
Total current assets	20,810,366	1,311,925	4,407,878	19,968,679	6,895,505	53,394,353
Noncurrent assets:						
Capital assets:						
Equipment	-	-	-	26,344,611	2,813,303	29,157,914
Software	-	-	-	-	1,687,212	1,687,212
Work in progress	-	-	-	195,729	718,908	914,637
Less accumulated depreciation	-	-	-	(17,924,293)	(1,247,126)	(19,171,419)
Total capital assets (net of accumulated depreciation)	-	-	-	8,616,047	3,972,297	12,588,344
Total assets	20,810,366	1,311,925	4,407,878	28,584,726	10,867,802	65,982,697
Liabilities						
Current liabilities:						
Accounts payable	185,647	6,988	1,501,540	342,186	182,432	2,218,793
Accrued payroll	-	-	-	53,073	97,193	150,266
Due to other funds	-	-	989,488	-	-	989,488
Workers' compensation - current	2,730,836	-	-	-	-	2,730,836
General liability - current	5,240,695	-	-	-	-	5,240,695
Compensated absences - current	-	1,996,561	-	-	-	1,996,561
Total current liabilities	8,157,178	2,003,549	2,491,028	395,259	279,625	13,326,639
Noncurrent liabilities:						
Workers' compensation	11,225,164	-	-	-	-	11,225,164
General liability	4,651,670	-	-	-	-	4,651,670
Compensated absences	-	7,438,931	-	-	-	7,438,931
Total noncurrent liabilities	15,876,834	7,438,931	-	-	-	23,315,765
Total liabilities	24,034,012	9,442,480	2,491,028	395,259	279,625	36,642,404
Net Position						
Investment in capital assets	-	-	-	8,616,047	3,972,297	12,588,344
Unrestricted	(3,223,646)	(8,130,555)	1,916,850	19,573,420	6,615,880	16,751,949
Total net position	$ (3,223,646)	$ (8,130,555)	$ 1,916,850	$ 28,189,467	$ 10,588,177	$ 29,340,293

CITY OF NEWPORT BEACH
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Operating revenues:						
Charges for services	$ 5,774,570	$ 2,250,007	$ 3,381,000	$ 6,219,260	$ 3,374,407	$ 20,999,244
Retiree reimbursements	-	-	281,477	-	-	281,477
Employee contributions	-	-	177,447	-	-	177,447
Other	332,436	-	48,181	31,560	1,439	413,616
Total operating revenues	6,107,006	2,250,007	3,888,105	6,250,820	3,375,846	21,871,784
Operating expenses:						
Salaries and wages	-	-	-	1,275,061	2,246,946	3,522,007
Depreciation	-	-	-	2,024,466	458,375	2,482,841
Professional services	-	-	-	93,408	55,855	149,263
Maintenance and supplies	-	-	-	855,438	791,587	1,647,025
Fleet parts and supplies	-	-	-	443,942	-	443,942
800 MHz	-	-	-	22,259	-	22,259
Telecommunication	-	-	-	-	216,697	216,697
Hardware	-	-	-	-	301,155	301,155
Software	-	-	-	-	31,177	31,177
Workers' compensation	384,056	-	-	-	-	384,056
Claims and judgments	9,870,699	-	-	-	-	9,870,699
Compensated absences	-	1,965,699	-	-	-	1,965,699
Voluntary Separation Incentive Program	-	397,154	-	-	-	397,154
OPEB ARC- Cash subsidy	-	-	3,381,000	-	-	3,381,000
Other	-	-	531,164	-	-	531,164
Total operating expenses	10,254,755	2,362,853	3,912,164	4,714,574	4,101,792	25,346,138
Operating income (loss)	(4,147,749)	(112,846)	(24,059)	1,536,246	(725,946)	(3,474,354)
Nonoperating revenues:						
Investment income	147,942	12,594	10,211	143,127	47,024	360,898
Net increase in fair value of investments	19,348	1,258	-	16,049	6,566	43,221
Gain (loss) on sale of capital assets	-	-	-	1,133,050	(48,094)	1,084,956
Total nonoperating revenues	167,290	13,852	10,211	1,292,226	5,496	1,489,075
Income (loss) before transfers	(3,980,459)	(98,994)	(13,848)	2,828,472	(720,450)	(1,985,279)
Transfers in	3,000,000	-	1,500,000	1,500,000	2,120,000	8,120,000
Transfers out	-	-	-	(2,098,444)	-	(2,098,444)
Change in net position	(980,459)	(98,994)	1,486,152	2,230,028	1,399,550	4,036,277
Net position, beginning	(2,243,187)	(8,031,561)	430,698	25,959,439	9,188,627	25,304,016
Net position, ending	$ (3,223,646)	$ (8,130,555)	$ 1,916,850	$ 28,189,467	$ 10,588,177	$ 29,340,293

CITY OF NEWPORT BEACH
Combining Statement of Cash Flows - Internal Service Funds
For the Year Ended June 30, 2014

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
Cash flows from operating activities						
Receipts from user departments	$ 6,365,739	$ 2,250,007	$ 3,662,477	$ 6,208,998	$ 3,374,506	$ 21,861,727
Payments to employees	(2,984,056)	(3,069,473)	-	(1,272,880)	(2,236,924)	(9,563,333)
Payments to suppliers	(7,397,783)	-	(8,074,109)	(1,563,410)	(1,383,453)	(18,418,755)
Other operating cash receipts	332,436	-	225,628	31,560	1,439	591,063
Net cash provided (used) by operating activities	(3,683,664)	(819,466)	(4,186,004)	3,404,268	(244,432)	(5,529,298)
Cash flows from noncapital financing activities:						
Cash received from other funds	3,000,000	-	2,489,488	1,500,000	2,120,000	9,109,488
Cash paid to other funds	-	-	-	(2,098,444)	-	(2,098,444)
Net cash provided by noncapital financing activities	3,000,000	-	2,489,488	(598,444)	2,120,000	7,011,044
Cash flows from capital and related financing activities:						
Acquisition of capital assets	-	-	-	(4,495,217)	(2,232,384)	(6,727,601)
Proceeds from sale of capital assets	-	-	-	1,624,939	-	1,624,939
Net cash used for capital and related financing activities	-	-	-	(2,870,278)	(2,232,384)	(5,102,662)
Cash flows from investing activities:						
Interest on investments	167,290	13,852	10,211	159,176	53,590	404,119
Net cash provided by investing activities	167,290	13,852	10,211	159,176	53,590	404,119
Net increase (decrease) in cash and cash equivalents	(516,374)	(805,614)	(1,686,305)	94,722	(303,226)	(3,216,797)
Cash and cash equivalents, beginning	21,288,178	2,117,539	1,686,305	18,423,375	7,142,864	50,658,261
Cash and cash equivalents, ending	$ 20,771,804	$ 1,311,925	$ -	$ 18,518,097	$ 6,839,638	$ 47,441,464
Reconciliation of cash equivalents to the statement of net position						
Cash and investments reported on statement of net position	20,771,804	1,311,925	-	18,518,097	6,839,638	47,441,464
Cash and cash equivalents	$ 20,771,804	$ 1,311,925	$ -	$ 18,518,097	$ 6,839,638	$ 47,441,464
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Cash flows from operating activities						
Operating income (loss)	$ (4,147,749)	$ (112,846)	$ (24,059)	$ 1,536,246	$ (725,946)	$ (3,474,354)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	-	-	-	2,024,466	458,375	2,482,841
Changes in operating assets and liabilities:						
(Increase) decrease in accounts receivable	591,169	-	(1,108,273)	(10,262)	99	(527,267)
Decrease in inventories	-	-	-	7,739	-	7,739
(Increase) decrease in net other pension employment benefits	-	-	(1,500,000)	-	-	(1,500,000)
(Increase) decrease in prepaid items	-	-	(4,212)	539,896	19,950	555,634
Increase (decrease) in accounts payable and accrued payroll	(235,034)	2,876	(1,549,460)	(693,817)	3,090	(2,472,345)
(Decrease) in workers' compensation	(2,600,000)	-	-	-	-	(2,600,000)
Increase in general liability	2,707,950	-	-	-	-	2,707,950
Increase in compensated absences	-	250,900	-	-	-	250,900
(Decrease) in early retirement incentive program	-	(960,396)	-	-	-	(960,396)
Total adjustments	464,085	(706,620)	(4,161,945)	1,868,022	481,514	(2,054,944)
Net cash provided (used) by operating activities	$ (3,683,664)	$ (819,466)	$ (4,186,004)	$ 3,404,268	$ (244,432)	$ (5,529,298)
Noncash investing, capital, and financing activities:						
Residual equity transfer						
Net increase in fair value of investments	$ 19,348	$ 1,258	$ -	$ 16,049	$ 6,566	$ 43,221
Gain (loss) on sale of capital assets	-	-	-	1,133,050	(48,094)	1,084,956
Total of noncash activities	$ -	$ -	$ -	$ 1,149,099	$ (41,528)	$ 1,128,177

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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.

CITY OF NEWPORT BEACH
Agency Funds
Combining Statement of Fiduciary Assets and Liabilities
June 30, 2014

Assets	**Special Assessment District**	**Business Improvement**	**Totals**
Cash and investments	$ 191,547	$ 414,980	$ 606,527
Cash with fiscal agent	5,310,284	-	5,310,284
Total assets	$ 5,501,831	$ 414,980	$ 5,916,811
Liabilities			
Due to bondholders	$ 5,501,831	$ -	$ 5,501,831
Due to others	-	414,980	414,980
Total liabilities	$ 5,501,831	$ 414,980	$ 5,916,811

CITY OF NEWPORT BEACH
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Special Assessment District:				
Assets				
Cash and investments	$ 266,865	$ 2,785,642	$ (2,860,960)	$ 191,547
Cash with fiscal agent	5,308,082	2,926,842	(2,924,640)	5,310,284
Total Assets	$ 5,574,947	$ 5,712,484	$ (5,785,600)	$ 5,501,831
Liabilities				
Due to bondholders	$ 5,574,947	$ 5,712,484	$ (5,785,600)	$ 5,501,831
Due to City of Newport Beach	-	-	-	-
Total Liabilities	$ 5,574,947	$ 5,712,484	$ (5,785,600)	$ 5,501,831
Business Improvement District:				
Assets				
Cash and investments	$ 252,579	$ 2,636,242	$ (2,473,841)	$ 414,980
Receivable	17,342	-	(17,342)	-
	$ 269,921	$ 2,636,242	$ (2,491,183)	$ 414,980
Liabilities				
Due to others	$ 269,921	$ 2,636,242	$ (2,491,183)	$ 414,980
Totals - All Agency Funds:				
Assets				
Cash and investments	$ 519,444	$ 5,421,884	$ (5,334,801)	$ 606,527
Cash with fiscal agent	5,308,082	2,926,842	(2,924,640)	5,310,284
Receivable	17,342	-	(17,342)	-
Total Assets	$ 5,844,868	$ 8,348,726	$ (8,276,783)	$ 5,916,811
Liabilities				
Due to bondholders	$ 5,574,947	$ 5,712,484	$ (5,785,600)	$ 5,501,831
Due to others	269,921	2,636,242	(2,473,841)	414,980
Total Liabilities	$ 5,844,868	$ 8,348,726	$ (8,259,441)	$ 5,916,811

Statistical Section

Statistical Section

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FINANCIAL TRENDS

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

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

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

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

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

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	$ 1,915,348,883	$ 2,005,643,651	$ 2,027,026,053	$ 2,050,925,370
Restricted	54,285,743	51,901,103	35,017,831	40,988,923
Unrestricted	61,894,956	56,662,229	75,989,169	87,802,996
Total governmental activities	$ 2,031,529,582	$ 2,114,206,983	$ 2,138,033,053	$ 2,179,717,289
Business-type activities:				
Net investment in capital assets	$ 99,641,411	$ 104,602,266	$ 107,231,308	$ 107,313,603
Restricted	-	-	-	-
Unrestricted	19,665,535	16,907,367	15,808,357	13,639,027
Total business-type activities	$ 119,306,946	$ 121,509,633	$ 123,039,665	$ 120,952,630
Primary government:				
Net investment in capital assets	$ 2,014,990,294	$ 2,110,245,917	$ 2,134,257,361	$ 2,158,238,973
Restricted	54,285,743	51,901,103	35,017,831	40,988,923
Unrestricted	81,560,491	73,569,596	91,797,526	101,442,023
Total primary government	$ 2,150,836,528	$ 2,235,716,616	$ 2,261,072,718	$ 2,300,669,919

[1] 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					
2009	2010	2011	2012[1]	2013	2014
$ 2,061,635,642	$ 2,084,912,221	$ 2,087,403,003	$ 2,098,349,998	$ 2,124,797,794	$ 2,149,191,364
44,212,747	34,236,929	63,940,282	61,923,719	72,119,674	59,998,344
96,276,381	86,049,492	67,500,916	82,515,232	77,966,414	82,653,213
$ 2,202,124,770	$ 2,205,198,642	$ 2,218,844,201	$ 2,242,788,949	$ 2,274,883,882	$ 2,291,842,921
$ 108,510,361	$ 108,449,847	$ 108,976,459	$ 108,981,237	$ 111,177,135	$ 115,948,522
-	-	-	-	-	-
11,435,306	10,173,912	9,442,988	15,089,798	19,172,398	21,978,261
$ 119,945,667	$ 118,623,759	$ 118,419,447	$ 124,071,035	$ 130,349,533	$ 137,926,783
$ 2,170,146,003	$ 2,193,362,068	$ 2,196,379,462	$ 2,207,331,235	$ 2,235,974,929	$ 2,265,139,886
44,212,747	34,236,929	63,940,282	61,923,719	72,119,674	59,998,344
107,711,687	96,223,404	76,943,904	97,605,030	97,138,812	104,631,474
$ 2,322,070,437	$ 2,323,822,401	$ 2,337,263,648	$ 2,366,859,984	$ 2,405,233,415	$ 2,429,769,704

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

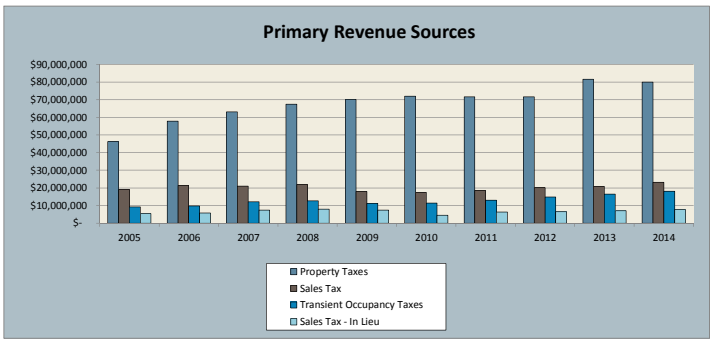
	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses:										
Governmental activities:										
General government	$ 11,378,609	$ 14,509,827	$ 14,166,168	$ 15,556,657	$ 16,430,529	$ 17,082,705	$ 15,857,397	$ 14,325,966	$ 15,830,575	$ 18,834,165
Public safety	63,214,291	67,789,121	69,795,386	75,821,082	79,301,600	79,402,600	78,128,006	75,696,570	83,235,188	87,676,061
Public works	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	42,953,119
Community development	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	10,283,481
Community services	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	21,357,271
Interest on long-term debt	508,869	479,529	523,401	532,569	437,207	372,502	5,078,881	8,204,928	7,989,339	7,888,192
Total governmental activities expenses	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	188,992,289
Business-type activities:										
Water	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	22,037,284
Wastewater	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	3,368,656
Total business-type activities expenses	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	25,405,940
Total primary government expenses	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	214,398,229
Program revenues:										
Governmental activities:										
Charges for services:										
General government	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	3,046,232
Public safety	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	19,124,112
Public works	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	5,517,103
Community development	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	8,043,390
Community services	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	13,270,316
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions:	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	15,196,696
Capital Grants and Contributions:	20,205,948	69,473,891 [1]	6,904,716	31,037,915 [2]	24,633,716	12,350,100	11,101,239	14,838,783	25,613,846 [3]	563,786
Total governmental activities program revenues	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	64,761,636
Business-type activities:										
Charges for services:										
Water	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	29,397,882
Wastewater	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	3,438,670
Total business-type activities program revenues	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	32,836,552
Total primary government program revenues	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	97,598,188
Net revenues (expenses):										
Governmental activities	(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)	(124,230,653)
Business-type activities	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	7,430,612
Total net revenues (expenses)	$ (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)	$ (116,800,041)

[1] 2006 data varies from trend because of increased capital assets related mostly to Bristol St. Relinquishment, Newport Coast Community Center, and Fire Station # 7.
[2] 2008 data varies from trend because of increased capital assets related to Santa Ana Heights Annexation.
[3] 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	$ 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	$ 79,889,346
Sales tax	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	23,142,065
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	7,727,876
Transient occupancy taxes	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	18,176,369
Business license	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	4,156,130
Franchise taxes	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	3,998,943
Motor vehicle license fees	6,395,860	300,751	391,559	304,920	356,237	314,957	403,042	42,911	-	-
Motor vehicle fines	-	-	-	-	-	-	-	-	-	-
Other taxes	240,534	508,331	515,128	373,350	230,115	201,893	226,257	278,521	286,880	216,604
Investment income	1,209,074	1,939,941	3,175,582	3,655,314	1,764,827	706,855	366,081	405,674	219,091	542,915
Net increase in fair value of investments	(258,125)	(715,615)	(545,533)	508,485	1,096,848	707,200	369,235	246,119	-	53,783
Gain on sale of assets	-	-	-	-	-	-	-	-	-	-
Other	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	3,803,728
Property income	-	-	-	-	-	-	-	-	-	-
Share of joint venture net income	100,325	(513,791)	253,207	-	-	-	-	-	-	-
Change in accounting estimates	-	-	-	-	-	-	-	8,484,000	-	-
Capital contributions	213,779,060	-	-	-	-	-	-	7,352	319,884	-
Sale of service rights	-	-	-	-	-	-	-	-	-	-
Transfers	-	40,000	-	-	-	-	-	-	-	-
Total governmental activities	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	141,707,759
Business-type activities:										
Investment income	424,157	549,012	792,936	588,870	374,893	128,399	52,996	49,718	22,442	128,439
Net increase in fair value of investments	(87,921)	(169,095)	(57,185)	72,913	135,789	100,117	58,977	67,696	-	18,199
Property income	26,970	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	(7,352)	(319,884)	-
Transfers	-	(40,000)	-	-	-	-	-	-	-	-
Total business-type activities	363,206	339,917	735,751	661,783	510,682	228,516	111,973	110,062	(297,442)	146,638
Total primary government	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	141,854,397
Changes in net position										
Governmental activities	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	17,477,106
Business-type activities	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	7,577,250
Total primary government	$ 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	$ 25,054,356



CITY OF NEWPORT BEACH
Fund Balances of Governmental Funds[1]
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year[2]			
	2005	2006	2007	2008
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			
	2005	2006	2007	2008
General fund:				
Reserved	$ 4,673,198	$ 9,374,722	$ 7,233,703	$ 6,807,094
Unreserved	49,814,197	45,212,339	62,679,499	72,252,045
Total general fund	$ 54,487,395	$ 54,587,061	$ 69,913,202	$ 79,059,139
All other governmental funds:				
Reserved	$ 13,000,882	$ 36,134,686	$ 11,168,955	$ 12,060,365
Unreserved, reported in:				
Special revenue funds	26,391,109	7,533,654	18,917,308	21,670,956
Capital projects funds	6,076,969	2,077,124	(3,258,201)	3,271,954
Permanent funds	285,506	404,771	660,029	934,648
Total all other governmental funds	$ 45,754,466	$ 46,150,235	$ 27,488,091	$ 37,937,923
Total all governmental funds	$ 100,241,861	$ 100,737,296	$ 97,401,293	$ 116,997,062

[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.

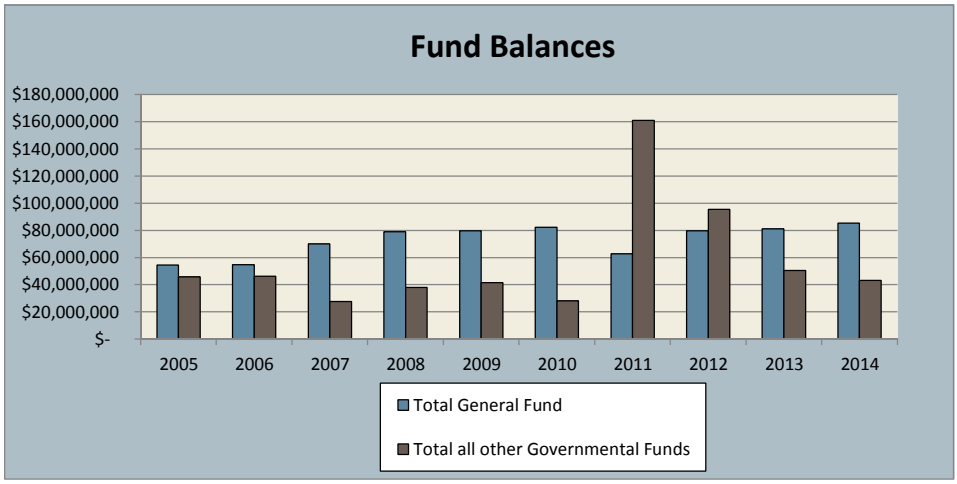
[3] 2011 general fund data varies from trend due to $31.3 million transfer from General Fund to Facilities Financial Planning Reserve Fund.

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

CITY OF NEWPORT BEACH
Fund Balances of Governmental Funds[1]
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year [2]					
2009	2010	2011	2012	2013	2014
		$ 1,031,742	$ 7,854,478	$ 9,919,486	$ 16,316,499
		1,681,333	2,263,049	2,410,373	3,939,751
		27,619,902	29,673,333	29,371,507	12,782,235
		11,865,835	19,431,475	6,843,417	1,326,170
		20,570,033	20,570,023	32,585,375	51,015,820
		$ 62,768,845 [3]	$ 79,792,358	$ 81,130,158	$ 85,380,475
		$ 5,898,234	$ 5,396,436	$ 4,697,220	$ 4,629,781
		36,445,842	30,957,184	27,433,342	33,243,790
		115,923,344	70,500,156	33,961,163	19,513,389
		5,633,558	-	-	-
		(2,988,102)	(11,339,671)	(15,723,261)	(14,291,969)
		$ 160,912,876 [4]	$ 95,514,105	$ 50,368,464	$ 43,094,991
		$ 223,681,721	$ 175,306,463	$ 131,498,622	$ 128,475,466

Fiscal Year	
2009	2010
$ 5,907,205	$ 5,472,481
73,703,759	76,685,385
$ 79,610,964	$ 82,157,866
$ 8,831,229	$ 9,363,673
23,849,191	27,973,528
7,671,450	(10,571,278)
1,170,009	1,294,924
$ 41,521,879	$ 28,060,847
$ 121,132,843	$ 110,218,713



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

	Fiscal Year			
	2005	2006	2007	2008
Revenues:				
Taxes	$ 91,606,863 [1]	$ 102,737,810	$ 112,230,054	$ 118,758,201
Intergovernmental	19,513,589	14,842,994	18,866,929	21,005,429
Licenses and permits	4,968,234	5,708,965	4,574,659	6,474,789
Charges for services	13,104,478	13,135,366	14,452,723	15,073,178
Fines and forfeitures	3,422,735	3,841,843	4,126,351	4,662,442
Investment income	2,356,747	3,847,982	5,431,137	5,463,066
Net increase (decrease) in fair value of investments	(493,879)	(1,325,211)	(626,881)	720,488
Property income	12,337,339	13,625,142	13,965,815	15,217,803
Donations	1,087,826	883,405	1,379,461	2,159,637
Contributions from property owners	14,779,013	-	-	-
Other	980,446	1,042,882	1,967,465	4,205,095
Total revenues	163,663,391	158,341,178	176,367,713	193,740,128
Expenditures				
Current:				
General government	10,920,667	12,531,200	13,706,061	14,508,103
Public safety	59,482,134	65,262,069	68,843,947	73,486,413
Public works	24,365,996	26,430,751	28,352,293	30,108,941
Community development	6,144,917	7,900,503	7,753,035	8,703,841
Community services	10,351,414	12,730,727	13,988,589	14,478,146
Capital outlay	33,486,048	24,811,237	45,615,169	20,524,638
Debt service:				
Principal retirement	1,688,801	1,715,542	3,736,587	3,263,948
Interest and fiscal charges	499,077	480,909	458,035	577,299
Issuance of debt costs	-	-	-	-
Total expenditures	146,939,054	151,862,938	182,453,716	165,651,329
Excess (deficiency) of revenues over (under) expenditures	16,724,337	6,478,240	(6,086,003)	28,088,799
Other financing sources (uses):				
Transfers in	20,601,957	25,194,920	20,271,396	27,583,922
Transfers out	(20,612,176)	(31,177,725)	(22,521,396)	(36,076,952)
Proceeds from issuance of debt	-	-	5,000,000	-
Issuance of debt premium	-	-	-	-
Total other financing sources (uses)	(10,219)	(5,982,805)	2,750,000	(8,493,030)
Net change in fund balances	$ 16,714,118	$ 495,435	$ (3,336,003)	$ 19,595,769
Debt service as a percentage of noncapital expenditures	1.7%	1.7%	2.8%	2.5%

[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					
2009	2010	2011	2012	2013	2014
$ 115,711,574	$ 113,809,443	$ 117,983,765	$ 121,710,955	$ 134,733,550	$ 137,910,879
11,434,885	15,379,698	11,467,471	12,122,963	11,393,589	16,825,839
5,883,515	3,950,967	5,198,986	6,691,125	7,682,555	6,659,203
14,498,120	15,293,362	15,285,813	16,020,825	16,254,399	16,864,092
4,572,611	4,105,632	3,545,229	3,795,787	3,649,532	3,272,951
3,245,677	1,289,890	1,045,592	1,142,935	372,514	1,136,062
1,472,335	1,155,363	882,317	704,656	-	124,439
14,032,342	14,624,923	15,538,387	17,458,143	19,847,371	22,214,256
6,760,140	5,497,640	1,790,073	13,977,850	587,445	1,170,171
-	-	-	-	-	-
8,501,014	7,646,274	5,091,527	691,125	3,543,894	1,400,048
186,112,213	182,753,192	177,829,160	194,316,364	198,064,849	207,577,940
15,567,654	15,169,546	15,424,734	12,896,492	13,671,480	14,471,167
78,554,344	77,202,445	74,947,173	75,377,871	80,546,969	82,642,988
30,619,405	39,922,406	31,442,076	32,399,178	32,451,624	32,414,457
9,971,536	9,556,066	8,430,813	8,939,825	8,994,710	9,768,928
17,485,605	14,916,230	15,662,011	19,296,505	18,872,022	19,047,813
26,002,338	36,796,653	37,645,882	80,617,948	72,133,582	33,572,193
3,292,641	1,820,679	6,230,080	4,529,854	3,998,000	4,091,000
482,908	383,297	1,179,612	8,320,500	8,152,488	8,052,927
-	-	1,219,071	-	-	-
181,976,431	195,767,322	192,181,452	242,378,173	238,820,875	204,061,473
4,135,782	(13,014,130)	(14,352,292)	(48,061,809)	(40,756,026)	3,516,467
23,354,366	22,380,521	58,763,620	24,640,318	47,875,107	41,223,727
(23,354,366)	(21,780,521)	(58,763,620)	(24,953,767)	(50,926,922)	(47,245,283)
-	1,500,000	126,660,000	-	-	-
-	-	1,155,300	-	-	-
-	2,100,000	127,815,300	(313,449)	(3,051,815)	(6,021,556)
$ 4,135,782	$ (10,914,130)	$ 113,463,008	$ (48,375,258)	$ (43,807,841)	$ (2,505,089)
2.3%	1.4%	4.8%	8.3%	15.8%	6.9%

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	Secured						
	Residential	Commercial	Other	Unsecured	Total Taxable Assessed Value	Change	Total Direct Tax Rate
2005	$ 19,647,606,379	$ 3,032,349,738	$ 2,277,666,186	$ 1,720,058,983	26,677,681,286	8.69%	1.000%
2006	22,366,613,801	3,301,326,557	2,469,953,871	1,912,820,330	30,050,714,559	12.64%	1.000%
2007	25,031,963,262	3,668,372,732	2,740,012,058	1,552,992,239	32,993,340,291	9.79%	1.000%
2008	27,177,546,525	4,075,857,422	3,002,432,812	1,600,747,166	35,856,583,925	8.68%	1.000%
2009	28,776,625,105	4,483,982,262	3,229,746,289	1,484,291,896	37,974,645,552	5.91%	1.000%
2010	29,045,540,944	4,612,744,514	3,404,817,190	1,580,301,473	38,643,404,121	1.76%	1.000%
2011	30,817,858,325	4,705,710,093	1,514,325,933	1,669,270,834	38,707,165,185	0.16%	1.000%
2012	31,596,770,630	4,503,331,467	1,442,293,084	1,556,752,313	39,099,147,494	1.01%	1.000%
2013	32,819,489,335	4,388,629,627	1,430,150,476	1,593,908,426	40,232,177,864	2.90%	1.000%
2014	34,944,401,929	4,433,050,396	1,482,712,541	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 as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL, Coren & Cone

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	0.069	0.078	0.096	0.096	0.110	0.110	0.110	0.110	0.110
School Districts	0.1439	0.1137	0.1103	0.1092	0.1009	0.1521	0.1548	0.1546	0.1646	0.1702
Total Overlapping Rate	0.150	0.182	0.189	0.205	0.197	0.262	0.265	0.264	0.274	0.280
Total Direct & Overlapping Rate	$ 1.150	$ 1.182	$ 1.189	$ 1.205	$ 1.197	$1.262	$1.265	$1.264	$1.274	$1.280

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

	2014			2005		
Taxpayer	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	$ 1,690,011,263	1	3.99%	$ 1,331,451,013	1	4.99%
Newport Bluffs LLC	144,534,708	2	0.34%	N/A		0.00%
UDR Newport Beach North LP	124,924,813	3	0.30%	135,348,178	5	0.55%
Coronado South Apartments LP	119,910,858	4	0.28%	N/A		0.00%
Jazz Semiconductor Inc	114,049,565	5	0.27%	564,285,926	2	2.30%
Balboa Bay Club Inc.	106,618,895	6	0.25%	121,143,929	6	0.49%
Newport Healthcare Center	102,000,000	7	0.24%	N/A		0.00%
100 Bayview LLC	98,849,740	8	0.23%	N/A		0.00%
HHR Newport Beach LLC	87,377,106	9	0.21%	N/A		0.00%
Promontory PT Apartments LLC	81,149,332	10	0.19%	N/A		0.00%
	$ 2,669,426,280		6.31%	$ 2,152,229,046		8.33%

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
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%	736,983	73,269,717	98.79%
2014	79,195,727	77,758,504	98.19%	- [4]	77,758,504	98.19%

[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

	Governmental Activities					
Fiscal Year Ended June 30	Certificates of Participation [1]	Note Payable	Pre-Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
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	-	-
2014	120,178,318	-	3,600,000	1,462,000	-	-

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]
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
125,240,318	-	-	125,240,318	1.81%	1,442

CITY OF NEWPORT BEACH

Ratios of General Bonded Debt

Last Ten Fiscal Years

Fiscal Year Ended June 30	Certificates of Participation[1]	Amounts restricted for debt service	Total	Percent of Assessed Value[2]	General Bonded Debt Per Capita
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
2014	120,178,318	(2,352,746)	117,825,572	0.28%	1,356

[1] Amounts include any applicable bond premium.

[2] Assessed value was used because the actual value of taxable property is not readily available in the State of California.

CITY OF NEWPORT BEACH
Direct and Overlapping Debt
June 30, 2014

City Net Assessed Valuation:		$ 42,324,651,318

	Percentage Applicable [1]	Outstanding Debt 6/30/14	Estimated Share of Overlapping Debt
OVERLAPPING DEBT:			
Metropolitan Water District	1.937%	$ 132,275,000	$ 2,562,167
Coast Community College District	33.193%	632,413,698	209,917,079
Rancho Santiago Community College District	2.499%	285,430,201	7,132,901
Laguna Beach Unified School District	15.192%	28,470,000	4,325,162
Laguna Beach U.S.D. Community Facilities District No. 98-1	100.000%	9,160,000	9,160,000
Newport Mesa Unified School District	72.896%	236,854,150	172,657,201
Newport Mesa U.S.D. Community Facilities District No. 90-1	100.000%	8,790,000	8,790,000
Santa Ana Unified School District	5.908%	289,561,562	17,107,297
Irvine Ranch Water District Improvement Districts	20.256% - 100.000%	70,252,550	41,666,828
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	36,355,000	36,355,000
City of Newport Beach Special Improvement District No. 95-1	100.000%	3,445,000	3,445,000
City of Newport Beach 1915 Act Bonds	100.000%	12,216,670	12,216,670
Orange County Assessment District No. 88-1	100.000%	29,220,000	29,220,000
Orange County Reassessment District No. 99-1R	100.000%	8,515,000	8,515,000
Orange County Assessment District No. 01-1	100.000%	42,330,000	42,330,000
Orange County Reassessment District No. 01-1R	100.000%	3,750,000	3,750,000
Orange County General Fund Obligations	9.566%	145,476,000	13,916,234
Orange County Pension Obligations	9.566%	32,195,288	3,079,801
Orange County Board of Education Certificates of Participation	9.566%	15,500,000	1,482,730
Municipal Water District of O.C. Water Facilities Corporation	11.459%	7,775,000	890,937
Santa Ana Unified School District Certificates of Participation	5.908%	76,291,353	4,507,293
Overlaping Tax Increment Debt (Successor Agency):	3.258% - 64.223%	36,245,000	13,959,126
TOTAL GROSS OVERLAPPING DEBT		$ 2,142,521,472	$ 646,986,426
Less: MWDOC Water Facilities Corporation (100% self-supporting)			(890,937)
TOTAL NET OVERLAPPING DEBT			$ 646,095,489
DIRECT DEBT:			
City of Newport Beach Certificates of Participation	100.000%	120,178,318	$ 120,178,318
Newport Coast Annexation	100.000%	3,600,000	3,600,000
Community Development Block Grant Loan	100.000%	1,462,000	1,462,000
TOTAL DIRECT DEBT		$ 125,240,318	$ 125,240,318
TOTAL NET DIRECT AND OVERLAPPING DEBT			**$ 771,335,807**
GROSS COMBINED TOTAL DEBT [2]			**$ 772,226,744**

[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 2013-14 Net Assessed Valuation:	
Total Net Overlapping Debt	1.53%
Total Direct Debt ($125,240,318)	0.30%
Gross Combined Total Debt	1.82%
Net Combined Total Debt	1.82%
Ratios to Redevelopment Incremental Valuation ($863,065,179)	
Total Overlapping Tax Increment Debt	1.62%

Source: California Municipal Statistics, Inc.

CITY OF NEWPORT BEACH

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Assessed valuation	$ 26,677,681,286	$ 30,050,714,559	$ 32,993,340,291	$ 35,856,583,925
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	6,669,420,322	7,512,678,640	8,248,335,073	8,964,145,981
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,000,413,048	1,126,901,796	1,237,250,261	1,344,621,897
Total net debt applicable to limit:				
General obligation bonds	-	-	-	-
Legal debt margin	$ 1,000,413,048	$ 1,126,901,796	$ 1,237,250,261	$ 1,344,621,897
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					
2009	2010	2011	2012	2013	2014
$ 37,974,645,552	$ 38,643,404,121	$ 38,707,165,185	$ 39,099,147,494	$ 40,232,177,864	$ 42,324,651,318
25%	25%	25%	25%	25%	25%
9,493,661,388	9,660,851,030	9,676,791,296	9,774,786,874	10,058,044,466	10,581,162,830
15%	15%	15%	15%	15%	15%
1,424,049,208	1,449,127,655	1,451,518,694	1,466,218,031	1,508,706,670	1,587,174,424
-	-	-	-	-	-
$ 1,424,049,208	$ 1,449,127,655	$ 1,451,518,694	$ 1,466,218,031	$ 1,508,706,670	$ 1,587,174,424
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)]
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%
2014	86,874	6,926,725	79,733	3.6%

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

Sources:

(1) California State Department of Finance, E-4 Population Estimates for Cities, Counties and State 2001-2010; and, E-1 Population Estimates for Cities, Counties and State January 1, 2011, 2012, 2013 and 2014.

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

(3) State of California, Employment Development Department

CITY OF NEWPORT BEACH

Principal Employers[1]

Current Year and 9 years ago

	2014			2005		
Employer	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	5,001	1	5.97%	3,640	1	4.37%
PIMCO Advisors	1,179	2	1.41%	530	7	0.64%
Glidewell Dental	1,086	3	1.30%	N/A [2]	-	N/A
Pacific Life Insurance	1,074	4	1.32%	2,788	2	3.35%
Resort at Pelican Hill	900	5	1.10%	N/A [2]	-	N/A
Newport-Mesa Unified School District	845	6	1.04%	N/A [2]	-	N/A
City of Newport Beach	736	7	0.90%	788	4	0.95%
Jazz Semi-Conductor	671	8	0.82%	730	5	0.88%
Balboa Bay Club and Resort	480	9	0.59%	N/A [2]	-	N/A
Fletcher Jones Motor Cars Inc.	480	10	0.59%	N/A [2]	-	N/A
The Island Hotel	380	11	0.47%	525 [3]	8	0.63%
Marriott-Newport Beach	330	12	0.40%	475	9	0.57%

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

[2] Company listed was unable to provide reliable employee data for 2005.

[3] 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

	Full-Time Employees as of June 30									
Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	86	90	93	93	99	92	94	95	94	79
Public safety	385	388	393	397	397	394	381	359	357	366
Community development	47	48	52	56	57	53	51	58	56	53
Public works	162	163	163	165	160	147	144	130	128	119
Community services	60	65	66	68	71	69	70	68	70	74
Balboa yacht basin	1	-	-	-	-	-	-	-	-	-
Water	34	34	34	35	35	36	37	38	32	32
Wastewater	13	13	13	13	13	14	15	15	15	13
Total	788	801	814	827	832	805	792	763	752	736

Source: City Finance Department

CITY OF NEWPORT BEACH

Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Police:				
Adult Arrests	3,079	2,999	3,289	3,196
Parking Citations Issued	72,665	74,780	67,170	70,150
Fire:				
Fire Responses	228	214	175	393
Fire Inspections	4,550	6,470	7,136	7,250
General Services:				
Street Patching (tons of mix)	4,500	4,600	4,980	4,644
Sidewalk Repair (square feet)	50,000	55,000	59,459	58,000
Recreation & Senior Services:				
Co-Sponsored Youth Organizations	194,749	194,722	201,258	318,779
Senior Transportation Services	11,936	12,628	14,728	15,279
Water:				
New connections	55	52	95	60
Average daily consumption (hundred cubic ft.)	17	17	17	17
Sewer:				
New connections	24	24	45	45
Miles of Pipe Cleaned	205	335	226	212
Library Services:				
Library Circulation of Materials	1,475,025	1,443,078	1,622,573	1,701,476

Source: City of Newport Beach

CITY OF NEWPORT BEACH

Operating Indicators by Function

Last Ten Fiscal Years

Fiscal Year					
2009	2010	2011	2012	2013	2014
3,245	2,967	3,093	2,982	3,161	2,774
65,176	66,310	67,459	55,418	58,823	51,609
371	172	165	201	338	338
6,912	7,000	7,100	4,315	4,338	4,024
3,882	3,467	2,580	2,246	1,708	2,408
49,644	49,540	39,972	34,000	37,607	30,194
318,000	350,000	322,000	257,322	293,938	294,000
16,035	15,458	15,063	15,264	13,112	13,940
26	19	28	35	54	72
17	17.25	17.25	15.15	14.02	15.96
12	9	6	15	14	22
209	200	235	248	215	245
1,575,518	1,819,122	1,770,683	1,582,953	1,582,914	1,650,454

CITY OF NEWPORT BEACH

Capital Asset Statistics by Function

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	8	8	8	8
Lifeguard Headquarters	1	1	1	1
Public works:				
Streets (miles)	333	333	395	395
Streetlights	7,277	7,277	7,278	7,278
Traffic signals	144	147	147	148
Recreation & Senior Services:				
Parks	61	61	61	62
Community centers	13	13	13	14
Aquatic Center	1	1	1	1
Water:				
Water mains (miles)	298.42	299.88	300.35	300.17
Maximum daily capacity (thousands of gallons)	20,633	19,369	20,392	20,365
Wastewater:				
Sanitary sewers (miles)	179.15	179.15	202.80	202.80
Storm sewers (miles)	57.60	57.60	95.50	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					
2009	2010	2011	2012	2013	2014
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	7,277	7,277	7,277
148	148	148	153	153	153
63	63	63	63	64	64
14	14	14	14	14	14
1	1	1	1	1	1
300.31	303.27	303.25	303.25	303.25	313.57
19,707	19,341	28,540	27,508	26,916	27,704
202.80	202.80	202.40	202.40	202.40	205.96
95.50	95.50	95.40	95.40	95.40	98.12
4	4	4	4	4	4

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Type of Customer:										
Residential	$ 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	$ 3,902,007
Commercial	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	2,525,169
Government	487,189	607,650	601,659	361,457	420,697	349,334	320,821	374,091	394,787	455,251
Total	$ 6,345,280	$ 6,238,818	$ 6,396,726	$ 5,593,330	$ 5,599,066	$ 5,766,458	$ 5,123,369	$ 6,744,927	$ 6,675,582	$ 6,882,427
Total direct rate per 100 cubic ft.	$ 2.00	$ 2.08	$ 2.08	$ 2.08	$ 2.08	$ 2.20	$ 2.46	$ 2.73	$ 2.96	$ 3.08

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
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
2014	21.77	3.43

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

	2014			2005		
Water Customer	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
The Irvine Company	$ 335,664	1	1.14%	$ 240,869	1	1.37%
Big Canyon Country Club	189,865	2	0.65%	162,498	3	0.93%
Newport Beach Country Club	143,220	3	0.49%	118,594	4	0.68%
Hoag Memorial Hospital	116,000	4	0.39%	117,346	5	0.67%
Bluffs Homeowners Association	97,532	5	0.33%	106,215	6	0.60%
Newport-Mesa USD	96,685	6	0.33%	67,046	11	0.38%
Park Newport Ltd	91,178	7	0.31%	100,012	7	0.57%
Irvine Company Retail Property	90,309	8	0.31%	173,495	2	0.99%
UDR Newport Beach	84,187	9	0.29%	49,772	12	0.28%
Pacific View - Pierce Bros.	60,863	10	0.21%	48,872	14	0.28%
Jasmine Creek Community Association	48,169	11	0.16%	75,131	8	0.43%
Newport Dunes Resort	43,708	12	0.15%	42,417	18	0.24%
Balboa Village Community Association	38,440	13	0.13%	68,885	10	0.39%
Hyatt Newporter	36,624	14	0.12%	17,998	39	0.10%
IOIC/PMS Engineerting Department	36,305	15	0.12%	37,784	20	0.22%
	$ 1,508,749		5.14%	$ 1,186,065		8.14%

Source: City Revenue Division

City of Newport Beach
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