

City of Newport Beach

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FISCAL YEAR ENDED  
JUNE 30, 2015







*Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015*

*Prepared by the Finance Department  
Dan Matusiewicz, Director*



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

# INTRODUCTORY SECTION



**CITY OF NEWPORT BEACH**  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2015

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

(Unaudited)

Table of Contents.....	1
Letter of Transmittal.....	5
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	20
List of City Officials .....	21
Organization Chart.....	22

**FINANCIAL SECTION**

<b>Independent Auditors' Report</b> .....	26
---	----

<b>Management's Discussion and Analysis</b> .....	32
(Required Supplementary Information)	

**Basic Financial Statements**

Government-wide Financial Statements:

Statement of Net Position .....	54
Statement of Activities.....	55

Fund Financial Statements:

Governmental Funds:

Balance Sheet.....	61
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	64
Statement of Revenues, Expenditures and Changes in Fund Balances.....	65
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	68

Budgetary Comparison Statements:

General Fund .....	69
Tide and Submerged Land – Operating Fund.....	71
Tide and Submerged Land – Harbor Capital Fund .....	72
Combined Transportation Fund.....	73

Proprietary Funds:

Statement of Net Position.....	76
Statement of Revenues, Expenses and Changes in Net Position .....	77
Statement of Cash Flows .....	78

Fiduciary Funds:

Statement of Fiduciary Assets and Liabilities – Agency Funds.....	82
---	----

Notes to the Financial Statements .....	85
---	----

## Required Supplementary Information

Defined Benefit Plan For Miscellaneous Employees:	
Schedule of Changes in the Net Pension Liability and Related Ratios .....	147
Schedule of Contributions .....	148
Defined Benefit Plan For Safety Employees:	
Schedule of Changes in the Net Pension Liability and Related Ratios .....	149
Schedule of Contributions .....	150

## Supplementary Schedules

Other Governmental Funds:	
Combining Balance Sheet.....	157
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	165
Budgetary Comparison Schedules:	
State Gas Tax Fund.....	172
Asset Forfeiture Fund .....	173
OTS DUI Grant Fund .....	174
Circulation and Transportation Fund.....	175
Building Excise Tax Fund.....	176
Community Development Block Grant Fund.....	177
Air Quality Management District Fund .....	178
Environmental Liability Fund .....	179
Supplemental Law Enforcement Fund .....	180
Newport Coast Annexation Fund .....	181
Contributions Fund.....	182
Internal Service Funds:	
Combining Statement of Net Position .....	186
Combining Statement of Revenues, Expenses and Changes in Net Position .....	187
Combining Statement of Cash Flows.....	188
Fiduciary Funds:	
Combining Statement of Fiduciary Assets and Liabilities.....	192
Statement of Changes in Fiduciary Assets and Liabilities .....	193

## STATISTICAL SECTION (Unaudited)

Financial Trends:	
Net Position by Component .....	197
Changes in Net Position.....	199
Fund Balances of Governmental Funds.....	201
Changes in Fund Balance of Governmental Funds .....	203
Revenue Capacity:	
Assessed Value and Estimated Actual Value of Taxable Property.....	206
Property Tax Rates, Direct and Overlapping Governments.....	207
Principal Property Taxpayers .....	208
Property Tax Levies & Collections .....	209
Debt Capacity:	
Ratios of Outstanding Debt by Type .....	211
Ratios of General Bonded Debt .....	213
Schedule of Direct and Overlapping Debt.....	214

Computation of Legal Debt Margin .....	215
Demographic and Economic Information:	
Demographic and Economic Statistics.....	218
Principal Employers .....	219
Operating Information:	
Full Time City Employees by Function.....	222
Operating Indicators by Function .....	223
Capital Asset Statistics by Function .....	225
Water Sold by Customer Type .....	227
Water Rates .....	228
Major Water Customers .....	229

This page left blank intentionally.



January 26, 2016

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 a complete set of financial statements annually and that an independent firm of certified public accountants audit this report in conformance with generally accepted auditing standards (GAAS). The Comprehensive Annual Financial Report (CAFR) of the City of Newport Beach for the year ended June 30, 2015, 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, 2015, 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, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## PROFILE OF THE CITY

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

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



Newport Beach surrounds Newport Bay, well known for its picturesque islands and one of the greatest recreational harbors in the world, accommodating 4,300 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 87,249 which typically grows to well over 100,000 during the summer months, including 20,000 to 100,000 tourists daily. There are fine residential areas, modern shopping facilities, and a quality school system. The University of California, Irvine, is located immediately adjacent to the city, and eight other colleges are within a 30-mile-radius.

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



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

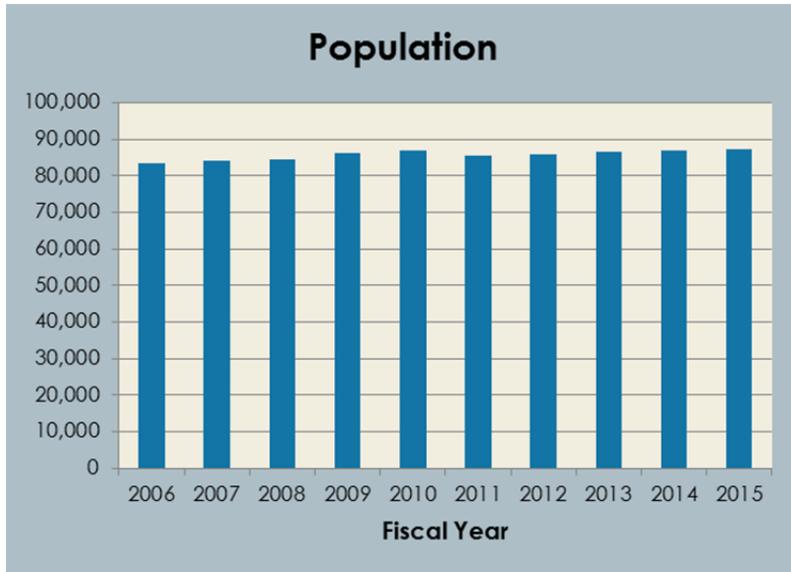
among other things, policy-making, passing local ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney, and City Clerk. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day to day operations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

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

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

## **DEMOGRAPHICS**

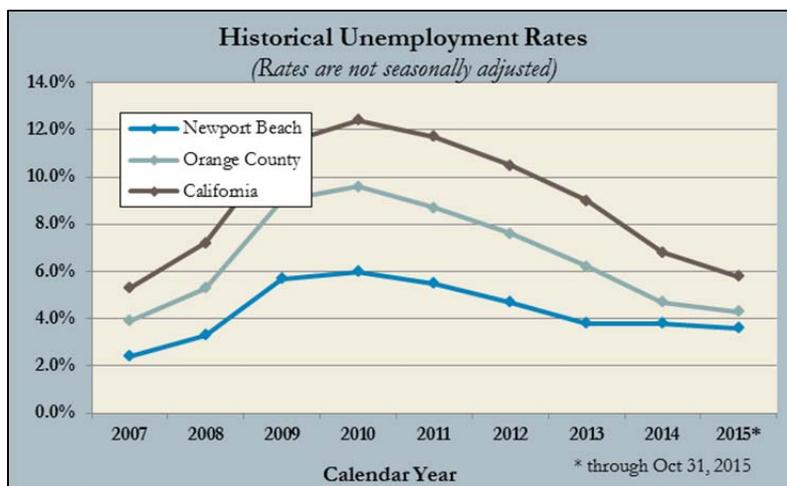
Reflective of a mature community, vacant land has become increasingly scarce and the city is relatively built-out. Currently at 87,249, the population has been very stable as indicated by the following chart.



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

2014 Median Household Income	
City of Newport Beach	\$106,801
Orange County	76,306
California	61,933
USA	53,657

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



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

## **LOCAL ECONOMY**

The national unemployment rate stood at 5.0 percent in November, according to the Bureau of Labor Statistics. Compared to November 2014, unemployment has decreased by 0.8 percentage points and is the lowest it has been since April 2008. 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 showing continued improvement over last year. California's unemployment rate fell from 6.8 percent in the prior fiscal year to 5.8 percent currently, the lowest reading since October 2007. The sense of recovery extends across Orange County. The County's unemployment rate peaked at 9.5 percent in 2010, and now stands at 4.3 percent - one of the lowest unemployment rates in California. Furthermore, Newport Beach's unemployment rate stands even lower at approximately 3.6 percent currently. Educational and health services recorded the largest year-over growth with a gain of 9,500 jobs. Healthcare and social assistance advanced by 7,600 jobs, while educational services added 1,900 jobs.

Eight other sectors also added jobs over the year, led by leisure and hospitality (up 7,400 jobs), construction (up 5,800 jobs), government (up 4,500 jobs), professional and business services (up 4,300 jobs) and manufacturing (up 3,700 jobs). The largest employment gain in Newport Beach was in one of the city's most vital sector - leisure and hospitality.

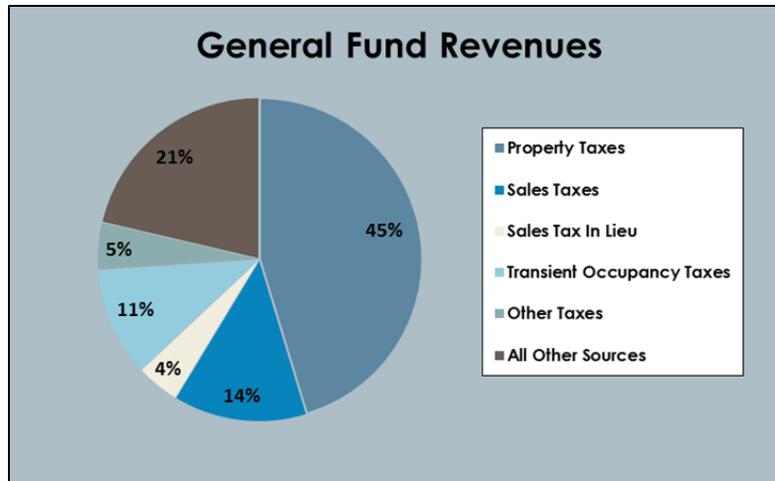
With its popular dining and shopping options, recreational harbor and proximity to the ocean, Newport Beach has attracted visitors for more than 100 years. Based on data from the city's local destination marketing organization, Newport Beach & Co., it booked 135,675 hotel rooms in Newport Beach during the 2014-15 fiscal year, the most since the organization was founded. According to the organization, overall spending on hotel rooms in Newport Beach grew from about \$138 million in 2011-12 to \$310.5 million last fiscal year.

In spite of these favorable economic trends, a generally conservative outlook is warranted as the growth progression will continue at a slow pace. We are cognizant of threats on the horizon including weakness in the world economy that could dampen exports from California. Contractions in Japan and Germany, stagnation in France and a slowdown in China may create an imbalance in California's key trade industry, leading to a heavier focus on imports. 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 \$186 million during FY 2014-15. The top three individual revenue sources, Property Taxes, Sales Taxes and Sales Tax in Lieu,

and Transient Occupancy Taxes (TOT), represent 74 percent of all General Fund revenues. Tax revenues in total, including business licenses, franchise fees and other taxes represent nearly 79 percent of all General Fund revenues while only 21 percent 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 (45 percent) 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. Value changes in Newport Beach show continued appreciation in property values in FY 2014-15 and the restoration of values previously reduced under the assessed valuation appeal process provided by Proposition 8. Over the past 10 years, assessed valuation increased an average of 4.7 percent per annum and 6.5 percent over a twenty-year period. Newport Beach's assessed property values increased 5.7 percent in FY 2014-15 and came in second in Orange County in total local assessed value at \$44.8 billion for fiscal year FY 2014-15.

After Californians passed Proposition 13 in 1978, assessed property value is reassessed to market value only when the property changes ownership. Otherwise, the assessed value (AV) grows by no more than 2 percent per year. This practice creates a constant lag and buffer between assessed and market values, effectively insulating the tax base from more 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 20 years (see chart below with the past 15 years of AV growth demonstrated). This positive growth occurred while

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



We realized a notable increase in secured and unsecured property tax, coming in at an increase of 5.6 percent and 10.46 percent respectively. Reflective of changes in ownership and new construction, supplemental taxes increased 19 percent over the prior year. Prior year penalties and interest receipts are down 13.76 percent from last year due to the improved economic status of homeowners. Median home sales prices of \$1,650,000 in the city far exceed the countywide median sales price of \$590,000.

CITY OF NEWPORT BEACH Median Home Sales* Comparative Month Ending September			
Year	Single Family Residence		
	Sales	Median Sales Price	% Change
2007	877	\$1,625,000	
2008	599	\$1,450,000	-10.77%
2009	848	\$1,100,000	-24.14%
2010	1,152	\$1,253,000	13.91%
2011	1,190	\$1,189,000	-5.11%
2012	1,667	\$1,260,000	5.97%
2013	1,546	\$1,500,000	19.05%
2014	1,354	\$1,600,000	6.67%
2015	1,023	\$1,650,000	3.13%

\* Source: HdL Coren & Cone

Property tax revenue increased \$4.2 million or 5.3 percent higher than the prior fiscal year.

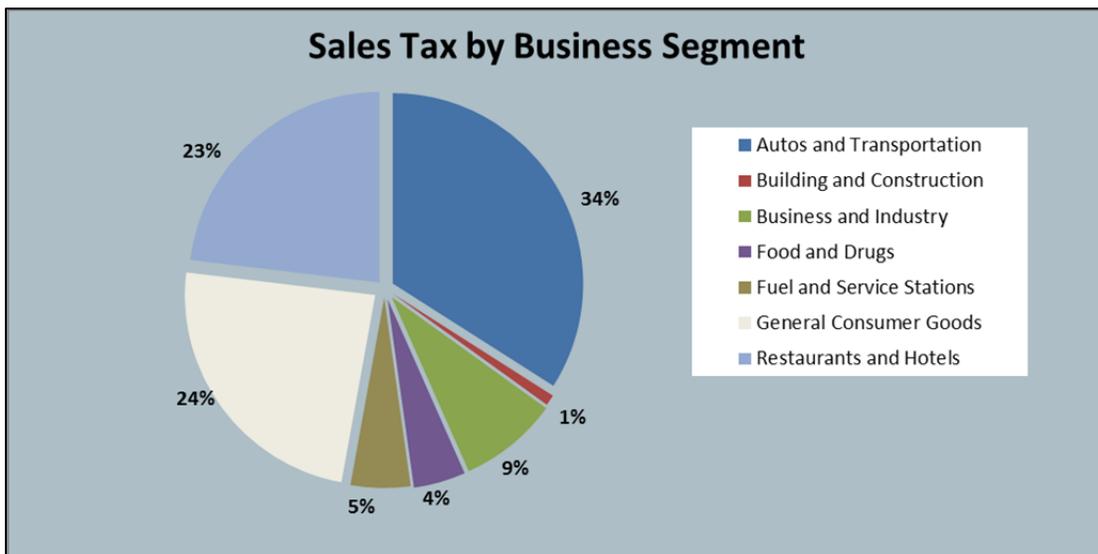
### Sales Taxes and Sales Taxes in Lieu

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 17.7 percent 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 percent of total sales taxes and is represented by 179 new and used auto, boat and aircraft dealers, supply stores and repair shops. For the 2015 year-to-date through the end of September, there were 53,121 new car registrations and 33,717 new truck registrations in Orange County.

The next largest segment, “General Consumer Goods” accounts for 24 percent 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 percent of total sales tax and is represented by 473 restaurants, hotels, clubs, and other amusement places.



Sales Tax revenue continues to trend upwards, finishing \$2.0 million or 6.5 percent higher than the prior fiscal year.

### Transient Occupancy Taxes (TOT)

TOT accrues to the City at a rate of 10 percent of room charges with 18 percent of this collection going to the local destination marketing organization (Newport Beach & Co.) to promote Newport Beach as a tourist destination. The City distinguishes its transient occupancy taxpayers in two broad property type categories, commercial and residential property. The commercial category is composed of approximately 20 inns, motels, hotels and resorts and accounts for 90 percent of TOT revenues. The residential category is made up of some 884 vacation rentals representing 10 percent of TOT revenue; together, they accounted for \$20.4 million in TOT revenue during FY 2014-15.

TOT collections increased \$2.2 million or 12.1 percent over the prior year. This is the net result of a \$216,000 increase in residential transient tax collections and a \$2.0 million increase in hotel transient tax collections.

Orange County's hotel industry expanded in 2015 due to an improving economy, more business and leisure travel, a shortage of new hotels and an influx of Chinese tourists. Through the middle of 2015 within Orange County, revenue per available hotel room rose 15.1 percent in Newport Beach/Dana Point. In Orange County, tourism spending reached \$10.8 billion last year, up \$430 million from the year before, according to Visit California. The number of people who visited Orange County rose to 46.1 million in 2014, up 3.9 percent from a year earlier, according to the Anaheim/Orange County Visitors and Convention Bureau.

## **LONG TERM FINANCIAL PLANNING**

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

### **Financial Policies**

The City Council has adopted prudent fiscal policies concerning its investments, reserves, budget administration, revenue initiatives, competitive contracting, facility replacement planning and more. The 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 recognized by the California Debt and Investment Advisory Commission as one of only 14 counties and cities in California whose policies have 20 or more debt management best practice elements. The City's debt and other financial policies can be found on the City's website in the City Council section under City Government at:

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

## Annual Budget

The annual budget serves as the foundation for the City of Newport Beach's financial planning and control and allows the City Council to prioritize City expenditures so that they are aligned with core community values. Per current policy, appropriations for operating expenditures are balanced in relation to current revenue sources and do not over-rely on one-time revenue sources or reserves. When significant uncertainty exists concerning revenue volatility or threatening/pending obligations, the City Council and City Manager reserve the right to impose any special fiscal control measures, including personnel hiring freezes, and other spending controls, whenever circumstances warrant. The City Council recently approved a Budget Preparation Framework that consists of goals, strategies and associated tactics as a means of establishing priorities, guiding program activities, and allocating resources for the upcoming budget process.

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. Through a combination of early retirement plans, attrition, outsourcing and lay-offs in recent years the full-time workforce has been reduced nearly 13 percent since FY 2008-09 as depicted in the chart below:



The City Council may authorize the use of Contingency reserves during emergency situations as set forth by the Council Reserve Policy. Last year, the City changed its reserve policy by increasing its Contingency Reserve level from 15 percent to 25 percent 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 2014-15 by allocating significant resources for the Marina Park, Sunset Ridge Park, Parks and Community Centers and the rehabilitation of fire stations, including a combination branch library and fire station in Corona del Mar.

Facilities Financial Planning Reserve Fund	
<b>Beginning Balance 7/1/14</b>	\$ 11,606,070
<b>Revenues</b>	
Licenses, Permits and Fees	7,098,368
Donations - Developer Contributions	21,843,377
Transfer In from General Fund	8,000,000
Interest Income	237,935
Other - Sale of Property	5,639,096
<b>Total Revenues</b>	<b>42,818,776</b>
<b>Expenditures</b>	
2010 Civic Center COPs Debt Service <sup>1</sup>	(8,199,027)
Marina Park	(20,682,848)
Sunset Ridge Park	(1,855,956)
Parks and Community Centers	(2,550,000)
Fire Station Rebuild	(6,025,000)
Public Arts and Cultural Facilities <sup>2</sup>	(433,495)
Misc - Other Facilities	(750,000)
<b>Total Expenditures</b>	<b>(40,496,326)</b>
<b>Ending Balance 6/30/15</b>	<b>\$ 13,928,520</b>

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

<sup>2</sup> This represents a transfer to the Public Arts & Cultural Facilities Fund

Overall, the FFPR balance is increasing \$2.3 million from the prior fiscal year due largely to higher developer contributions in FY 2014-15.

## **Pensions**

As of the actuarial valuation date of June 30th, 2013, the City had an Unfunded Accrued Liability (UAL) of \$257 million. While the City has deployed many strategies to mitigate its pension liabilities, quantifying the merits of paying down our unfunded liability sooner has always been a challenge. CalPERS' rate smoothing methodologies utilizes multiple amortization bases, each with different terms and amortization methods. Staff was able to work with CalPERS actuaries to understand and replicate the precise amortization methods used in the actuarial valuation. Staff was then able to develop an analytical framework which allowed for accurately quantifying savings associated with various alternative payment options and comparing each to the default payments schedule. Staff was able to identify and recommend a new funding schedule, adopted by Council, that will save the City \$129 million over 30 Years. This represents a savings of \$47 million in today's dollars when discounted at 3%.

Additionally, the City has taken a number of actions in recent years to mitigate the rising pension costs including:

- Establishing lower benefit formulas for new hires.
- Eliminating the Employer Paid Member Contribution (EPMC).
- Having employees pay more of the pension costs.
- Reducing the number of full-time staff by 104 Full Time Equivalent (FTE) positions since 2009.
- Adopting a fixed and shorter amortization period of the unfunded liability.

In June 2012, the Government Accounting Standards Board (GASB) approved a new reporting statement, GASB Statement No. 68 (GASB 68), titled Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting standards for local governments that provide their employees with pensions. The new standard requires government agencies to report pension information to increase transparency about pension costs to help decision-makers factor in the financial impact of total pension obligations. GASB 68 must be implemented by June 30, 2015 and the City of Newport Beach has complied with this requirement in the presentation of this CAFR.

Local governments with pensions have a total pension liability, which is the obligation to pay deferred pension benefits in the future. When the total pension liability is greater than the pension plan's assets there is a net pension liability, also known as unfunded pension liability. GASB 68 now requires governments to report their net pension liability on their government wide financial statements, as well as in the proprietary fund statements, in the CAFR See note (10) of Notes to the Financial Statements. Prior to GASB 68 the net pension liability was disclosed in the notes section of the CAFR.

As with past practice, the City will continue to fund our pension obligation at an amount equal to or greater than the minimum employer contribution rate as identified in the annual CalPERS actuarial valuation reports. The City has not and will never intentionally short-fund its pension obligations. The City evaluates the cost and benefits of paying down the unfunded pension liability on a faster schedule annually. As of the June 30, 2013 actuarial valuation, the City is scheduled to pay down the unfunded pension liability in 19 years.

Unfunded pension liability will be a significant and long-term problem for many California cities, including Newport Beach. Future expenses for roads, buildings, landscaping and parks may be constricted to accommodate high pension costs. Management's goal is to work locally on cost-effective practices that reduce the liability, while advocating for important regional and statewide efforts and reforms that assist all California municipalities in limiting this consequential liability.

## **TECHNOLOGICAL ENHANCEMENTS**

The City continued the implementation of a new Enterprise Resource Planning (ERP) software solution in FY 2014-15. This project will continue through FY 2016-17. An ERP is a business management software system that integrates all of the City's core functional requirements for financials, human capital management, citizen services and revenues. The City's legacy financial management system was implemented over 20 years ago. The City has grown since then and developed operational needs beyond the capabilities of the legacy system.

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

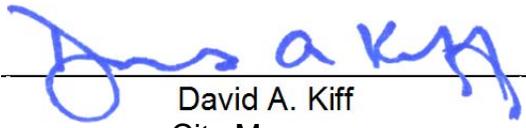
## **AWARDS AND ACKNOWLEDGMENTS**

Awards: The City has prepared a comprehensive annual financial report for the past 22 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, 2014. 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

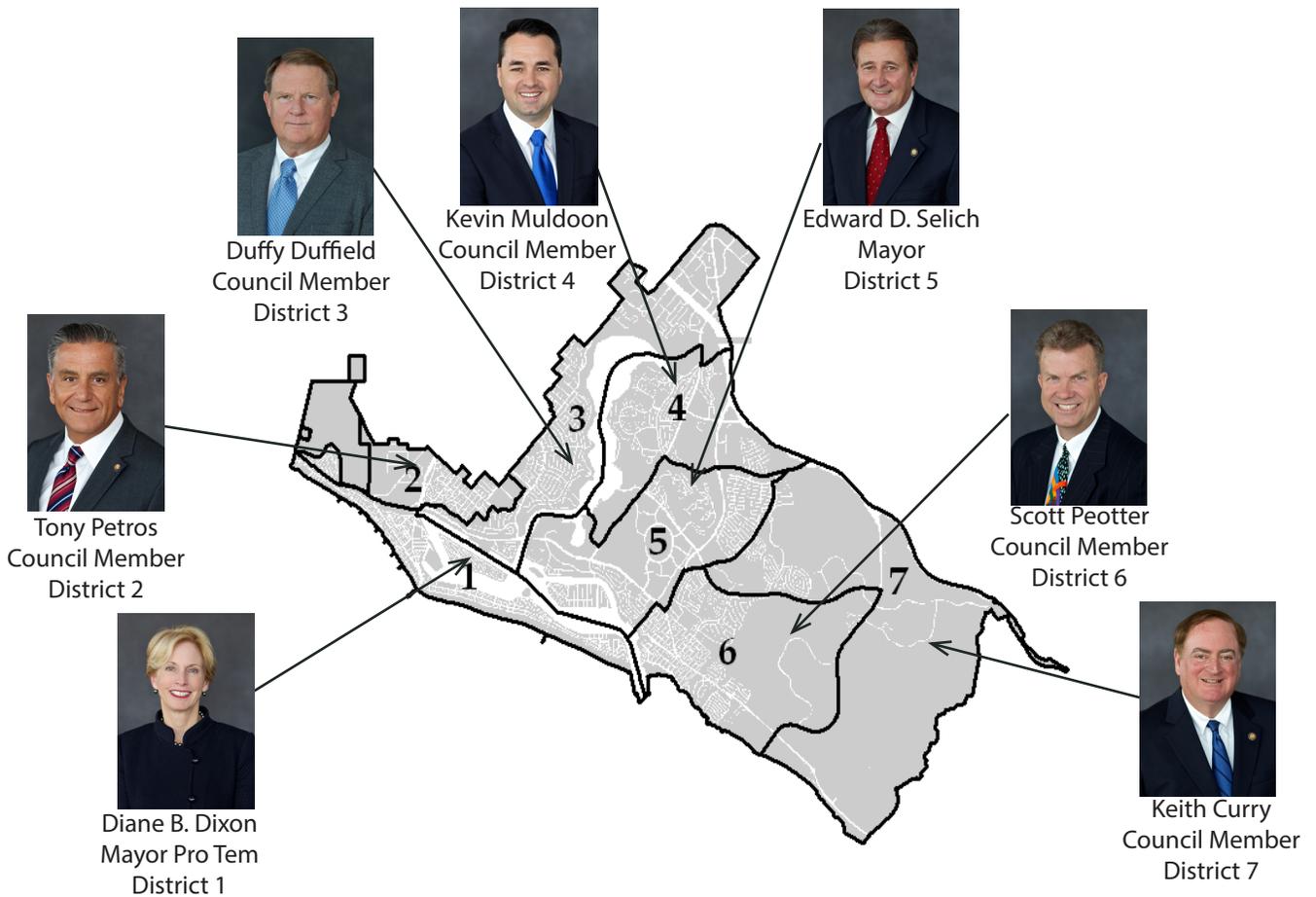
**City of Newport Beach  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# NEWPORT BEACH CITY OFFICIALS



City Attorney  
Aaron Harp

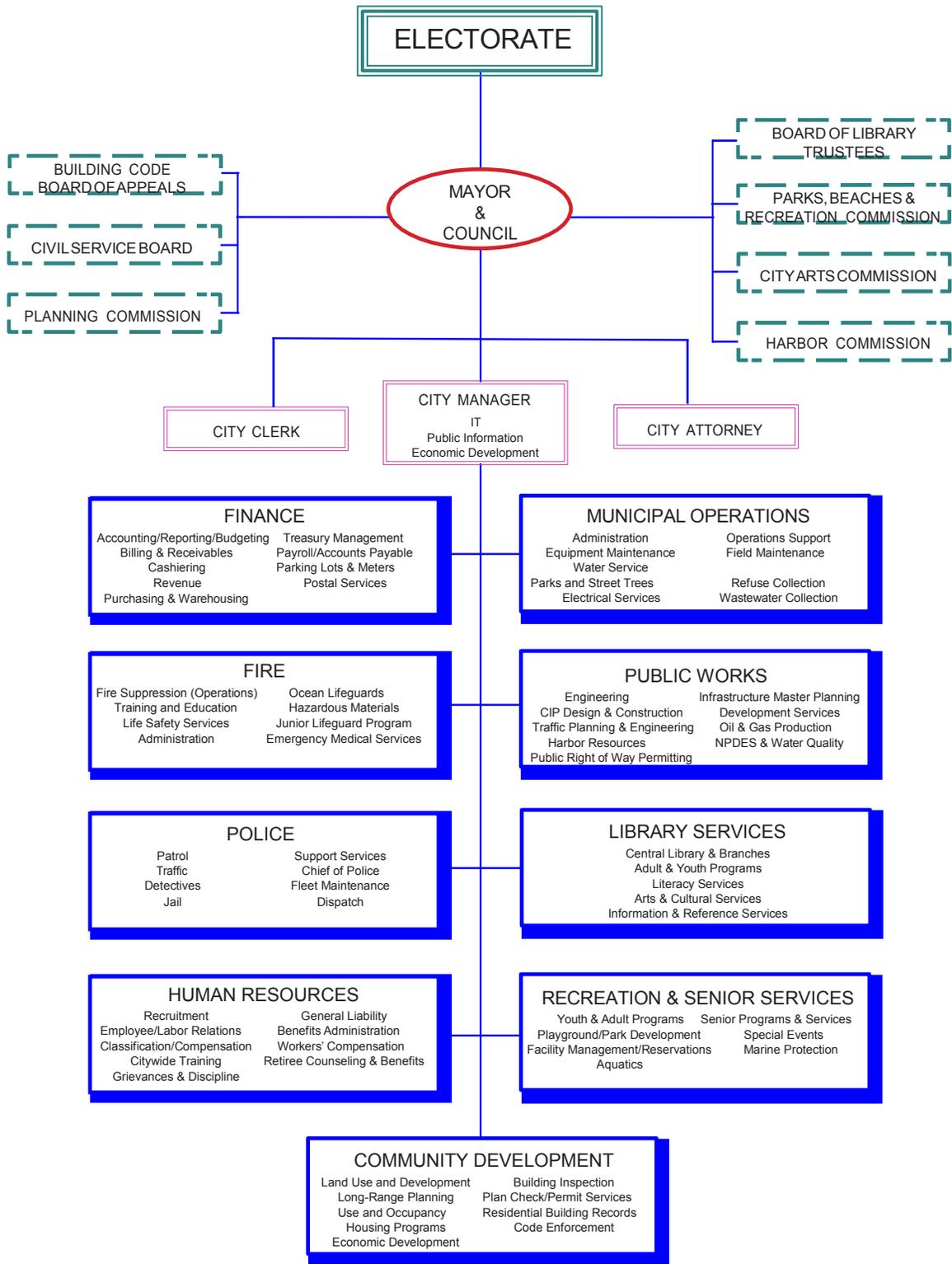


City Manager  
Dave Kiff



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
- Jay Johnson ..... Police Chief
- Dave Webb..... Public Works Director
- Laura Detweiler .....Recreation & Senior Services Director



  
ELECTED OFFICIALS

  
COUNCIL APPOINTED BOARDS & COMMISSIONS

  
COUNCIL APPOINTED POSITIONS

  
CITY DEPARTMENTS

Fiscal Year 2014-15

This page left blank intentionally.

# **FINANCIAL SECTION**

## **INDEPENDENT AUDITORS' REPORT**

**FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Newport Beach  
Newport Beach, California

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

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newport Beach, California (the City), as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, 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, Submerged Land-Harbor Capital Special Revenue Fund, and Combined Transportation Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1d and 17 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a reduction of previously reported net position of the governmental activities, business-type activities, water enterprise fund, wastewater enterprise fund, and internal service funds. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Report on Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules (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.

## **Other Matters (Continued)**

### *Other Information (Continued)*

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2016, 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 Dick Evans LLP*

Irvine, California  
January 26, 2016

This page left blank intentionally.

# **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, 2015. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### BASIC FINANCIAL STATEMENTS

**Government-wide Financial Statements** – The Government-wide Financial Statements use the economic resources measurement focus and accrual basis of accounting which is similar to the accounting standard used by private sector companies. The government-wide financial statements are intended to provide a “Big Picture” view of the City. With the economic resources measurement focus and accrual basis of accounting, changes in net position 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), deferred outflows of resources, liabilities (including long-term liabilities that may be paid over twenty years) and deferred inflows of resources. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Government-wide Financial Statements report the City's net position and how they have changed. Net position, the difference between the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the City's financial health. Over time, increases or decreases in the City's net position 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 deferred outflows of resources, and current financial liabilities and deferred inflows of resources, otherwise known as fund balance (or net working capital in the private sector) is a measure of the City's ability to finance activities in the near term.

The City utilizes three broad categories of funds:

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

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

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

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

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

**Required Supplementary Information**:- In addition to the Basic Financial Statements, we have included a Required Supplementary Information section, which includes the Schedule of Changes in Net Position Liability and Related Ratios, and the Schedule of Plan Contributions.

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

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

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

**Net Position Discussion** - As shown in Figure 1, the City's combined net position for year ended June 30, 2015 was \$2.2 billion, increasing \$48.2 million or 2.24% over the prior year. Net position can serve as an important indicator of whether the City's overall financial condition is improving or deteriorating over time.

Current and other assets increased \$23 million. This increase is largely as a result of the increase in property taxes, sales taxes, transient occupancy taxes as well as a one-time true-up allocation of State mandated cost reimbursements. Capital assets increased \$21.3 million, much of which is related to work on the Marina Park.

Current Liabilities decreased \$0.7 million primarily due to a decrease in accounts payable and accrued payroll.

Long-term liabilities increased overall approximately \$255 million. The increases are due to additional actuarial valuation accruals for general liability and workers' compensation claims, and the addition of net pension liability. See notes (6) and (10) of Notes to the Financial Statements.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 206,798	\$ 222,170	\$ 26,031	\$ 33,633	\$ 232,829	\$ 255,803
Capital assets	2,273,142	2,296,490	115,949	113,915	2,389,091	2,410,405
Total assets	2,479,940	2,518,660	141,980	147,548	2,621,920	2,666,208
Deferred Outflows of Resources	-	19,909	-	601	-	20,510
Current liabilities	29,573	29,811	4,052	3,146	33,625	32,957
Long-term liabilities	158,524	405,380	-	7,854	158,524	413,234
Total liabilities	188,097	435,191	4,052	11,000	192,149	446,191
Deferred Inflows of Resources	-	37,776	-	1,478	-	39,254
<b>Net Position</b>						
Net investment in capital assets	2,149,191	2,176,644	115,948	113,915	2,265,139	2,290,559
Restricted	59,998	45,690	-	-	59,998	45,690
Unrestricted	82,653	(156,733)	21,979	21,756	104,632	(134,977)
Total net position, before restatement	2,291,843	2,065,601	137,927	135,671	2,429,770	2,201,272
Restatement	(267,892) <sup>1</sup>	-	(8,818) <sup>1</sup>	-	(276,710) <sup>1</sup>	-
Total net position, after restatement	\$ 2,023,951	\$ 2,065,601	\$ 129,109	\$ 135,671	\$ 2,153,060	\$ 2,201,272

<sup>1</sup> Prior year net position was restated in conformity with GAAP as required by GASB 68, as well as for recording deferred amount from gain on refunding.

The City implemented GASB Statement No. 68 and GASB Statement No. 71 during the fiscal year ended June 30, 2015. The City did not reflect these pension standards in the 2014 results because the necessary actuarial information from the California Public Employees' Retirement System was not provided for the prior year presented. However, as of July 1, 2015, the City restated its beginning net position in the amount of \$276.5 million to record the beginning deferred pension contributions and net pension liability. The City also restated its beginning net position in the amount of \$248,000 to record the beginning deferred amount of gain from refunding.

- The largest portion of the City's net position, at \$2.291 billion or 104.1%, reflects the net investment in capital assets (e.g., land, right of way, street trees, buildings, infrastructure, and equipment) less accumulated depreciation and any related outstanding debt used to acquire those assets. The city uses these

capital assets to provide services to residents and therefore, they do not represent a financial resource to the City and consequently are not readily available for funding current obligations.

- Restricted net position totaled nearly \$46 million or 2.1% of net position.
- As of June 30, 2015, unrestricted net position maintains a deficit of \$135 million representing (6.1%) of net position. This is due to the implementation of GASB 68.

## 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)**

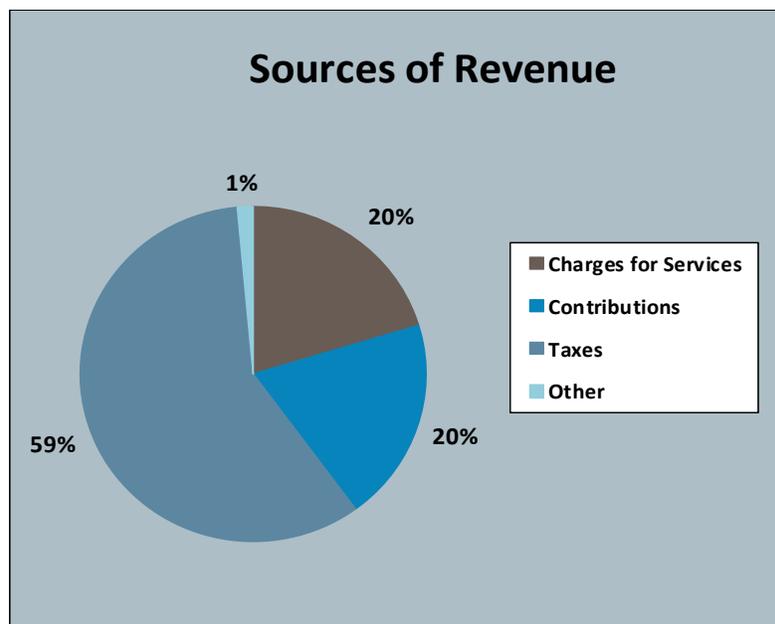
	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 49,001	\$ 50,587	\$ 32,837	\$ 31,031	\$ 81,838	\$ 81,618
Operating grants and capital contributions	15,197	10,673	-	-	15,197	10,673
Capital grants and contributions	564	38,158	-	-	564	38,158
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes	79,889	84,121	-	-	79,889	84,121
Sales tax	23,142	24,832	-	-	23,142	24,832
Sales tax in-lieu	7,728	8,046	-	-	7,728	8,046
Transient occupancy taxes	18,176	20,369	-	-	18,176	20,369
Other taxes	8,371	8,685	-	-	8,371	8,685
Investment related income	596	499	147	158	743	657
Other	3,804	3,162	-	-	3,804	3,162
<b>Total revenues</b>	<b>206,468</b>	<b>249,132</b>	<b>32,984</b>	<b>31,189</b>	<b>239,453</b>	<b>280,321</b>
<b>Expenses:</b>						
General government	18,834	24,558	-	-	18,834	24,558
Public safety	87,676	96,946	-	-	87,676	96,946
Public works	42,953	45,775	-	-	42,953	45,775
Community development	10,283	10,073	-	-	10,283	10,073
Community services	21,357	22,418	-	-	21,357	22,418
Interest	7,888	7,711	-	-	7,888	7,711
Water	-	-	22,037	21,176	22,037	21,176
Wastewater	-	-	3,369	3,452	3,369	3,452
<b>Total expenses</b>	<b>188,991</b>	<b>207,482</b>	<b>25,406</b>	<b>24,628</b>	<b>214,397</b>	<b>232,109</b>
<b>Increases in net position</b>	<b>17,477</b>	<b>41,650</b>	<b>7,578</b>	<b>6,562</b>	<b>25,055</b>	<b>48,212</b>
Net position at beginning of year	2,274,366	2,291,843	130,349	137,927	2,404,715	2,429,770
Restatement	-	(267,892) <sup>1</sup>	-	(8,818) <sup>1</sup>	-	(276,710) <sup>1</sup>
Net position at beginning of year, as restated	2,274,366	2,023,951	130,349	129,109	2,404,715	2,153,060
<b>Net position at end of year</b>	<b>\$ 2,291,843</b>	<b>\$ 2,065,601</b>	<b>\$ 137,927</b>	<b>\$ 135,671</b>	<b>\$ 2,429,770</b>	<b>\$ 2,201,272</b>

<sup>1</sup> Prior year net position was restated in conformity with GAAP as required by GASB 68, as well as for recording deferred amount from gain on refunding.

## Revenue Discussion

Figure 3 illustrates how the \$249.1 million in Governmental Activities revenue was derived. As shown, \$50.6 million or 20% of the revenues were recovered from those who directly benefited from the programs as a charge for service. Another \$48.8 million or 20% 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 \$149.7 million or 60% represented general revenues of the City including taxes, intergovernmental revenues and other miscellaneous revenues.

**Figure 3**  
**Governmental Activities Revenue Sources**  
**Year Ended June 30, 2015**



As illustrated in Figure 2, governmental charges for services increased almost \$1.6 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 planning and building fees, and receipts for affordable housing.

Grants and contributions to the City increased \$33.1 million from the prior year fees primarily related to a one-time developer deposit of \$19.5 million in public benefit, \$5.6 million in park benefit fees and sales proceeds of \$5.6 million from the sale of city property.

The City's general revenues increased \$42.7 million from the prior year largely due to increases in Property Tax, Sales Tax and Transient Occupancy Taxes.

The housing market continued to improve in 2015 due to continued job growth, low mortgage rates and continued consumer confidence. The median sales price paid for all Southern California homes sold in June was up 5.7 percent from the prior year.

Property tax collections finished the year \$4.2 million higher than the previous year, notably due to an increase in secured, unsecured and supplemental taxes.

At \$32.9 million, sales taxes, including sales tax-in-lieu, represent the second largest individual revenue source for the City. Sales taxes increased \$2.0 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, "Restaurants and Hotels", account for 24% of total sales tax and the third largest segment, "General Consumer Goods", accounts for 23% of total sales tax revenue.

At \$20.4 million, transient occupancy taxes (TOT) increased by \$2.2 million from the previous fiscal year, a net increase of \$216,382 in residential TOT and a \$2.0 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, information technology services, executive management, legal services, records management, risk management, finance, and accounting.

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

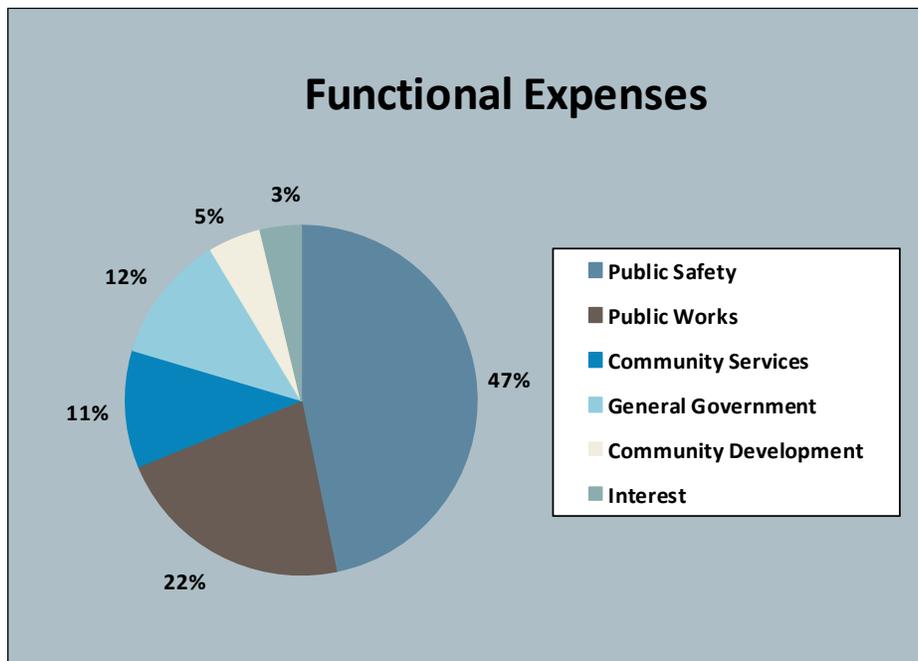
Public Works is comprised of two departments (Public Works and Municipal Operations) providing engineering, construction and maintenance of public streets, highways, buildings, beaches, parks, and related infrastructure; as well as traffic engineering, and street lighting.

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

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

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

**Figure 4**  
**Government wide Functional Expenses**  
**Year Ended June 30, 2015**



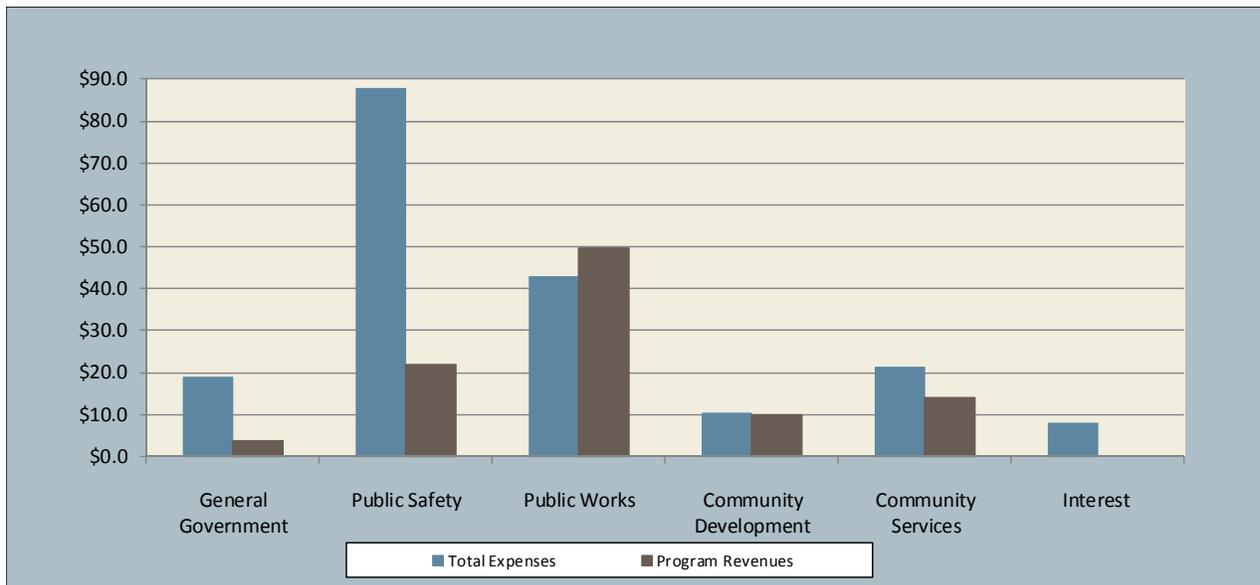
As illustrated in Figure 2, the current year expenses for all governmental activities totaled \$207.5 million. The increase of \$18.5 million (10.0%) from the prior year is mainly the result of reporting pension expense as required by GASB 68.

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

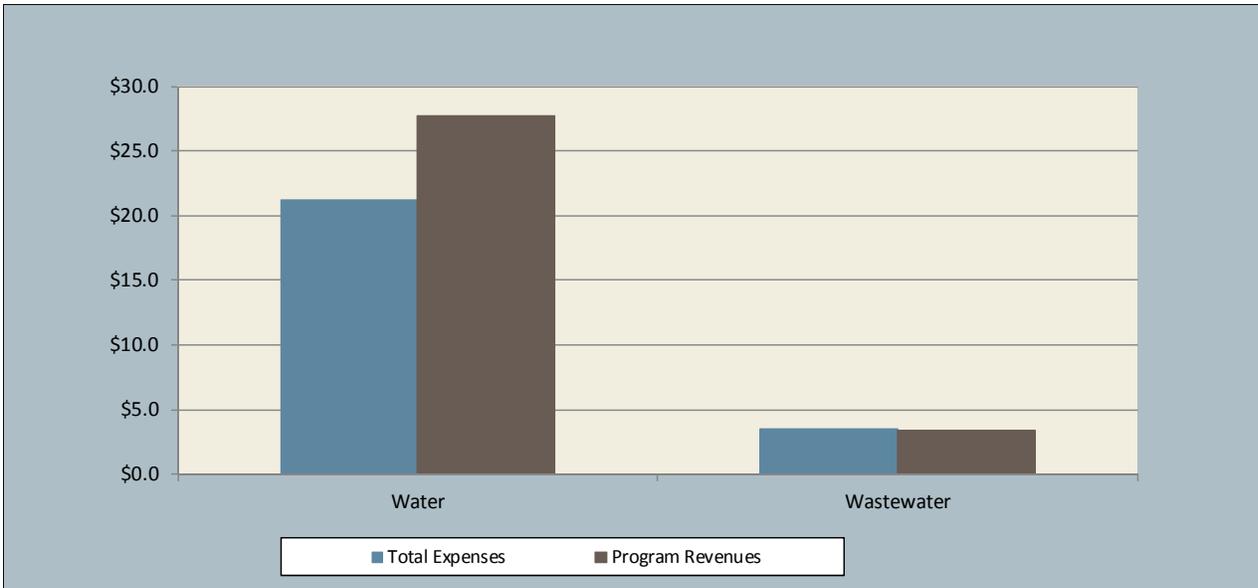
**Figure 5  
Governmental Activities  
(in thousands)**

	2014		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 18,834	\$ (15,767)	\$ 24,558	\$ (20,901)
Public safety	87,676	(66,661)	96,946	(75,160)
Public works	42,953	(24,774)	45,775	4,530
Community development	10,283	(1,132)	10,073	(310)
Community services	21,357	(8,008)	22,418	(8,512)
Interest	7,888	(7,888)	7,711	(7,711)
	<u>\$ 188,991</u>	<u>\$(124,230)</u>	<u>\$ 207,481</u>	<u>\$(108,064)</u>

**Figure 6  
Program Expenses and Revenue – Governmental Activities  
Year Ended June 30, 2015  
(in millions)**



**Figure 7**  
**Program Expenses and Revenue – Business-type Activities**  
**Year Ended June 30, 2015**  
**(in millions)**



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

Water

Of the \$21.2 million in water related expenses, \$9.1 million (43%) is for the purchase of water, \$3.8 million (18%) covers employee related costs, \$3.7 million (17.5%) is for maintenance, supplies, and depreciation of the water system, \$1.9 million (9.0%) is for professional services, and the remaining \$2.1 million (10%) is collectively attributable to miscellaneous other expenses.

Wastewater

Of the \$3.5 million in wastewater related expenses, \$1.5 million (43%) is for maintenance, supplies, and depreciation of the wastewater system, \$1.5 million (43%) is for employee related costs, and the remaining \$526,754 (15%) 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 shown in Figure 8, the City's Governmental Funds reported combined fund balances of \$138.1 million, an increase of \$9.7 million from the prior year. The increase is the net result of increases in fund balances in the General Fund, Tide and Submerged Land – Harbor Capital Fund, Facilities Financial Planning Reserve Fund and non-major capital projects funds in aggregate; offset by decreases in the Tide and Submerged Land – Operating Fund, Combined Transportation Fund and non-major special revenue funds in aggregate. The General Fund represented \$90 million or 64.9% of the combined fund balances of the Governmental Funds.

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

	2014	2015	Change
General Fund	\$ 85,380	\$ 89,953	\$ 4,572
Tide and Submerged Land - Operating	3,510	2,831	(678)
Tide and Submerged Land - Harbor Capital	(7,943)	(7,145)	798
Combined Transportation	3,486	(1,327)	(4,813)
Facilities Financial Planning Reserve	11,606	13,929	2,322
Civic Center COP	2,353	2,350	(3)
Non-major special revenue	20,887	19,573	(1,314)
Non-major capital projects	3,078	11,814	8,736
Non-major permanent	6,117	6,149	32
	<u>\$ 128,475</u>	<u>\$ 138,128</u>	<u>\$ 9,652</u>

**Nonspendable Fund Balance** – The City has \$20.5 million in fund balance classified as nonspendable to indicate that it cannot be readily converted to cash. Of the \$20.5 million nonspendable fund balance, \$264,931 is for prepaid items, \$249,394 is for inventories, \$15.3 million is for long-term loan receivable and \$4.6 million is for permanent endowments.

**Restricted Fund Balance** – The City has \$35.2 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 \$35.2 million restricted fund balance, close to \$5.4 million is restricted in the General Fund, of which \$4.2 million is for Affordable Housing and \$1.2 million is for Oceanfront Encroachment; \$2.3 million is in the Tide and Submerged Land – Operating Fund, of which \$1.8 million is restricted for capital projects and \$544,187 is restricted for the Upper Newport Bay restoration; \$2.4 million is restricted for Civic Center COP debt service, and \$3.5 million for park improvements in the Facilities Financial Planning Reserve Fund. Of the remaining \$21.6 million in restricted fund balance, \$19.7 million is restricted for various special revenue funds, \$409,552 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 \$38.0 million in fund balance classified as committed to indicate that the City Council committed how the money will be spent. Of the \$38.0 million committed fund balance; \$10.4 million is committed to the Facilities Financial Planning Reserve Fund; \$11.8 million is committed to the General Fund of which \$6.4 million is for capital re-appropriations, \$4.1 million is for encumbrances and the remaining \$1.3 million is committed to various General Fund activities; \$6.2 million is committed to the Fire Station Fund; \$2.9 million for Sunset Ridge Park Fund; \$1.7 million is committed to the Civic Center and Park Fund; \$1.9 million is committed to the Facilities Maintenance Fund; \$2.0 million is committed to the Parks and Community Centers Fund; \$520,000 is committed to the oil and gas reserves in the Tide and Submerged Land - Operating Fund; and \$553,994 is committed to various capital projects.

**Assigned Fund Balance** – The City has \$1.4 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 \$43.0 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 (16) of the Notes to the Financial Statements.

- Overall General Fund Revenues finished \$11.9 million or 6.9% higher than the prior year while expenditures finished \$15.5 million or 10.4% higher than the prior year. The net result is that General Fund income before transfers and other financing sources and uses decreased by \$3.6 million. Actual General Fund revenues were \$4.4 million over estimated revenues primarily due to conservative tax estimates, higher than expected fee for service activity and a one-time true up of State mandated cost reimbursements. Expenditures came in at \$12.0 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 \$4.6 million ending the year with \$90 million fund balance.
- The Tide and Submerged Land - Operating fund balance decreased \$678,258 and ended the current year with \$2.8 million in fund balance. This decrease was primarily due to a decrease of sale of oil revenues as oil prices dropped during the current year.
- The Tide and Submerged Land – Harbor Capital Fund increased \$797,829 due to capital projects not completed and re-appropriated to next year. The fund closed the fiscal year at a \$7.1 million deficit balance due to a gap between certain limited incremental revenues from the Tidelands Operating Fund and continued harbor related dredging projects. The General Fund has provided the

Tide and Submerged Land – Harbor Capital Fund an advance for harbor related capital improvements. The advance will be paid back to the General Fund from incremental revenues.

- The Facilities Financial Planning Reserve fund balance increased \$2.3 million to \$13.9 million. This was largely due to the receipt of developer contributions and a sale of property offset by planned transfers out for the construction costs of the Marina Park and Sunset Ridge Park projects, in addition to transfer outs for Fire Station projects and Parks and Community Centers projects.
- The Combined Transportation fund balance ended the year with a \$1.3 million deficit fund balance due to an increase in 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 \$6.8 million due to water rates including a charge for future major water capital improvements according to the Water Master Plan.

Net Position in the Wastewater Fund decreased \$105,743 due to a decrease in water consumption as wastewater rates are tied to water consumption.

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

Net position in the Internal Service Funds increased \$1.1 million in the current year. Operating loss of \$3.4 million was mostly generated due to increases in claims and judgments, offset by \$380,124 in non-operating revenues (gain on sale of vehicles and investment income) and \$4.2 million in net transfers.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### Changes to Original Budget

Final budgeted revenues for the General Fund increased \$7.1 million from the original budget during the year ended June 30, 2015. Significant factors contributing to this fluctuation are highlighted as follows:

- Final budgeted property taxes increased \$1.4 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 \$1.1 million 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 \$1.3 million from the original budget primarily due to increased construction activity.
- Final budgeted sales tax, including sales tax in lieu, increased \$1.1 million from the original budget due to improved consumer spending.
- Other revenue increased by \$709,495 from the original budget primarily due to contributions made to the library.
- Final budgeted intergovernmental revenue increased \$251,512 due to an increase in reimbursements and grants from other governmental agencies.
- Final budgeted donations increased \$70,750 from the original budget due to higher than expected private donations.
- Final budgeted charges for services increased \$1.2 million from the original budget due to a rise in recreational class participation, and an increase in administrative, engineering and plan checking services.
- Final budgeted expenditures for the General Fund decreased \$5 million from the original budget during the year ended June 30, 2015. 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 paying down unfunded pension liability, professional services and library supplies due to unexpected library donations.

#### Variance with Final Budget

Actual revenues came in at \$4.4 million above final budgeted revenues for the year ended June 30, 2015 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 \$152,222 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 \$1.1 million is the result of an increase in disposable income as the strength of the economy continues to grow.

- A \$473,988 favorable variance was realized in other taxes and other revenues due to higher than expected business license tax, utility, marine charter and solid waste taxes.
- Intergovernmental revenues finished \$1 million higher than expected due the one-time true up of State mandated cost reimbursements and grants.
- A \$873,407 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 \$687,407 favorable variance was realized in property income related to increased facilities' rental and parking revenues.
- Investment income was higher than expected by \$136,831.
- A \$243,800 favorable variance was realized in donations largely due to private donations to the library and cultural & arts.
- There were unfavorable variances of \$291,112 related to licensing and permits fines and forfeitures.

Actual General Fund expenditures of \$164.5 million were significantly less than final budgetary estimates of \$176.5 million. Significant factors contributing to this \$12.0 million variance are summarized as follows:

- A \$2.3 million favorable variance was realized in General Government due to salary & benefits savings and reductions in professional services, outside counsel and special department expenses.
- A \$1.9 million favorable variance in Public Safety was generated by salary & benefit savings, a reduction in professional services, helicopter contract services, and supplies and equipment.
- A \$2.0 million favorable variance in Public Works was due to salary savings and reductions in professional and contract services, and special department expenses and supplies.
- A \$1.4 million favorable variance in Community Development due to salary savings, a reduction in professional and contract services, and a reduction in equipment.
- A \$1.5 million favorable variance in Community Services generated by salary savings and reductions in professional services, contract services, supplies and equipment.

- A \$2.9 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 investment in capital assets for governmental and business-type activities as of June 30, 2015, amounts to \$2.4 billion, net of accumulated depreciation. This investment is comprised of a broad range of capital assets including land, buildings, machinery and equipment, park facilities, road improvements, storm drains, piers, oil wells, sound walls, 800 MHz radio communications system, parking pay stations and meters and bridges. The total net investment in capital assets increased \$21.3 million over the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Land	\$1,871,641	\$1,880,744	\$ 2,219	\$ 2,219	\$1,873,860	\$1,882,963
Structures	179,589	178,796	516	501	180,105	179,297
Equipment	16,553	17,128	80	92	16,633	17,220
Infrastructure	189,467	186,297	107,406	111,102	296,873	297,399
Work in progress	15,892	33,525	5,727	-	21,619	33,525
Totals	\$2,273,142	\$2,296,490	\$ 115,948	\$ 113,914	\$ 2,389,090	\$ 2,410,404

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

- Capital asset additions totaled \$57.2 million in both the Governmental and Business Type Activities in the current year. Of the \$57.2 million, \$38.7 million represents additions of non-depreciable assets such as land and rights of way and work in progress. The remaining \$18.5 million is comprised of additions from structures of \$3.5 million, equipment of \$4.0 million, and infrastructure of \$11.0 million.
- Of the \$50.6 million of additions in governmental assets in the current year, work in progress contributed to exactly half at \$25.3 million, which was mainly due to an increase in construction activity on the Marina Park project. The remaining \$25.3 million added in the current year as governmental assets, is comprised of \$13.4 million in land acquisitions, \$3.5 million in additions to structures, \$4.0 million of equipment, and \$4.4 million in infrastructure additions.

- The \$6.6 million of business-type asset additions in the current year is comprised entirely of infrastructure additions, with \$6.1 million related to the water system and \$516,259 related to the wastewater system.

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 \$120.9 million for all governmental activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Certificates of participation	\$119,455	\$ 116,595	\$ -	\$ -	\$119,455	\$ 116,595
Bond premium	723	602	-	-	723	602
Pre-annexation agreement	3,600	2,400	-	-	3,600	2,400
CDBG Loan	1,462	1,339	-	-	1,462	1,339
<b>Totals</b>	<b>\$125,240</b>	<b>\$ 120,936</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$125,240</b>	<b>\$ 120,936</b>

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

### FACTORS AFFECTING NEXT YEAR’S BUDGET

#### Economy

The federal funds rate has significant implications for the U.S. and global economy. The rate affects the interest consumers pay for car loans or a mortgage, the rate a foreign investor earns when buying a U.S. Treasury or corporate bond, levels of job creation, and manufacturing activity. The Federal Reserve dropped its policy rate (the federal funds rate) to near zero in 2008, where it has sat through episodes of sputtering growth. On December 16, 2015, the Federal Open Market Committee (FOMC) set a new target range for the federal funds rate (0.25% to 0.50%). This is a 0.25% increase from the previous range (0.00% to 0.25%), which was set exactly seven years earlier on December 16, 2008. The Federal Reserve (Fed) also raised by 0.25% the interest rate it pays banks on excess reserves deposited with the Fed to 0.50%.

California's unemployment rate decreased to 5.9 percent in September 2015, dropping below 6.0 percent for the first time since November 2007. In addition, nonfarm payroll jobs increased by 8,200 during the month for a total gain of 2,077,700 jobs since the recovery began in February 2010, according to data released by the California Employment Development Department (EDD). The unemployment rate in the Orange County was 4.0 percent in September 2015, down from a revised 4.5 percent in August 2015. The Orange County Assessor's Office reported in June of 2015 that the taxable value of Orange County real estate rose \$28.5 billion in the past year – a 6.3 percent gain. The jump reflects a strong market for real estate – both increasing sales prices and steady sales activity. Higher taxable values, which help set property tax bills, are good news for local municipalities that are largely funded by property taxes.

Orange County's hotel industry expanded in 2015 with increases in occupancy and revenue. The increases are due to an improving economy, more business and leisure travel, a shortage of new hotels and an influx of Chinese tourists, according to a local real estate research firm. Orange County is seeing occupancy rates above the national average, which is giving hoteliers pricing power that has translated to higher transient occupancy tax for a destination city like Newport Beach.

The positive underlying economic factors suggests continued economic growth, strengthening labor markets, and steadily rising tax revenue in 2016 for the City of Newport Beach. These favorable economic trends will be incorporated into the budget planning process using a conservative approach to ensure that long term commitments are aligned with realistic revenue projections.

### Discretionary Appropriations

This budget focuses on programs and activities that support qualities that make Newport Beach an extraordinary place to reside or visit: a high quality physical environment; a sense of community enjoyment and safety; civic engagement within the community and with City government; and an accountable and responsive City government. Departments continue to review all programs to ensure they support these qualities and at the same time continue to look for department operating reductions or increased revenue opportunities, where appropriate. The City Council adopted an FY 2015-16 budget that is reflective of an expanding economy including staff to operate the Peninsula's new Marina Park, including its sailing center and community center; a strong but community-friendly public safety presence on the Balboa Peninsula, where three additional police officers and one sergeant will work to provide a good visitor and resident experience with our many eating and drinking establishments; and projects in the CIP that include construction and rehabilitation of arterial highways, local streets, storm drains, bay and beach improvements, parks and buildings, and water and wastewater improvements.

Although the economy, and associated revenue that comes from an expanding economy, is expected to continue in 2016, 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](http://www.newportbeachca.gov/financialinfo)

This page left blank intentionally.

# **FINANCIAL SECTION**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**FINANCIAL SECTION**



**CITY OF NEWPORT BEACH**  
**Statement of Net Position**  
**June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and investments (note 4)	\$ 191,951,943	\$ 28,050,919	\$ 220,002,862
Receivables:			
Accounts (net of allowance)	9,738,340	5,438,187	15,176,527
Interest	505,077	-	505,077
Intergovernmental receivables	8,062,443	-	8,062,443
Cash with fiscal agent (note 4)	7,937,222	-	7,937,222
Internal balances	(143,714)	143,714	-
Net other post employment benefits (assets) (note 11)	1,604,014	-	1,604,014
Inventory	621,612	-	621,612
Investment in joint ventures (note 14)	173,977	-	173,977
Prepaid items	1,719,184	-	1,719,184
Capital assets, (note 5):			
Non-depreciable	1,914,268,220	2,219,450	1,916,487,670
Depreciable	578,785,095	174,464,538	753,249,633
Accumulated depreciation	(196,563,677)	(62,769,474)	(259,333,151)
Total Assets	<u>2,518,659,736</u>	<u>147,547,334</u>	<u>2,666,207,070</u>
<b>Deferred Outflows of Resources:</b>			
Deferred amount from pension plans (note 10)	19,908,990	601,450	20,510,440
Total Deferred Outflows of Resources	<u>19,908,990</u>	<u>601,450</u>	<u>20,510,440</u>
<b>Liabilities:</b>			
Accounts payable	12,942,100	2,857,928	15,800,028
Accrued payroll	5,493,461	264,902	5,758,363
Accrued interest payable	3,825,302	-	3,825,302
Deposits payable	2,600,314	23,474	2,623,788
Unearned revenue	4,950,234	-	4,950,234
Noncurrent liabilities (note 6):			
Net pension liability (note 10)	248,825,304	7,853,576	256,678,880
Due within one year	16,542,415	-	16,542,415
Due in more than one year	140,012,004	-	140,012,004
Total Liabilities	<u>435,191,134</u>	<u>10,999,880</u>	<u>446,191,014</u>
<b>Deferred Inflows of Resources:</b>			
Deferred amount from pension plans (note 10)	37,578,348	1,478,266	39,056,614
Deferred amount from gain on refunding	197,907	-	197,907
Total Deferred Inflows of Resources	<u>37,776,255</u>	<u>1,478,266</u>	<u>39,254,521</u>
<b>Net Position:</b>			
Net investment in capital assets	2,176,644,408	113,914,514	2,290,558,922
Restricted for:			
Public safety	1,148,972	-	1,148,972
Public works	26,707,477	-	26,707,477
Community services	5,069,742	-	5,069,742
Community development	6,614,118	-	6,614,118
Debt Service	-	-	-
Permanent funds:			
Nonexpendable	4,629,781	-	4,629,781
Expendable	1,519,612	-	1,519,612
Unrestricted	(156,732,773)	21,756,124	(134,976,649)
Total Net Position	<u>\$ 2,065,601,337</u>	<u>\$ 135,670,638</u>	<u>\$ 2,201,271,975</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Statement of Activities**  
**Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 24,558,041	\$ 3,647,210	\$ 9,498	\$ -	\$ 3,656,708
Public safety	96,945,872	19,386,017	2,400,255	-	21,786,272
Public works	45,774,939	5,276,991	7,104,899	37,922,982	50,304,872
Community development	10,073,248	8,608,645	1,154,634	-	9,763,279
Community services	22,418,287	13,667,775	4,000	234,683	13,906,458
Interest on long-term debt	7,711,334	-	-	-	-
<b>Total governmental activities</b>	<b>207,481,721</b>	<b>50,586,638</b>	<b>10,673,286</b>	<b>38,157,665</b>	<b>99,417,589</b>
Business-type activities:					
Water	21,175,954	27,705,129	-	-	27,705,129
Wastewater	3,452,398	3,326,362	-	-	3,326,362
<b>Total business-type activities</b>	<b>24,628,352</b>	<b>31,031,491</b>	<b>-</b>	<b>-</b>	<b>31,031,491</b>
<b>Total primary government</b>	<b>\$ 232,110,073</b>	<b>\$ 81,618,129</b>	<b>\$ 10,673,286</b>	<b>\$ 38,157,665</b>	<b>\$ 130,449,080</b>

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 17)

Net Position at end of year

See accompanying notes to basic financial statements

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (20,901,333)	\$ -	\$ (20,901,333)
(75,159,600)	-	(75,159,600)
4,529,933	-	4,529,933
(309,969)	-	(309,969)
(8,511,829)	-	(8,511,829)
(7,711,334)	-	(7,711,334)
<u>(108,064,132)</u>	<u>-</u>	<u>(108,064,132)</u>
-	6,529,175	6,529,175
-	(126,036)	(126,036)
<u>-</u>	<u>6,403,139</u>	<u>6,403,139</u>
<u>(108,064,132)</u>	<u>6,403,139</u>	<u>(101,660,993)</u>
84,121,461	-	84,121,461
24,832,412	-	24,832,412
8,046,424	-	8,046,424
20,369,158	-	20,369,158
4,141,282	-	4,141,282
4,189,130	-	4,189,130
354,919	-	354,919
437,272	123,445	560,717
61,337	34,921	96,258
3,161,567	-	3,161,567
<u>149,714,962</u>	<u>158,366</u>	<u>149,873,328</u>
41,650,830	6,561,505	48,212,335
<u>2,023,950,507</u>	<u>129,109,133</u>	<u>2,153,059,640</u>
<u>\$ 2,065,601,337</u>	<u>\$ 135,670,638</u>	<u>\$ 2,201,271,975</u>

See accompanying notes to basic financial statements

This page left blank intentionally.

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

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

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

## Other Governmental Funds

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

**CITY OF NEWPORT BEACH**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2015**

<b>Assets</b>	<b>Special Revenue Funds</b>		
	<b>General</b>	<b>Tide and Submerged Land - Operating</b>	<b>Tide and Submerged Land - Harbor Capital</b>
Cash and investments (note 4)	\$ 77,845,265	\$ 2,724,968	\$ 8,254,209
Receivables:			
Accounts (net of allowance)	4,959,791	890,980	-
Interest	505,077	-	-
Intergovernmental receivables	4,996,450	-	502,254
Cash with fiscal agent (note 4)	-	-	-
Advance to other funds (note 12)	15,309,559	-	-
Due from other funds (note 12)	2,558,528	-	-
Prepaid items	225,443	-	-
Inventory	249,394	-	-
Total assets	\$ 106,649,507	\$ 3,615,948	\$ 8,756,463
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 6,892,038	\$ 616,586	\$ 118,981
Accrued payroll	5,296,088	23,407	-
Deposits payable	2,336,821	144,493	-
Unearned revenue	2,172,019	-	-
Advance from other funds (note 12)	-	-	15,309,559
Due to other funds (note 12)	-	-	-
Total liabilities	16,696,966	784,486	15,428,540
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue	-	-	472,595
Total deferred inflows of resources	-	-	472,595
 <b>Fund balances (deficits):</b>			
Nonspendable:			
Prepaid items	225,443	-	-
Inventories	249,394	-	-
Long-Term Loan Receivable	15,309,559	-	-
Permanent Endowment	-	-	-
Restricted:			
Affordable housing	4,199,525	-	-
Oceanfront Encroachment	1,190,285	-	-
Upper Newport Bay Restoration	-	544,187	-
Other	-	1,767,275	-
Committed:			
Capital Re-appropriations	6,357,095	-	-
Oil and Gas	-	520,000	-
Other	5,490,757	-	-
Assigned:	1,421,225	-	-
Unassigned:	55,509,258	-	(7,144,672)
Total fund balances (deficits)	89,952,541	2,831,462	(7,144,672)
Total liabilities, deferred inflows of resources and fund balances	\$ 106,649,507	\$ 3,615,948	\$ 8,756,463

See accompanying notes to basic financial statements

Special Revenue	Capital Project Fund	Debt Service Fund		
Combined Transportation	Facilities Financial Planning Reserve	Civic Center COP	Other Governmental Funds	Totals
\$ -	\$ 8,308,069	\$ -	\$ 45,358,981	\$ 142,491,492
3,048,412	16,862	-	9,955	8,926,000
-	-	-	-	505,077
1,963,324	-	-	600,415	8,062,443
-	-	7,937,222	-	7,937,222
-	-	-	-	15,309,559
-	5,620,471	-	-	8,178,999
-	-	-	39,488	264,931
-	-	-	-	249,394
<u>\$ 5,011,736</u>	<u>\$ 13,945,402</u>	<u>\$ 7,937,222</u>	<u>\$ 46,008,839</u>	<u>\$ 191,925,117</u>
\$ 680,643	\$ -	\$ 41	\$ 3,626,462	\$ 11,934,751
-	-	-	-	5,319,495
-	-	-	119,000	2,600,314
74,232	16,882	-	2,687,101	4,950,234
-	-	-	-	15,309,559
<u>868,238</u>	<u>-</u>	<u>5,586,971</u>	<u>1,439,590</u>	<u>7,894,799</u>
<u>1,623,113</u>	<u>16,882</u>	<u>5,587,012</u>	<u>7,872,153</u>	<u>48,009,152</u>
<u>4,715,229</u>	<u>-</u>	<u>-</u>	<u>600,415</u>	<u>5,788,239</u>
<u>4,715,229</u>	<u>-</u>	<u>-</u>	<u>600,415</u>	<u>5,788,239</u>
-	-	-	39,488	264,931
-	-	-	-	249,394
-	-	-	-	15,309,559
-	-	-	4,629,781	4,629,781
-	-	-	-	4,199,525
-	-	-	-	1,190,285
-	-	-	-	544,187
-	3,541,302	2,350,210	21,639,410	29,298,197
-	-	-	-	6,357,095
-	-	-	-	520,000
-	10,387,218	-	15,252,043	31,130,018
-	-	-	-	1,421,225
<u>(1,326,606)</u>	<u>-</u>	<u>-</u>	<u>(4,024,451)</u>	<u>43,013,529</u>
<u>(1,326,606)</u>	<u>13,928,520</u>	<u>2,350,210</u>	<u>37,536,271</u>	<u>138,127,726</u>
<u>\$ 5,011,736</u>	<u>\$ 13,945,402</u>	<u>\$ 7,937,222</u>	<u>\$ 46,008,839</u>	<u>\$ 191,925,117</u>

See accompanying notes to basic financial statements

This page left blank intentionally.

**CITY OF NEWPORT BEACH**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2015**

Fund balances of governmental funds	\$	138,127,726
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets net of accumulated depreciation have not been included as financial resources in governmental fund activity. Amount excludes capital assets from internal service funds which are added below.</p>		2,282,690,902
<p>Long term debt that have not been reported in the governmental fund activity. Amounts exclude long-term debt activity from internal service funds which have been added below:</p>		
Certificates of participation payable		(116,595,000)
Premium on Certificates		(602,765)
Pre-annexation agreement liability		(2,400,000)
CDBG loan		(1,339,000)
<p>Pension related debt applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities. Amounts exclude internal service fund activity which has been added below:</p>		
Deferred outflows of resources		19,513,397
Deferred inflows of resources		(36,606,045)
Pension Liability		(243,659,756)
<p>Deferred inflows related to gain on refunding is not reported on governmental funds</p>		(197,907)
<p>Accrued interest payable for the current portion of interest due on long-term debt has not been reported in the governmental funds.</p>		(3,825,302)
<p>Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds.</p>		5,788,239
<p>Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance, 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.</p>		24,676,585
<p>Investment in joint ventures is not a current financial resource and therefore not reported in the governmental funds.</p>		173,977
<p>Internal balance created by the consolidation of internal service fund activities related to enterprise funds is not reported in the governmental funds.</p>		(143,714)
<p>Net position of governmental activities</p>	<u>\$</u>	<u>2,065,601,337</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2015**

	Special Revenue Funds		
	General	Tide and Submerged Land - Operating	Tide and Submerged Land - Harbor Capital
<b>Revenues:</b>			
Taxes and assessments:			
Property tax	\$ 84,121,461	\$ -	\$ -
Sales tax	24,832,412	-	-
Sales tax in-lieu	8,046,424	-	-
Transient occupancy tax	20,369,158	-	-
Other taxes	8,727,401	-	-
Intergovernmental	2,637,452	-	-
Licenses, permits and fees	6,555,699	53,982	-
Charges for services	16,698,763	215,447	-
Fines and forfeitures	3,725,795	6,610	-
Investment income (loss)	437,272	44,312	36,673
Net increase in fair value of investments	61,337	14,990	7,790
Property income	7,962,877	10,860,087	2,583,703
Donations	406,050	-	-
Other	1,207,704	1,033	-
<b>Total revenues</b>	<b>185,789,805</b>	<b>11,196,461</b>	<b>2,628,166</b>
<b>Expenditures:</b>			
Current:			
General government	13,306,725	753,787	-
Public safety	84,361,880	8,927,666	-
Public works	30,112,515	2,976,103	-
Community development	9,746,531	-	-
Community services	18,349,480	1,886,066	-
Capital outlay	8,469,632	1,565,063	1,830,337
Debt service (note 6):			
Principal	-	-	-
Interest and fiscal charges	175,812	-	-
<b>Total expenditures</b>	<b>164,522,575</b>	<b>16,108,685</b>	<b>1,830,337</b>
Excess (deficiency) of revenues over expenditures	21,267,230	(4,912,224)	797,829
<b>Other financing sources (uses):</b>			
Transfers in (note 13)	38,802	4,233,966	-
Transfers out (note 13)	(16,733,966)	-	-
Proceeds from loan issuance	-	-	-
Payment to refunded loan escrow agent	-	-	-
<b>Total other financing sources (uses)</b>	<b>(16,695,164)</b>	<b>4,233,966</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>4,572,066</b>	<b>(678,258)</b>	<b>797,829</b>
Fund balances (deficits), beginning	85,380,475	3,509,720	(7,942,501)
Fund balances (deficit), ending	<u>\$ 89,952,541</u>	<u>\$ 2,831,462</u>	<u>\$ (7,144,672)</u>

See accompanying notes to basic financial statements

<u>Special Revenue</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>		
<u>Combined Transportation</u>	<u>Facilities Financial Planning Reserve</u>	<u>Civic Center COP</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 84,121,461
-	-	-	-	24,832,412
-	-	-	-	8,046,424
-	-	-	-	20,369,158
-	-	-	568,047	9,295,448
1,818,790	-	2,350,127	5,006,839	11,813,208
-	7,098,368	-	968,705	14,676,754
-	-	-	-	16,914,210
-	-	-	-	3,732,405
21,044	190,704	168	198,556	928,729
4,507	47,231	-	41,630	177,485
-	-	-	-	21,406,667
-	21,843,377	-	-	22,249,427
-	5,639,096	-	136,585	6,984,418
<u>1,844,341</u>	<u>34,818,776</u>	<u>2,350,295</u>	<u>6,920,362</u>	<u>245,548,206</u>
-	-	-	-	14,060,512
-	-	-	1,278,576	94,568,122
-	-	-	605,960	33,694,578
-	-	-	130,175	9,876,706
-	-	-	-	20,235,546
6,657,416	-	-	28,647,223	47,169,671
-	-	2,860,000	1,323,000	4,183,000
-	-	7,691,858	90,141	7,957,811
<u>6,657,416</u>	<u>-</u>	<u>10,551,858</u>	<u>32,075,075</u>	<u>231,745,946</u>
<u>(4,813,075)</u>	<u>34,818,776</u>	<u>(8,201,563)</u>	<u>(25,154,713)</u>	<u>13,802,260</u>
-	8,000,000	8,199,027	32,810,161	53,281,956
-	(40,496,326)	-	(201,664)	(57,431,956)
-	-	-	1,339,000	1,339,000
-	-	-	(1,339,000)	(1,339,000)
<u>-</u>	<u>(32,496,326)</u>	<u>8,199,027</u>	<u>32,608,497</u>	<u>(4,150,000)</u>
(4,813,075)	2,322,450	(2,536)	7,453,784	9,652,260
<u>3,486,469</u>	<u>11,606,070</u>	<u>2,352,746</u>	<u>30,082,487</u>	<u>128,475,466</u>
<u>\$ (1,326,606)</u>	<u>\$ 13,928,520</u>	<u>\$ 2,350,210</u>	<u>\$ 37,536,271</u>	<u>\$ 138,127,726</u>

See accompanying notes to basic financial statements

This page left blank intentionally.

**CITY OF NEWPORT BEACH**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year ended June 30, 2015**

Net change in fund balances - total governmental funds \$ 9,652,260

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. 22,137,006

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

Repayment of principal	4,183,000
Section 108 loan proceeds	(1,339,000)
Payment to refunding escrow agent	1,339,000

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

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

Accrued Interest for debt service is the net change in accrued interest for the current period. 75,395

Pension expense reported in the governmental funds includes the annual required contribution. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. 1,091,923

Some of the revenue will be collected after year-end, but is not available soon enough to pay for the current period's expenditures, and therefore is reported as unavailable revenue in the governmental funds. This is the net change in unearned revenue for the current period. 3,090,097

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, workers' compensation, compensated absences, retiree insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported in the statement of activities. 1,135,943

Investment in joint ventures creates an explicit, measurable equity interest reported only in the statement of activities. (14,960)

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. 129,084

Change in net position of governmental activities \$ 41,650,830

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**General Fund**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with</b>
	<u>Original</u>	<u>Final</u>		<b>Final Budget</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Taxes and assessments:				
Property	\$ 82,607,239	\$ 83,969,239	\$ 84,121,461	\$ 152,222
Sales	23,353,322	24,754,322	24,832,412	78,090
Sales tax in-lieu	8,328,846	8,046,423	8,046,424	1
Transient occupancy	18,311,767	19,377,767	20,369,158	991,391
Other taxes	8,443,015	8,443,015	8,727,401	284,386
Intergovernmental	1,371,213	1,622,725	2,637,452	1,014,727
Licenses, permits and fees	5,472,085	6,754,406	6,555,699	(198,707)
Charges for services	14,588,072	15,825,356	16,698,763	873,407
Fines and forfeitures	3,818,200	3,818,200	3,725,795	(92,405)
Investment income	361,778	361,778	437,272	75,494
Net increase in fair value of investments	-	-	61,337	61,337
Property income	7,281,711	7,275,470	7,962,877	687,407
Donations	91,500	162,250	406,050	243,800
Other	308,607	1,018,102	1,207,704	189,602
	<u>174,337,355</u>	<u>181,429,053</u>	<u>185,789,805</u>	<u>4,360,752</u>
<b>Total revenues</b>				
<b>Expenditures:</b>				
General government:				
City council	1,273,158	1,444,929	971,969	472,960
City clerk	795,591	847,647	762,425	85,222
City attorney	2,296,156	2,292,777	1,984,866	307,911
City manager	3,336,762	2,772,182	2,202,975	569,207
Finance	5,635,931	5,560,696	5,031,531	529,165
Human resources	2,696,408	2,695,136	2,352,959	342,177
Total General government	<u>16,034,006</u>	<u>15,613,367</u>	<u>13,306,725</u>	<u>2,306,642</u>
Public safety:				
Police	46,913,777	49,007,977	47,805,772	1,202,205
Fire	40,024,783	37,299,076	36,556,108	742,968
Total Public safety	<u>86,938,560</u>	<u>86,307,053</u>	<u>84,361,880</u>	<u>1,945,173</u>
Public works:				
MOD- General services	26,377,023	24,620,857	22,867,826	1,753,031
Public works	6,702,358	6,491,259	6,272,426	218,833
MOD - Utilities	1,043,616	1,043,616	972,263	71,353
Total Public works	<u>34,122,997</u>	<u>32,155,732</u>	<u>30,112,515</u>	<u>2,043,217</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**General Fund**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2015**  
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Community development:				
Community Development	9,881,034	9,834,172	8,657,129	1,177,043
Code and water quality enforcement	1,283,168	1,283,918	1,089,402	194,516
Total Community development	<u>11,164,202</u>	<u>11,118,090</u>	<u>9,746,531</u>	<u>1,371,559</u>
Community services:				
Parking operations	1,592,471	1,235,671	1,086,559	149,112
Library services	7,325,963	8,106,013	7,388,951	717,062
Recreation and senior services	10,254,441	10,501,918	9,873,970	627,948
Total Community services	<u>19,172,875</u>	<u>19,843,602</u>	<u>18,349,480</u>	<u>1,494,122</u>
Capital outlay	<u>13,927,277</u>	<u>11,340,915</u>	<u>8,469,632</u>	<u>2,871,283</u>
Debt service:				
Interest and Fiscal Charges	170,000	170,000	175,812	(5,812)
Total expenditures	<u>181,529,917</u>	<u>176,548,759</u>	<u>164,522,575</u>	<u>12,026,184</u>
Excess (deficiency) of revenues over expenditures	<u>(7,192,562)</u>	<u>4,880,294</u>	<u>21,267,230</u>	<u>16,386,936</u>
<b>Other financing sources (uses):</b>				
Transfers in	6,802,549	17,959	38,802	20,843
Transfers out	<u>(10,000,000)</u>	<u>(12,500,000)</u>	<u>(16,733,966)</u>	<u>(4,233,966)</u>
Total other financing sources (uses)	<u>(3,197,451)</u>	<u>(12,482,041)</u>	<u>(16,695,164)</u>	<u>(4,213,123)</u>
Net change in fund balance	(10,390,013)	(7,601,747)	4,572,066	12,173,813
Fund balance, beginning	<u>85,380,475</u>	<u>85,380,475</u>	<u>85,380,475</u>	<u>-</u>
Fund balance, ending	<u>\$ 74,990,462</u>	<u>\$ 77,778,728</u>	<u>\$ 89,952,541</u>	<u>\$ 12,173,813</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Tide and Submerged Land - Operating**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Licenses, permits and fees	\$ 15,000	\$ 15,000	\$ 53,982	\$ 38,982
Charges for services	-	151,442	215,447	64,005
Fines and forfeitures	-	-	6,610	6,610
Investment income (loss)	22,278	22,278	44,312	22,034
Net increase in fair value of investments	-	-	14,990	14,990
Property income	11,062,939	11,362,939	10,860,087	(502,852)
Other	-	-	1,033	1,033
	<u>11,100,217</u>	<u>11,551,659</u>	<u>11,196,461</u>	<u>(355,198)</u>
Total revenues				
<b>Expenditures:</b>				
General government	-	753,787	753,787	-
Public safety	-	8,927,666	8,927,666	-
Public works	857,700	3,186,590	2,976,103	210,487
Community services	2,376,554	2,396,554	1,886,066	510,488
Capital outlay	3,532,973	2,337,196	1,565,063	772,133
	<u>6,767,227</u>	<u>17,601,793</u>	<u>16,108,685</u>	<u>1,493,108</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>4,332,990</u>	<u>(6,050,134)</u>	<u>(4,912,224)</u>	<u>1,137,910</u>
<b>Other financing uses:</b>				
Transfers in	-	-	4,233,966	4,233,966
Transfers out	(6,784,590)	-	-	-
Total other financing sources (uses)	<u>(6,784,590)</u>	<u>-</u>	<u>4,233,966</u>	<u>4,233,966</u>
Net change in fund balance	(2,451,600)	(6,050,134)	(678,258)	5,371,876
Fund balance, beginning	<u>3,509,720</u>	<u>3,509,720</u>	<u>3,509,720</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ 1,058,120</u>	<u>\$ (2,540,414)</u>	<u>\$ 2,831,462</u>	<u>\$ 5,371,876</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Tide and Submerged Land - Harbor Capital**  
**Budgetary Comparison Statement**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Investment income	5,388	5,388	36,673	31,285
Net increase in fair value of investments	-	-	7,790	7,790
Property income	1,567,474	1,567,474	2,583,703	1,016,229
<b>Total revenues</b>	<b>1,572,862</b>	<b>1,572,862</b>	<b>2,628,166</b>	<b>1,055,304</b>
<b>Expenditures:</b>				
Capital outlay	3,029,375	5,465,151	1,830,337	3,634,814
<b>Net change in fund balance</b>	<b>(1,456,513)</b>	<b>(3,892,289)</b>	<b>797,829</b>	<b>4,690,118</b>
Fund balance (deficit), beginning	(7,942,501)	(7,942,501)	(7,942,501)	-
Fund balance (deficit), ending	<u>\$ (9,399,014)</u>	<u>\$ (11,834,790)</u>	<u>\$ (7,144,672)</u>	<u>\$ 4,690,118</u>

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH  
 Combined Transportation  
 Budgetary Comparison Statement  
 For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 6,250,730	\$ 8,956,690	\$ 1,818,790	\$ (7,137,900)
Investment income	11,956	11,956	21,044	9,088
Net increase in fair value of investments	-	-	4,507	4,507
Total revenues	<u>6,262,686</u>	<u>8,968,646</u>	<u>1,844,341</u>	<u>(7,124,305)</u>
<b>Expenditures:</b>				
Capital outlay	<u>11,342,765</u>	<u>9,044,594</u>	<u>6,657,416</u>	<u>2,387,178</u>
Net change in fund balance	(5,080,079)	(75,948)	(4,813,075)	(4,737,127)
Fund balance, beginning	<u>3,486,469</u>	<u>3,486,469</u>	<u>3,486,469</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (1,593,610)</u>	<u>\$ 3,410,521</u>	<u>\$ (1,326,606)</u>	<u>\$ (4,737,127)</u>

# **FINANCIAL SECTION**

## **FUND FINANCIAL STATEMENTS PROPRIETARY FUNDS**

**FINANCIAL SECTION**

# PROPRIETARY FUNDS

---

## **Business-type Activities**

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

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

## **Governmental Activities**

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

**CITY OF NEWPORT BEACH**  
**Proprietary Fund**  
**Statement of Net Position**  
**June 30, 2015**

	<u>Enterprise Funds</u>			<b>Governmental Activities Internal Service Funds</b>
	<u>Water</u>	<u>Wastewater</u>	<b>Total Enterprise Funds</b>	
<b>Assets and Deferred Outflows of Resources</b>				
Current assets:				
Cash and investments	\$ 25,386,500	\$ 2,664,419	\$ 28,050,919	\$ 49,460,451
Receivables:				
Accounts (net of allowance)	4,842,845	595,342	5,438,187	812,340
Inventories	-	-	-	372,218
Net other pension employment benefits (assets)	-	-	-	1,604,014
Prepaid items	-	-	-	1,454,253
Total current assets	<u>30,229,345</u>	<u>3,259,761</u>	<u>33,489,106</u>	<u>53,703,276</u>
Noncurrent assets:				
Capital assets (note 5):				
Land	2,219,450	-	2,219,450	-
Structures	688,396	-	688,396	-
Equipment	162,750	-	162,750	30,338,330
Software	-	-	-	1,713,716
Infrastructure	127,798,319	45,815,073	173,613,392	-
Work in progress	-	-	-	1,464,418
Less accumulated depreciation	<u>(46,372,724)</u>	<u>(16,396,750)</u>	<u>(62,769,474)</u>	<u>(19,717,728)</u>
Total capital assets (net of accumulated depreciation)	<u>84,496,191</u>	<u>29,418,323</u>	<u>113,914,514</u>	<u>13,798,736</u>
Total assets	<u>114,725,536</u>	<u>32,678,084</u>	<u>147,403,620</u>	<u>67,502,012</u>
Deferred outflows of resources:				
Deferred amount from pension plans	<u>434,564</u>	<u>166,886</u>	<u>601,450</u>	<u>395,593</u>
<b>Liabilities and Deferred Inflows of Resources</b>				
Current liabilities:				
Accounts payable	2,695,791	162,137	2,857,928	1,007,349
Accrued payroll	191,894	73,008	264,902	173,966
Deposits payable	23,474	-	23,474	-
Due to other funds (note 12)	-	-	-	284,200
Workers' compensation - current	-	-	-	2,786,982
General liability - current	-	-	-	7,411,009
Compensated absences - current	-	-	-	1,951,871
Total current liabilities	<u>2,911,159</u>	<u>235,145</u>	<u>3,146,304</u>	<u>13,615,377</u>
Noncurrent liabilities:				
Workers' compensation (note 6)	-	-	-	11,558,018
General liability (note 6)	-	-	-	4,461,374
Compensated absences (note 6)	-	-	-	7,448,400
Net pension liability (note 10)	5,674,425	2,179,151	7,853,576	5,165,548
Total noncurrent liabilities	<u>5,674,425</u>	<u>2,179,151</u>	<u>7,853,576</u>	<u>28,633,340</u>
Total liabilities	<u>8,585,584</u>	<u>2,414,296</u>	<u>10,999,880</u>	<u>42,248,717</u>
Deferred inflows of resources:				
Deferred amount from pension plans	<u>1,068,088</u>	<u>410,178</u>	<u>1,478,266</u>	<u>972,303</u>
<b>Net Position</b>				
Net investment in capital assets	84,496,191	29,418,323	113,914,514	13,798,736
Unrestricted	21,010,237	602,173	21,612,410	10,877,849
Total net position	<u>\$ 105,506,428</u>	<u>\$ 30,020,496</u>	135,526,924	<u>\$ 24,676,585</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			143,714	
Net position of business-type activities			<u>\$ 135,670,638</u>	

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Proprietary Fund**  
**Statement of Revenues,**  
**Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2015**

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
	<u>Water</u>	<u>Wastewater</u>		
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 27,651,540	\$ -	\$ 27,651,540	-
Charges for services	-	-	-	20,524,206
Sewer service and connection fees	-	3,316,478	3,316,478	-
Retiree reimbursements	-	-	-	286,932
Employee contributions	-	-	-	155,895
Other	53,589	9,884	63,473	466,021
Total operating revenues	<u>27,705,129</u>	<u>3,326,362</u>	<u>31,031,491</u>	<u>21,433,054</u>
Operating expenses:				
Purchase of water	9,134,740	-	9,134,740	-
Salaries and benefits	3,798,496	1,464,292	5,262,788	3,425,038
Depreciation	1,650,655	602,182	2,252,837	2,681,221
Professional services	1,778,997	376,247	2,155,244	164,291
Maintenance and supplies	1,888,450	768,456	2,656,906	1,699,240
System maintenance	145,855	87,747	233,602	-
Fleet parts and supplies	-	-	-	413,310
800 MHz	-	-	-	114,856
Telecommunication	-	-	-	234,404
Hardware	-	-	-	300,914
Software	-	-	-	233,353
AV Equipment	-	-	-	167
Workers' compensation	-	-	-	3,172,122
Claims and judgments	-	-	-	7,236,430
Compensated absences	-	-	-	2,052,265
OPEB ARC - Cash subsidy	-	-	-	2,658,991
Other	2,090,356	150,507	2,240,863	440,633
Total operating expenses	<u>20,487,549</u>	<u>3,449,431</u>	<u>23,936,980</u>	<u>24,827,235</u>
Operating income (loss)	<u>7,217,580</u>	<u>(123,069)</u>	<u>7,094,511</u>	<u>(3,394,181)</u>
Nonoperating revenues (expenses):				
Investment income	109,439	14,006	123,445	250,459
Net increase in fair value of investments	31,601	3,320	34,921	58,079
Gain (loss) on removal of capital assets	(562,288)	-	(562,288)	71,586
Total nonoperating revenues (expenses)	<u>(421,248)</u>	<u>17,326</u>	<u>(403,922)</u>	<u>380,124</u>
Income (loss) before transfers	6,796,332	(105,743)	6,690,589	(3,014,057)
Transfers in (note 13)	-	-	-	10,433,631
Transfers out (note 13)	-	-	-	(6,283,631)
Total transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,150,000</u>
Change in net position	6,796,332	(105,743)	6,690,589	1,135,943
Net position, beginning of year	105,081,091	32,572,894		29,340,293
Restatement (note 17)	(6,370,995)	(2,446,655)		(5,799,651)
Net position, beginning of year as restated	<u>98,710,096</u>	<u>30,126,239</u>		<u>23,540,642</u>
Net position, end of year	<u>\$ 105,506,428</u>	<u>\$ 30,020,496</u>		<u>\$ 24,676,585</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(129,084)	
Change in net position of business-type activities			<u>\$ 6,561,505</u>	

See accompanying notes to basic financial statements

**CITY OF NEWPORT BEACH**  
**Proprietary Fund**  
**Statement of Cash Flows**  
**For the Year ended June 30, 2015**

	<u>Enterprise Funds</u>			<b>Governmental Activities Internal Service Funds</b>
	<u>Water</u>	<u>Wastewater</u>	<b>Total Enterprise Funds</b>	
<b>Cash flows from operating activities:</b>				
Cash received from customers or user departments	\$ 28,983,614	\$ 3,409,567	\$ 32,393,181	\$ 20,802,689
Cash payments to employees for services	(3,837,979)	(1,480,806)	(5,318,785)	(8,318,501)
Cash payments to suppliers for goods and services	(14,014,084)	(1,093,409)	(15,107,493)	(11,020,340)
Cash received (payments made) for other operating activities	(2,036,767)	(140,623)	(2,177,390)	621,916
Net cash provided by operating activities	<u>9,094,784</u>	<u>694,729</u>	<u>9,789,513</u>	<u>2,085,764</u>
<b>Cash flows from noncapital financing activities:</b>				
Cash received from other funds	-	-	-	10,717,831
Cash paid to other funds	-	-	-	(7,273,119)
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,444,712</u>
<b>Cash flows from capital related financing activities:</b>				
Acquisition of capital assets	(513,335)	(392,782)	(906,117)	(4,011,102)
Proceeds from sale of capital assets	125,000	-	125,000	191,075
Net cash used for capital related financing activities	<u>(388,335)</u>	<u>(392,782)</u>	<u>(781,117)</u>	<u>(3,820,027)</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	141,040	17,326	158,366	308,538
Net cash provided by investing activities	<u>141,040</u>	<u>17,326</u>	<u>158,366</u>	<u>308,538</u>
Net increase in cash and cash equivalents	8,847,489	319,273	9,166,762	2,018,987
Cash and cash equivalents, beginning	<u>16,539,011</u>	<u>2,345,146</u>	<u>18,884,157</u>	<u>47,441,464</u>
Cash and cash equivalents, ending	<u>\$ 25,386,500</u>	<u>\$ 2,664,419</u>	<u>\$ 28,050,919</u>	<u>\$ 49,460,451</u>
<b>Reconciliation of cash equivalents to the statement of net position:</b>				
Cash and investments reported on statement of net position	<u>\$ 25,386,500</u>	<u>\$ 2,664,419</u>	<u>\$ 28,050,919</u>	<u>\$ 49,460,451</u>
Cash and cash equivalents	<u>\$ 25,386,500</u>	<u>\$ 2,664,419</u>	<u>\$ 28,050,919</u>	<u>\$ 49,460,451</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ 7,217,580	\$ (123,069)	\$ 7,094,511	\$ (3,394,181)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,650,655	602,182	2,252,837	2,681,221
Changes in operating assets and liabilities:				
Decrease in accounts receivable	1,335,646	93,089	1,428,735	1,974,468
(Increase) in inventories	-	-	-	(11,128)
(Increase) in net other pension employment benefits	-	-	-	(104,014)
(Increase) decrease in prepaid items	5,250	1,750	7,000	(149,262)
Increase (decrease) in accounts payable and accrued payroll	(1,047,729)	144,989	(902,740)	(1,187,744)
(Decrease) in deposits payable	(3,572)	-	(3,572)	-
Increase in workers' compensation	-	-	-	389,000
Increase in general liability	-	-	-	1,980,018
(Decrease) in compensated absences	-	-	-	(35,221)
(Decrease) in net of pension liability and deferred cash flows	(63,046)	(24,212)	(87,258)	(57,393)
Total adjustments	<u>1,877,204</u>	<u>817,798</u>	<u>2,695,002</u>	<u>5,479,945</u>
Net cash provided by operating activities	<u>\$ 9,094,784</u>	<u>\$ 694,729</u>	<u>\$ 9,789,513</u>	<u>\$ 2,085,764</u>
<b>Noncash investing, capital and financing activities:</b>				
Net increase in fair value of investments	\$ 31,601	\$ 3,320	\$ 34,921	\$ 58,079
Gain (loss) on disposal of capital assets	(562,288)	-	(562,288)	71,586
Total of noncash activities	<u>\$ (530,687)</u>	<u>\$ 3,320</u>	<u>\$ (527,367)</u>	<u>\$ 129,665</u>

See accompanying notes to basic financial statements

This page left blank intentionally.

# **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, 2015**

<b>Assets</b>	<b>Totals</b>
Cash and investments (note 4)	\$ 656,524
Cash with fiscal agent (note 4)	<u>5,307,868</u>
Total assets	<u><u>\$ 5,964,392</u></u>
<b>Liabilities</b>	
Due to bondholders	\$ 5,501,840
Due to others	<u>462,552</u>
Total liabilities	<u><u>\$ 5,964,392</u></u>

See accompanying notes to basic financial statements

This page left blank intentionally.

# **FINANCIAL SECTION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FINANCIAL SECTION**

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

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

a. **Reporting Entity**

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

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

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

**Blended Component Unit**

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

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

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

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

**Government-wide Financial Statements**

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

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

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

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

Fund Financial Statements

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

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

Governmental Funds

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

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

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

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

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

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

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

programs. The amount of net appreciation on investments that is available to support City programs is \$1,519,612. 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 Balance Sheet. The State law governing the spending of endowment funds investment earnings is California Probate Code Section 18504. The authority for spending investment earnings for scholarships resides with the City Manager and for periodic maintenance dredging in the Newport Bay resides with the City Council.

**Proprietary & Fiduciary Funds**

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

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

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

**c. Fund Classifications**

The City utilizes the following broad categories of funds:

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

General Fund

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

Special Revenue Funds

Tide and Submerged Land – Operating

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

Tide and Submerged Land – Harbor Capital

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

Combined Transportation Fund

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

Capital Project Funds

Facilities Financial Planning Reserve Fund

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

Debt Service Fund

Civic Center COP

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

*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.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Water Fund

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

Wastewater Fund

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

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

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

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

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

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

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

d. **New Accounting Pronouncements**

Current Year Standards

In fiscal year 2014-2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68". These

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Statements establish standards for measure and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the governmental activities, business-type activities, water enterprise fund, wastewater enterprise fund, and internal service funds net position at July 1, 2014 by \$267,643,978, \$8,817,650, \$6,370,995, \$2,446,655, and \$5,799,651 respectively.

GASB Statement No. 69 – “*Government Combinations and Disposals of Government Operations*” was required to be implemented in the current fiscal year and did not impact the City.

Pending Accounting Standards

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

- GASB 72 – “*Fair Value Measurement and Application*”, effective for periods beginning after June 15, 2015.
- GASB 73 – “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*”, effective for periods beginning after June 15, 2015 – except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 – “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, effective for periods beginning after June 15, 2016.
- GASB 75 – “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, effective for periods beginning after June 15, 2017.
- GASB 76 – “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, effective for periods beginning after June 15, 2015.

**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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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, 2015, the balance for Allowance for Doubtful Accounts was as follows:

General Fund:	\$1,130,885
Tide and Submerged Land – Operating:	\$4,802
Water Fund:	\$166,765
Waste Water Fund:	\$17,603
Equipment Maintenance Fund:	\$30,833

**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 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 \$28,796,709 at June 30, 2015. 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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

government agencies. As of June 30, 2015, the balance of this account was \$8,062,443.

**h. Inventories**

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

**i. Capital Assets**

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

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

estimated loss liabilities in the Internal Service Fund. Included therein are claims incurred but not reported, which consists of (a) known loss events expected to be presented as claims later, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported. This is based upon historical actual results that have established a reliable pattern supplemented by specific information about current matters. Small dollar claims and judgments are recorded as expenditures when paid.

**k. Property Taxes**

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

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

**l. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and limited amounts of earned but unused sick leave benefits, which will 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.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**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/Outflows of Resources**

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. The City has one item that qualifies for reporting in this category, which is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

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

**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:

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**q. Estimates**

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

**r. Pensions**

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

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

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

**(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 \$138,127,726 differs from "net position" of governmental activities \$2,065,601,337 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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

net position includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$2,459,536,851
Accumulated depreciation	<u>(176,845,949)</u>
Total capital assets, net*	<u><u>\$2,282,690,902</u></u>

\*Amount excludes net capital assets of \$13,798,736 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, 2015 were:

Certificates of participation	\$116,595,000
Bond premium	602,765
Pre-annexation agreement	2,400,000
CDBG Loan	<u>1,339,000</u>
Total	<u><u>\$120,936,765</u></u>

Accrued Interest

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

Accrued interest added	<u><u>\$3,825,302</u></u>
------------------------	---------------------------

Investment in Joint Venture

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

Net equity in joint venture	<u><u>\$173,977</u></u>
-----------------------------	-------------------------

Unavailable Revenue

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

Unavailable revenue	<u><u>\$5,788,239</u></u>
---------------------	---------------------------

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Internal Service Funds

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

Internal Service Funds	<u>\$24,676,585</u>
------------------------	---------------------

Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability – GASB 68

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

Deferred Outflows of Resources	\$19,513,397
Deferred Inflows of Resources	(36,606,045)
Pension Liability	(243,659,756)

Internal Balance

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

Internal Balance	<u>(\$143,714)</u>
------------------	--------------------

Deferred inflows- Refunding

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

(\$197,907)

Reclassifications and Eliminations

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

<b>Assets and Deferred Outflows of Resources</b>	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Accumulated Depreciation</b>	<b>Long-term Debt Transactions</b>
Cash and investments	\$ 142,491,492	\$ -	\$ -	\$ -
Receivables:				
Accounts	8,926,000	-	-	-
Advances to other funds	15,309,559	-	-	-
Interest	505,077	-	-	-
Intergovernmental receivables	8,062,443	-	-	-
Cash with fiscal agent	7,937,222	-	-	-
Interfund balances	8,178,999	-	-	-
Investment in joint venture	-	-	-	-
Inventory	249,394	-	-	-
Net other pension employment benefits (assets)	-	-	-	-
Prepaid items	264,931	-	-	-
Capital assets	-	2,459,536,851	-	-
Accumulated depreciation	-	-	(176,845,949)	-
Total assets	<u>\$ 191,925,117</u>	<u>\$ 2,459,536,851</u>	<u>\$ (176,845,949)</u>	<u>\$ -</u>
Deferred Outflows of Resources:				
Deferred amount from pension plans	-	-	-	19,513,397
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,513,397</u>
Total assets and deferred outflows of resources	<u>\$ 191,925,117</u>	<u>\$ 2,459,536,851</u>	<u>\$ (176,845,949)</u>	<u>\$ 19,513,397</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position</b>				
Liabilities:				
Accounts payable	\$ 11,934,751	\$ -	\$ -	\$ -
Accrued payroll	5,319,495	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	2,600,314	-	-	-
Claims payable	-	-	-	-
Workers' compensation payable	-	-	-	-
Compensated absences payable	-	-	-	-
Unearned revenue	4,950,234	-	-	-
Interfund balance	7,894,799	-	-	-
Advance from other funds	15,309,559	-	-	-
Long-term liabilities	-	-	-	364,596,521
Total liabilities	<u>48,009,152</u>	<u>-</u>	<u>-</u>	<u>364,596,521</u>
Deferred Inflows of Resources:				
Unavailable revenue	5,788,239	-	-	-
Deferred amount from pension plans	-	-	-	36,606,045
Deferred gain from refunding	-	-	-	197,907
Total deferred inflows of resources	<u>5,788,239</u>	<u>-</u>	<u>-</u>	<u>36,803,952</u>
Fund balances / net position	<u>138,127,726</u>	<u>2,459,536,851</u>	<u>(176,845,949)</u>	<u>(381,887,076)</u>
Total liabilities, deferred inflows of resources and fund balances / net position	<u>\$ 191,925,117</u>	<u>\$ 2,459,536,851</u>	<u>\$ (176,845,949)</u>	<u>\$ 19,513,397</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

<u>Interest Payable</u>	<u>Investment in Joint Venture</u>	<u>Unavailable Revenue</u>	<u>Internal Service Funds</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Position</u>
\$ -	\$ -	\$ -	\$ 49,460,451	\$ -	\$ 191,951,943
-	-	-	812,340	-	9,738,340
-	-	-	-	(15,309,559)	-
-	-	-	-	-	505,077
-	-	-	-	-	8,062,443
-	-	-	-	-	7,937,222
-	-	-	-	(8,322,713)	(143,714)
-	173,977	-	-	-	173,977
-	-	-	372,218	-	621,612
-	-	-	1,604,014	-	1,604,014
-	-	-	1,454,253	-	1,719,184
-	-	-	33,516,464	-	2,493,053,315
-	-	-	(19,717,728)	-	(196,563,677)
<u>\$ -</u>	<u>\$ 173,977</u>	<u>\$ -</u>	<u>\$ 67,502,012</u>	<u>\$ (23,632,272)</u>	<u>\$ 2,518,659,736</u>
-	-	-	395,593	-	19,908,990
-	-	-	395,593	-	19,908,990
<u>\$ -</u>	<u>\$ 173,977</u>	<u>\$ -</u>	<u>\$ 67,897,605</u>	<u>\$ (23,632,272)</u>	<u>\$ 2,538,568,726</u>
\$ -	\$ -	\$ -	\$ 1,007,349	\$ -	\$ 12,942,100
-	-	-	173,966	-	5,493,461
3,825,302	-	-	-	-	3,825,302
-	-	-	-	-	2,600,314
-	-	-	7,411,009	-	7,411,009
-	-	-	2,786,982	-	2,786,982
-	-	-	1,951,871	-	1,951,871
-	-	-	-	-	4,950,234
-	-	-	284,200	(8,178,999)	-
-	-	-	-	(15,309,559)	-
-	-	-	28,237,747	-	392,834,268
<u>3,825,302</u>	<u>-</u>	<u>-</u>	<u>42,248,717</u>	<u>(23,488,558)</u>	<u>435,191,134</u>
-	-	(5,788,239)	-	-	-
-	-	-	972,303	-	37,578,348
-	-	-	-	-	197,907
-	-	(5,788,239)	972,303	-	37,776,255
<u>(3,825,302)</u>	<u>173,977</u>	<u>5,788,239</u>	<u>24,676,585</u>	<u>(143,714)</u>	<u>2,065,601,337</u>
<u>\$ -</u>	<u>\$ 173,977</u>	<u>\$ -</u>	<u>\$ 67,897,605</u>	<u>\$ (23,632,272)</u>	<u>\$ 2,538,568,726</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

Net position of the City's Enterprise Funds of \$135,526,924 differs from net position of the business-type activities of \$135,670,638 reported in the government-wide statement of net position. The difference, \$143,714, results from the consolidation of internal service fund activities related to the enterprise funds.

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

<b>Assets and Deferred Outflows of Resources</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Government-wide Statement of Net Position</b>
Cash and investments	\$ 28,050,919	\$ -	\$ 28,050,919
Receivables:			
Accounts	5,438,187	-	5,438,187
Interfund balances	-	143,714	143,714
Capital assets, net	<u>113,914,514</u>	<u>-</u>	<u>113,914,514</u>
Total assets	<u>147,403,620</u>	<u>143,714</u>	<u>147,547,334</u>
Deferred outflows of resources:			
Deferred amount from pension plans	<u>601,450</u>	<u>-</u>	<u>601,450</u>
Total assets and deferred outflows of resources	<u>\$148,005,070</u>	<u>\$ 143,714</u>	<u>\$ 148,148,784</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances / Net Position</b>			
Liabilities:			
Accounts payable	\$ 2,857,928	\$ -	\$ 2,857,928
Accrued payroll	264,902	-	264,902
Deposits payable	23,474	-	23,474
Net pension liability	<u>7,853,576</u>	<u>-</u>	<u>7,853,576</u>
Total liabilities	<u>10,999,880</u>	<u>-</u>	<u>10,999,880</u>
Deferred outflows of resources:			
Deferred amount from pension plans	<u>1,478,266</u>	<u>-</u>	<u>1,478,266</u>
<b>Net Position</b>			
Net investment in capital assets	\$113,914,514	\$ -	\$ 113,914,514
Unrestricted	<u>21,612,410</u>	<u>143,714</u>	<u>21,756,124</u>
Total liabilities, deferred outflows of resources and net position	<u>\$135,526,924</u>	<u>\$ 143,714</u>	<u>\$ 135,670,638</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

The “net change in fund balances” for governmental funds \$9,652,260 differs from the “change in net position” for governmental activities \$41,650,830 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	\$ 46,390,558
Transfers out of WIP	(7,507,805)
Capital outlays expended	<u>38,882,753</u>
Governmental funds - asset deletions	<u>(6,300,500)</u>
Net change in capital related items	<u>\$ 32,582,253</u>
Depreciation expense	\$ (11,556,118)
Deletions in governmental funds accumulated depreciation	1,110,871
Net change in accumulated depreciation	<u>\$ (10,445,247)</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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	\$2,860,000
Pre-annexation agreement	1,200,000
CDBG loan	123,000
Amortisation of gain on refunding	50,529
Amortization of debt premium	<u>120,553</u>
Total debt payments	<u>\$4,354,082</u>

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	<u>(\$75,395)</u>
--------------------------------	-------------------

Investment in Joint Venture

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

Net change in investment in joint venture	<u>(\$14,960)</u>
---	-------------------

Unavailable Revenue

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

Net change in unavailable revenue	<u>\$3,090,097</u>
-----------------------------------	--------------------

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Pension Expense

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

Pension Expense	<u>\$1,091,923</u>
-----------------	--------------------

Internal Service Funds

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

Net change in Internal Service Funds	<u>\$1,135,943</u>
--------------------------------------	--------------------

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental and business-type activities. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated. Amounts involving fiduciary funds should be reported as external transactions. Reclassifications and eliminations are used by management to consolidate internal service funds into the Statement of Activities.

Net Change in Reclassifications and Eliminations to consolidate Internal Service Funds	<u>\$129,084</u>
--	------------------

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

	<b>Total Governmental Funds</b>	<b>Capital Related Items</b>	<b>Accumulated Depreciation</b>	<b>Long-term Debt Transactions</b>
Revenues:				
Taxes and assessments	\$ 146,664,903	\$ -	\$ -	\$ -
Intergovernmental	11,813,208	-	-	-
Licenses and permits	14,676,754	-	-	-
Charges for services	16,914,210	-	-	-
Fines and forfeitures	3,732,405	-	-	-
Investment income	928,729	-	-	-
Net increase in fair value of investments	177,485	-	-	-
Property income	21,406,667	-	-	-
Share of joint venture net gain	-	-	-	-
Donations	22,249,427	-	-	-
Gain on sale of capital assets	-	-	-	-
Capital contributions	-	-	-	-
Other	6,984,418	-	-	-
<b>Total revenues</b>	<b>245,548,206</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current:				
General government	14,060,512	4,327,366	2,614,306	(130,636)
Public safety	94,568,122	316,742	335,207	(614,054)
Public works	33,694,578	1,656,392	5,942,454	(165,188)
Community development	9,876,706	-	21,371	(84,560)
Community services	20,235,546	-	1,531,909	(97,485)
Capital outlay	47,169,671	(38,882,753)	-	-
Debt service:				
Principal retirement	4,183,000	-	-	(4,183,000)
Interest and fiscal charges	7,957,811	-	-	-
Amortization of gain on refunding	-	-	-	(50,529)
Amortization of debt premium	-	-	-	(120,553)
<b>Total expenses</b>	<b>231,745,946</b>	<b>(32,582,253)</b>	<b>10,445,247</b>	<b>(5,446,005)</b>
Other financing sources (uses):				
Transfers in	53,284,052	-	-	-
Transfers out	(57,434,052)	-	-	-
<b>Total other financing sources (uses)</b>	<b>(4,150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances / net position</b>	<b>9,652,260</b>	<b>32,582,253</b>	<b>(10,445,247)</b>	<b>5,446,005</b>
<b>Fund balances / net position, beginning of year as restated</b>	<b>128,475,466</b>	<b>2,426,954,598</b>	<b>(166,400,702)</b>	<b>(387,333,081)</b>
<b>Fund balances / net position, end of year</b>	<b>\$ 138,127,726</b>	<b>\$ 2,459,536,851</b>	<b>\$ (176,845,949)</b>	<b>\$ (381,887,076)</b>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

<u>Interest Payable</u>	<u>Investment in Joint Venture</u>	<u>Unavailable Revenue</u>	<u>Internal Service Funds</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Activities</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 146,664,903
-	-	3,090,097	-	-	14,903,305
-	-	-	-	-	14,676,754
-	-	-	-	129,084	17,043,294
-	-	-	-	-	3,732,405
-	-	-	250,459	-	1,179,188
-	-	-	58,079	-	235,564
-	-	-	-	-	21,406,667
-	(14,960)	-	-	-	(14,960)
-	-	-	-	-	22,249,427
-	-	-	71,586	-	71,586
-	-	-	-	-	-
-	-	-	-	-	6,984,418
<u>-</u>	<u>(14,960)</u>	<u>3,090,097</u>	<u>380,124</u>	<u>129,084</u>	<u>249,132,551</u>
-	-	-	609,037	3,077,456	24,558,041
-	-	-	1,175,949	1,163,906	96,945,872
-	-	-	1,076,365	3,570,338	45,774,939
-	-	-	236,867	22,864	10,073,248
-	-	-	295,963	452,354	22,418,287
-	-	-	-	(8,286,918)	-
-	-	-	-	-	-
(75,395)	-	-	-	(171,082)	7,711,334
-	-	-	-	50,529	-
-	-	-	-	120,553	-
<u>(75,395)</u>	<u>-</u>	<u>-</u>	<u>3,394,181</u>	<u>-</u>	<u>207,481,721</u>
-	-	-	10,433,631	(63,717,683)	-
-	-	-	(6,283,631)	63,717,683	-
-	-	-	4,150,000	-	-
75,395	(14,960)	3,090,097	1,135,943	129,084	41,650,830
<u>(3,900,697)</u>	<u>188,937</u>	<u>2,698,142</u>	<u>23,540,642</u>	<u>(272,798)</u>	<u>2,023,950,507</u>
<u>\$ (3,825,302)</u>	<u>\$ 173,977</u>	<u>\$ 5,788,239</u>	<u>\$ 24,676,585</u>	<u>\$ (143,714)</u>	<u>\$ 2,065,601,337</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

The change in net position for the City's enterprise funds \$6,690,589 differs from the change in net position of the business-type activities \$6,561,505 reported in the government-wide statement of activities. The difference, (\$129,084), results from the consolidation of internal service fund activities related to the enterprise funds.

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

	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>	<b>Business-type activities Statement of Activities</b>
Operating revenues:			
Charges for sales and services:			
Water sales	\$ 27,651,540	\$ -	\$ 27,651,540
Sewer service and connection fees	3,316,478	-	3,316,478
Other	63,473	-	63,473
Total operating revenues	<u>31,031,491</u>	<u>-</u>	<u>31,031,491</u>
Operating expenses:			
Purchase of water	9,134,740	-	9,134,740
Salaries and wages	5,262,788	-	5,262,788
Depreciation	2,252,837	-	2,252,837
Professional Services	2,155,244	-	2,155,244
Maintenance and supplies	2,656,906	129,084	2,785,990
System maintenance	233,602	-	233,602
Other	2,240,863	-	2,240,863
Total operating expenses	<u>23,936,980</u>	<u>129,084</u>	<u>24,066,064</u>
Operating income	7,094,511	(129,084)	6,965,427
Nonoperating revenues (expenses):			
Investment income	123,445	-	123,445
Net increase in fair value of investments	34,921	-	34,921
Loss on removal of capital assets	(562,288)	-	(562,288)
Total nonoperating revenues (expenses)	<u>(403,922)</u>	<u>-</u>	<u>(403,922)</u>
Change in net position	6,690,589	(129,084)	6,561,505
Net position, beginning of year	<u>128,836,335</u>	<u>272,798</u>	<u>129,109,133</u>
Net position, end of year	<u>\$ 135,526,924</u>	<u>\$ 143,714</u>	<u>\$ 135,670,638</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**(3) Budgetary Control and Compliance**

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

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Expenditures exceeded appropriations in the following governmental funds:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Asset Forfeiture	\$ 336,365	\$ 756,630	\$ (420,265)
Supplementary Law Enforcement	138,000	154,121	(16,121)

The following funds reported deficit fund balances:

Major Funds

Tide and Submerged Land - Harbor Capital Fund	\$ 7,144,672
Combined Transportation	\$ 1,326,606

Other Governmental Funds

Office of the Traffic Safety (OTS) DUI Grant Fund	\$ 90,517
Community Development Block Grant	\$ 46,891
Misc SAH Projects	\$ 15,291
Marina Park	\$ 2,891,089
Lifeguard Headquarters	\$ 121,076
Misc Facilities Financing	\$ 502,205
West Newport Community Center	\$ 33,500
Corp Yard Consolidation	\$ 165,394
Newport Uptown Undergrounding	\$ 119,000

Internal Service Funds

Insurance Reserve	\$ 1,086,133
Compensated Absences	\$ 5,494,088

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**(4) Cash and Investments**

Cash and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 220,002,862
Cash with fiscal agent	7,937,222
Fiduciary funds:	
Cash and investments	656,524
Cash with fiscal agent	5,307,868
Total cash and investments	<u>\$ 233,904,476</u>

Cash and investments as of June 30, 2015, consist of the following:

Cash on hand	\$ 23,863
Deposits with financial institutions	22,717,382
Investments	211,163,231
Total cash and investments	<u>\$ 233,904,476</u>

**Investments Authorized by the California Government Code and the Entity's Investment Policy**

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, whichever is more restrictive) that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	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%

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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.

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Investment Maturities (In Years)				Total
		Less than 1	1 to 3	3 to 5	More than 5	
Money Market Funds	\$ 391,951	\$ 391,951	\$ -	\$ -	\$ -	\$ 391,951
U.S. Treasury Obligations	36,568,455	1,719,652	29,951,838	4,896,965	-	36,568,455
U.S. Agency Securities	67,566,690	8,850,723	54,383,938	4,332,029	-	67,566,690
Mortgage Pass-Through	6,098,461	-	3,441,829	2,656,632	-	6,098,461
Medium-Term Notes	45,274,936	7,647,949	37,195,552	431,435	-	45,274,936
Certificate of Deposit	7,749,628	3,549,628	4,200,000	-	-	7,749,628
Commercial Paper	3,998,103	3,998,103	-	-	-	3,998,103
LAIF	28,796,709	28,796,709	-	-	-	28,796,709
Local Agency Bonds	1,473,208	1,218,029	255,179	-	-	1,473,208
Cash with Fiscal Agent:						
Money Market Funds	12,064,514	12,064,514	-	-	-	12,064,514
Investment Agreements*	1,180,576	-	-	-	1,180,576	1,180,576
<b>Total</b>	<b>\$ 211,163,231</b>	<b>\$ 68,237,258</b>	<b>\$ 129,428,336</b>	<b>\$ 12,317,061</b>	<b>\$ 1,180,576</b>	<b>\$ 211,163,231</b>

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

\* 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, 2015, the City did not have any investments (including investments held by fiscal agent) whose fair values were highly sensitive to interest rate fluctuations.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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	391,951	AAA	\$ -	\$ 391,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Obligations	36,568,455	N/A	36,568,455	-	-	-	-	-	-	-	-	-	-
U.S. Agency Securities	67,566,690	N/A	-	-	67,566,690	-	-	-	-	-	-	-	-
Mortgage Pass-Through	6,098,461	AA	-	4,037,336	-	-	-	-	-	-	-	-	2,061,125
Medium-Term Notes	45,274,936	A	-	2,288,376	5,487,747	7,975,007	6,460,870	11,647,226	9,891,410	1,524,300	-	-	-
Certificate of Deposit	7,749,628	A-1	-	-	-	-	-	-	-	-	1,250,000	5,499,628	1,000,000
Commercial Paper	3,998,103	A-1	-	-	-	-	-	-	-	-	999,199	2,998,904	-
LAIF	28,796,709	N/A	-	-	-	-	-	-	-	-	-	-	28,796,709
Local Agency Bonds	1,473,208	A	-	-	-	275,811	942,218	-	-	-	-	-	255,179
Cash with Fiscal Agent:													
Money Market Funds	12,064,514	AAA	-	12,064,514	-	-	-	-	-	-	-	-	-
Investment Agreements	1,180,576	N/A	-	-	-	-	-	-	1,180,576	-	-	-	-
<b>\$</b>	<b>211,163,231</b>		<b>\$ 36,568,455</b>	<b>\$ 18,782,177</b>	<b>\$ 73,054,437</b>	<b>\$ 8,250,818</b>	<b>\$ 7,403,088</b>	<b>\$ 11,647,226</b>	<b>\$ 11,071,986</b>	<b>\$ 1,524,300</b>	<b>\$ 2,249,199</b>	<b>\$ 8,498,532</b>	<b>\$ 32,113,013</b>

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FHLB	Federal agency securities	1. \$13,168,170
FNMA	Federal agency securities	2. \$24,875,277
FHLMC	Federal agency securities	3. \$15,485,401

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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, 2015, none of the City's deposits with financial institutions in excess of federal depository amounts were held in uncollateralized accounts.

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

Investment in State Investment Pool

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**(5) Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2015
Non-depreciable:				
Land and rights of way	\$ 1,871,641,358	\$ 13,410,476	\$ (4,308,199)	\$ 1,880,743,635
Work in progress	15,891,986	25,336,133	(7,703,534)	33,524,585
Depreciable:				
Structures	202,879,677	3,500,423	(246,802)	206,133,298
Equipment	37,820,930	3,951,905	(2,341,381)	39,431,454
Infrastructure	330,480,410	4,396,325	(1,656,392)	333,220,343
	<u>2,458,714,361</u>	<u>50,595,262</u>	<u>(16,256,308)</u>	<u>2,493,053,315</u>
Less accumulated depreciation for:				
Structures	(23,290,304)	(4,145,233)	98,721	(27,336,816)
Equipment	(21,268,331)	(3,258,715)	2,224,019	(22,303,027)
Infrastructure	(141,013,486)	(6,833,393)	923,045	(146,923,834)
	<u>(185,572,121)</u>	<u>(14,237,341)</u>	<u>3,245,785</u>	<u>(196,563,677)</u>
Net Capital Assets	<u>\$ 2,273,142,240</u>	<u>\$ 36,357,921</u>	<u>\$ (13,010,523)</u>	<u>\$ 2,296,489,638</u>

Governmental Activities capital assets net of accumulated depreciation at June 30, 2015 are comprised of the following:

General Capital Assets, net	\$ 2,282,690,902
Internal Service Fund Capital Assets, net	13,798,736
	<u>\$ 2,296,489,638</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Business-type Activities:

	Beginning Balance	Additions	Deletions	Balance June 30, 2015
Non-depreciable:				
Land and rights of way	\$ 2,219,450	\$ -	\$ -	\$ 2,219,450
Work in progress	5,726,819	-	(5,726,819)	-
Depreciable:				
Structures	688,396	-	-	688,396
Equipment	140,191	22,559	-	162,750
Infrastructure	167,899,767	6,610,377	(896,752)	173,613,392
	<u>176,674,623</u>	<u>6,632,936</u>	<u>(6,623,571)</u>	<u>176,683,988</u>
Less accumulated depreciation for:				
Structures	(172,001)	(15,356)	-	(187,357)
Equipment	(60,292)	(10,368)	-	(70,660)
Infrastructure	(60,493,808)	(2,227,113)	209,464	(62,511,457)
	<u>(60,726,101)</u>	<u>(2,252,837)</u>	<u>209,464</u>	<u>(62,769,474)</u>
Net Capital Assets	<u>\$ 115,948,522</u>	<u>4,380,099</u>	<u>(6,414,107)</u>	<u>\$ 113,914,514</u>

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

	Governmental Activities*	Business-type Activities
General government	\$ 4,467,897	\$ -
Public safety	1,068,852	-
Public works	6,954,390	-
Community development	21,371	-
Community service	1,724,831	-
Water	-	1,650,655
Wastewater	-	602,182
	<u>\$ 14,237,341</u>	<u>\$ 2,252,837</u>

\*Internal Service Fund depreciation of \$2,681,221 is allocated to governmental functions above.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**(6) Long-Term Debt**

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of participation payable	\$119,455,000	\$ -	\$ (2,860,000)	\$116,595,000	\$ 2,940,000
Bond premium	723,318	-	(120,553)	602,765	120,553
Pre-annexation agreement	3,600,000	-	(1,200,000)	2,400,000	1,200,000
CDBG loan	1,462,000	-	(1,462,000)	-	-
CDBG loan (refinanced)	-	1,339,000	-	1,339,000	132,000
Workers' compensation payable	13,956,000	3,131,894	(2,742,894)	14,345,000	2,786,982
Claims and judgments payable	9,892,365	9,438,852	(7,458,834)	11,872,383	7,411,009
Compensated absences	9,435,492	2,052,266	(2,087,487)	9,400,271	1,951,871
Total governmental activities	<u>\$158,524,175</u>	<u>\$15,962,012</u>	<u>\$(17,931,768)</u>	<u>\$156,554,419</u>	<u>\$16,542,415</u>

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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, 2015 the City has received \$11,148,017 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. 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, 2015 amounted to \$116,595,000.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

Year Ending June 30	Principal	Interest	Total
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	3,405,000	7,052,048	10,457,048
2021-2024	12,895,000	26,551,464	39,446,464
2025-2028	15,060,000	23,000,935	38,060,935
2029-2032	18,025,000	18,326,556	36,351,556
2033-2036	21,580,000	12,681,984	34,261,984
2037-2040	25,890,000	5,894,605	31,784,605
2041	7,245,000	259,661	7,504,661
	<u>\$ 116,595,000</u>	<u>\$ 123,362,681</u>	<u>\$ 239,957,681</u>

- Newport Coast Pre-Annexation Agreement Payable

In conjunction with the January 1, 2002, annexation of Newport Coast, the City entered into an agreement payable with the Newport Coast Committee for a total of \$18,000,000 to reduce property owner assessments used to finance certain road and street improvements. The principal-only agreement, which began in the 2003 fiscal year, is payable over a period of fifteen years in equal installments of \$1,200,000. The outstanding balance at June 30, 2015, amounted to \$2,400,000.

- 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. The original loan was refinanced in fiscal year 2015 lowering the average interest rate from 6.5% to 1.5% which will reduce the total remaining interest payments by \$239,998 over the next 8 years beginning in fiscal year 2016. The economic gain on refinancing is \$187,665 (difference between the present value of the debt service payments on the old and new debt). Future principal payments range from \$132,000 to \$208,000 through June 30, 2023. The outstanding balance at June 30, 2015, amounts to \$1,339,000 which is the same as the original loan.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 132,000	\$ 14,428	\$ 146,428
2017	141,000	20,605	161,605
2018	150,000	19,322	169,322
2019	160,000	17,561	177,561
2020	171,000	14,890	185,890
2021-2023	585,000	21,415	606,415
	<u>\$ 1,339,000</u>	<u>\$ 108,221</u>	<u>\$ 1,447,221</u>

- **Claims and Judgments**

The City retains the risk of loss for general liability and workers' compensation claims as described in Note (8). These amounts represent estimates of amounts to be paid for reported general liability and workers' compensation claims including incurred-but-not-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2015, 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, 2015, for general liability amounted to \$11,872,383 and for workers' compensation was \$14,345,000.

- **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, 2015, is \$9,400,271.

**(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, 2015,

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

for each district under the Bond Acts of 1911 and 1915, and other special assessments, are as follows:

<u>Assessment District</u>	<u>Original Issue</u>	<u>Bonds Outstanding June 30, 2015</u>
Reassessment District 2012	\$13,583,436	\$10,521,762
No. 95-1 CIOSA Refunding Series A	\$15,495,000	\$ 2,185,000

**(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:

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

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

The Insurance Reserve fund was established to account for costs associated with general liability and workers' compensation. The Insurance Reserve fund is accounted for as an internal service fund where assets are set aside for risk management, administration, claim settlements and benefit distribution. A premium is charged to each fund that accounts for part-time or full-time employees. The total charge allocated to each of the 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 \$26,217,383, which represents the discounted present value at June 30, 2015. The claims are discounted using an interest rate of 2.5 percent.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

	<u>General Liability</u>		<u>Workers' Compensation</u>	
	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Unpaid claims, beginning of fiscal year	\$ 7,184,415	\$ 9,892,365	\$ 16,556,000	\$ 13,956,000
Incurred claims (including IBNR)	9,955,647	9,438,852	384,055	3,131,894
Claim payments	<u>(7,247,697)</u>	<u>(7,458,834)</u>	<u>(2,984,055)</u>	<u>(2,742,894)</u>
Unpaid claims, end of fiscal year	<u>\$ 9,892,365</u>	<u>\$ 11,872,383</u>	<u>\$ 13,956,000</u>	<u>\$ 14,345,000</u>

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

**(9) Deferred Compensation Plan**

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

Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries. Therefore, all employee assets held in Section 457 plans are not the property of the City and are not subject to the claims of the City's general creditors. The assets under the plan, which are not included in the accompanying financial statements, totaled \$91,367,957 at June 30, 2015.

**(10) Pension Plans**

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

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

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
Hire date			
Benefit formula	2.5%@55	2.0%@60	2.0%@62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 63	50 - 63	52 - 62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.0%
Required employee contribution rates	8.00% - 9.45%	7.00%-9.45%	6.25%-9.45%
Required employer contribution rates	14.686%	14.686%	14.686%
	Safety		
	Prior to November 24,2012	On or after November 24,2012	On or after January 1, 2013
Hire date			
Benefit formula	3.0%@50	2.0%@50; 3.0%@50	2.7%@57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.0%	2.0% to 2.7%; 2.4% - 3.0%	2.0% to 2.7%
Required employee contribution rates	9% - 12.80%	9% - 12.80%	11.25%-12.80%
Required employer contribution rates	39.309%	39.309%	39.309%

**Employees Covered** – At June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	559	406
Inactive employees entitled to but not yet receiving benefits	526	83
Active employees	504	265
<b>Total</b>	<b>1,589</b>	<b>754</b>

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**B. Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	
Investment Rate of Return	7.5% <sup>(1)</sup>	7.5% <sup>(1)</sup>
Mortality Rate Table <sup>(2)</sup>	Derived using CalPERS' Membership Date for all Funds	
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	

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

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

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

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

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100%		

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

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

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

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

<u>Miscellaneous Plan:</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 332,710,674	\$ 222,575,995	\$ 110,134,679
Changes in the year:			
Service cost	6,523,874	-	6,523,874
Interest on the total pension liability	24,624,559	-	24,624,559
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Contribution – employer	-	5,793,768	(5,793,768)
Contribution – employee	-	4,319,336	(4,319,336)
Net investment income	-	38,237,162	(38,237,162)
Benefit payments, including refunds of employee contributions	(15,290,340)	(15,290,340)	-
Net changes	15,858,093	33,059,926	(17,201,833)
Balance at June 30, 2015	\$ 348,568,767	\$ 255,635,921	\$ 92,932,846

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

<u>Safety Plan:</u>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 458,985,263	\$ 274,774,909	\$ 184,210,354
Changes in the year:			
Service cost	8,091,585	-	8,091,585
Interest on the total pension liability	33,807,462	-	33,807,462
Changes in benefit terms	-	-	-
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Contribution – employer	-	12,089,637	(12,089,637)
Contribution – employee	-	3,122,237	(3,122,237)
Net investment income	-	47,151,493	(47,151,493)
Benefit payments, including refunds of employee contributions	(24,529,802)	(24,529,802)	-
Net changes	17,369,245	37,833,565	(20,464,320)
Balance at June 30, 2015	<u>\$ 476,354,508</u>	<u>\$ 312,608,474</u>	<u>\$ 163,746,034</u>

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

	Miscellaneous	Safety
1% Decrease	6.50%	6.50%
Net Pension Liability	\$139,423,260	\$223,781,585
Current Discount Rate	7.50%	7.50%
Net Pension Liability	\$92,932,846	\$163,746,034
1% Increase	8.50%	8.50%
Net Pension Liability	\$54,448,863	\$113,868,475

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

For the year ended June 30, 2015, the City recognized pension expense of \$19,273,867. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 20,510,440	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(39,056,614)
Total	<u>\$ 20,510,440</u>	<u>\$ (39,056,614)</u>

\$20,510,440 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amount
2016	\$ (9,764,153)
2017	(9,764,153)
2018	(9,764,153)
2019	(9,764,155)
2020	-
Thereafter	-

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**E. Payable to the Pension Plan**

At June 30, 2015, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**F. Plan Description - Defined Contribution Plan**

Pursuant to City Council Resolution No. 91-106, the City entered into a defined contribution plan administered 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, 2015, the City's covered payroll for employees participating in the plan was \$3,081,290. Employees made contributions of \$115,548 (3.75% of current covered payroll), which was matched by the employer in the same amount. Assets of the plan totaled \$2,090,007 at June 30, 2015.

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

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

**Plan Description**

Effective January 2006, the City and employee associations agreed to major changes in the Post Employment Healthcare Plan. All employees and eligible retirees will participate in a Health Reimbursement Arrangement ("HRA") sponsored by the City, the single employer of the plan and held in trust and managed by 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.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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 1,342 as of June 30, 2015, consisting of 508 miscellaneous employees, 270 safety employees, and 564 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.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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, 2015
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:	7.0 % 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:	7.0% grading down to 5.0%

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**Annual Required Contribution (ARC)**

The 2014-15 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 <sup>1</sup>	AOC <sup>1</sup>	Actual Contribution	Percentage Contributed	Annual Covered Payroll	ARC As a % of Payroll	Ending Balance
2012/13								
Cash Subsidy	\$ -	\$ 2,806	\$ 2,806	\$ 2,806	100%	\$ 74,971	3.7%	\$ -
Net OPEB Obligation	<u>\$ -</u>	<u>\$ 2,806</u>	<u>\$ 2,806</u>	<u>\$ 2,806</u>	<u>100.0%</u>	<u>\$ 74,971</u>	<u>3.7%</u>	<u>\$ -</u>
2013-14								
Cash Subsidy	\$ -	\$ 3,381	\$ 3,381	\$ 4,881	144%	\$ 65,193	5.2%	\$ (1,500)
Net OPEB Obligation (Asset)	<u>\$ -</u>	<u>\$ 3,381</u>	<u>\$ 3,381</u>	<u>\$ 4,881</u>	<u>144%</u>	<u>\$ 65,193</u>	<u>5.2%</u>	<u>\$ (1,500)</u>
2014-15								
Cash Subsidy	\$ (1,500)	\$ 2,612	\$ 2,659	\$ 2,763	106%	\$ 67,149	3.9%	\$ (1,604)
Net OPEB Obligation	<u>\$ (1,500)</u>	<u>\$ 2,612</u>	<u>\$ 2,659</u>	<u>\$ 2,763</u>	<u>105.8%</u>	<u>\$ 72,611</u>	<u>3.6%</u>	<u>\$ (1,604)</u>

<sup>1</sup> AOC is equal to the ARC adjusted for interest and amortization 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.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**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, 2015, NOO (Asset) is determined as follows (in 000's):

<u>Fiscal Year</u>	<u>July 1, NOO</u>	<u>AOC</u>	<u>Prefunding Contributions &amp; Benefit Payments</u>	<u>June 30, NOO (Asset)</u>
2012-13				
Cash Subsidy	\$ -	\$ 2,806	\$ (2,806)	\$ -
Total	<u>\$ -</u>	<u>\$ 2,806</u>	<u>\$ (2,806)</u>	<u>\$ -</u>
2013-14				
Cash Subsidy	\$ -	\$ 3,381	\$ (4,881)	\$ (1,500)
Total	<u>\$ -</u>	<u>\$ 3,381</u>	<u>\$ (4,881)</u>	<u>\$ (1,500)</u>
2014-15				
Cash Subsidy	\$ (1,500)	\$ 2,659	\$ (2,763)	\$ (1,604)
Total	<u>\$ (1,500)</u>	<u>\$ 2,659</u>	<u>\$ (2,763)</u>	<u>\$ (1,604)</u>

**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 2014-15 AOC is determined as follows (in 000's):

	<u>ARC</u>	<u>Interest on NOO</u>	<u>Amortization of NOO</u>	<u>Total AOC</u>	<u>AOC as % of Payroll</u>
Cash Subsidy	\$2,612	\$ (109)	\$ 156	\$ 2,659	4.0%
Implied Subsidy	-	-	-	-	0.0%
Total	<u>\$2,612</u>	<u>\$ (109)</u>	<u>\$ 156</u>	<u>\$ 2,659</u>	<u>4.0%</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**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
6/30/2011						
Cash Subsidy	\$35,922	\$ 7,889	\$28,033	22.0%	\$70,326	39.9%
Implied Subsidy	-	-	-	0.0%	70,326	0.0%
Total	<u>\$35,922</u>	<u>\$7,889</u>	<u>\$28,033</u>	<u>22.0%</u>	\$70,326	<u>39.9%</u>
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	<u>\$35,564</u>	<u>\$9,979</u>	<u>\$25,585</u>	<u>28.0%</u>	\$65,193	<u>39.0%</u>
6/30/2015						
Cash Subsidy	\$35,522	\$ 14,891	\$20,631	41.9%	\$70,277	29.4%
Implied Subsidy	7,116	-	\$7,116	0.0%	\$70,277	10.1%
Total	<u>\$42,638</u>	<u>\$14,891</u>	<u>\$27,747</u>	<u>34.9%</u>	\$70,277	<u>39.5%</u>

**(12) Interfund Receivables and Payables**

At June 30, 2015, interfund advances receivable and payable were as follows:

	Advance from	Advance To
General Fund	\$15,309,559	\$ -
Tide and Submerged Land - Harbor Capital Fund	-	15,309,559
Total	<u>\$15,309,559</u>	<u>\$15,309,559</u>

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

Harbor Capital Fund Advance - Repayment Terms (Zero Interest Advance)			
Fiscal Year	Advance #1 Dredging Projects Repayment	Advance #2 Marina Park Project Repayment	Total Repayment
2016	500,000	-	\$ 500,000
2017	750,000	132,900	\$ 882,900
2018	750,000	250,000	\$ 1,000,000
2019	750,000	250,000	\$ 1,000,000
2020	750,000	500,000	\$ 1,250,000
2021	750,000	500,000	\$ 1,250,000
2022	750,000	500,000	\$ 1,250,000
2023	750,000	500,000	\$ 1,250,000
2024	750,000	500,000	\$ 1,250,000
2025	750,000	500,000	\$ 1,250,000
2026	750,000	500,000	\$ 1,250,000
2027	750,000	500,000	\$ 1,250,000
2028	426,659	500,000	\$ 926,659
2029	-	500,000	\$ 500,000
2030	-	500,000	\$ 500,000
<b>Total</b>	<b>\$ 9,176,659</b>	<b>\$ 6,132,900</b>	<b>\$ 15,309,559</b>

At June 30, 2015, interfund receivables and payable were as follows:

	Due from	Due to
General Fund	\$ 2,558,528	\$ -
Facilities Financing Plan	5,620,471	-
Civic Center COP	-	5,586,971
Combined Transportation	-	868,238
Internal Service Funds	-	284,200
Nonmajor Funds	-	1,439,590
Total	<u>\$ 8,178,999</u>	<u>\$ 8,178,999</u>

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

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**(13) Interfund Transfers**

Interfund transfers at June 30, 2015, 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	\$ -	\$ 4,233,966	\$ 8,000,000	\$ -	\$ 4,150,000	\$ 350,000	\$ 16,733,966
	Facilities Financial Planning Reserve	-	-	-	8,199,027	-	32,297,299	40,496,326
	Internal Service Fund	-	-	-	-	6,283,631	-	6,283,631
	Non-Major Funds	38,802	-	-	-	-	162,862	201,664
	<b>Total</b>	<u>\$ 38,802</u>	<u>\$ 4,233,966</u>	<u>\$ 8,000,000</u>	<u>\$ 8,199,027</u>	<u>\$ 10,433,631</u>	<u>\$ 32,810,161</u>	<u>\$ 63,715,587</u>

The City typically uses transfers to fund ongoing subsidies. The General Fund transferred \$4,233,966 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; \$2,500,000 to the General Liability Fund and \$1,000,000 to the Compensated Absences Fund to mitigate certain liabilities; \$450,000 to the Equipment Maintenance Fund to fund for cardiac monitors; \$350,000 to Facilities Maintenance Fund and \$200,000 to the Retiree Insurance Fund.

The Facilities Financial Planning Reserve Fund transferred \$8,199,027 to the Civic Center COP Fund for the debt service payments related to the Civic Center Certificates of Participation; \$20,682,848 to the Marina Park Fund and \$1,855,956 to the Sunset Ridge Park Fund to cash fund design and construction of the two parks; \$6,025,000 to the Fire Station Fund for projects related to Fire Stations; \$2,550,000 to the Parks and Community Centers Fund for projects related to various other parks and community centers; \$750,000 to the Miscellaneous Facilities Financing Fund to cash fund design and construction of miscellaneous facilities and \$433,495 to the Public Arts and Cultural Facilities Fund to fund for art in public places.

The Circulation and Transportation Fund transferred \$157,701 to the CIOSA Construction Fund for debt service. As required by the pre-annexation agreement, \$24,337 of interest accrued in the Newport Coast Annexation fund was transferred to the General Fund. The Contributions fund transferred \$14,465 to the General Fund and \$3,357 to the State Gas Tax Fund to reimburse these funds for expenditures inadvertently charged to the these funds. The Gas Tax Fund transferred \$1,804 to the Contribution Fund to reimburse the fund for expenditures inadvertently charged to the Contribution Fund.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

The Equipment Maintenance Fund transferred \$3,902,903 to the Insurance Reserve Fund and \$1,380,728 to the Compensated Absence Fund to mitigate certain liabilities, and \$1,000,000 to Information Technology Fund to fund for 800 MHz radios and infrastructure.

**(14) Joint Venture Agreements**

Bonita Canyon Public Facilities Financing Authority

The Bonita Canyon Public Facilities Financing Authority (Authority) is a joint venture formed by the City of Newport Beach, Irvine Unified School District, and Newport-Mesa Unified School District. The Authority's Board is comprised of two members appointed by each of the member agencies. The Authority created Community Facilities District 98-1 to finance public facilities that will benefit the properties within their boundaries. In 1998, the Authority issued \$45,000,000 of special tax bonds to be repaid by special assessments. The Authority paid the City \$30,577,712 (81.7%) to pay for the costs of acquiring and constructing public facilities including parks and road improvements. In Fiscal Year 2011-12, the Authority issued \$38,330,000 of special tax bonds to refinance the 1998 Series; the City is not obligated in any manner to repay the bonds. At June 30, 2015, 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 \$506,917. The City's 9.92% interest in the net equity of this joint venture at June 30, 2015, amounts to \$173,977. Complete separate financial statements can be obtained at the Metro Cities Fire Authority offices at 201 S. Anaheim Boulevard, Suite 302, Anaheim, California.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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, 2015. The City of Newport Beach acted as the Treasurer/Controller of the ILJAOC from inception through the end of fiscal year 2011-12. Beginning July 1, 2011, the City of Brea, another member agency, was appointed to serve as Treasurer/Controller, and assumed responsibility for all operating activities of the ILJAOC. Complete separate financial statements can be obtained from the City of Brea, 1 Civic Center Circle, Brea, California 92821.

**(15) Commitments and Contingencies**

Claims and Judgments

Numerous claims and suits have been filed against the City in the normal course of business. The estimated liability under such claims, based upon information received from the City Attorney, contracted attorneys and the Risk Manager, has been estimated and recorded as accrued claims and judgments payable (See 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, 2015, the City received \$315,403 of Fair Share Fees, and \$157,701 was paid to the CIOSA Construction capital projects fund. Through June 30, 2015, \$5,032,442 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.

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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, 2015 was \$2.4 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, 2015, the City paid VNB \$4,472,209.

Contractual Commitments

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

	Annual Budget	Project YTD Expenditures	Unexpended Commitments
Marina Park	\$ 27,997,801	\$ 19,182,741	\$ 9,699,426
Dover Dr Westcliff Dr Pavemnt Rehab	3,828,435	474,766	3,694,904
Bonita Creek Park Synthetic Turf	1,997,151	598,255	1,449,359
Streetlight Replacement Program	1,559,175	708,849	840,587
Big Canyon Restoration	813,757	104,731	704,280
Slurry Seal Program	1,091,604	540,373	534,035

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

	Major Governmental Funds		Non-Major Governmental Funds		Total
	General	Tide and Submerged Land Operating	Special Revenue Funds	Capital Project Funds	
Drainage	\$ 151,584	\$ -	\$ -	\$ -	\$ 151,584
Streets	2,448,036	-	1,619,502	-	4,067,538
Miscellaneous & Studies	177,211	-	-	-	177,211
Parks	192,305	-	77,945	1,290,163	1,560,413
Contract services	768,056	-	-	-	768,056
Supplies and materials	85,337	-	-	-	85,337
Maintenace and repairs	50,544	-	-	185,208	235,752
General	205,471	-	-	-	205,471
Capital expenditures	61,700	-	-	-	61,700
Beaches	-	124,034	-	-	124,034
Marinas	-	350,965	-	-	350,965
Dredging	-	203,185	-	-	203,185
Environmental	-	-	1,934,668	-	1,934,668
Total encumbrances	\$ 4,140,244	\$ 678,184	\$ 3,632,115	\$ 1,475,371	\$ 9,925,914

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**(16) 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, 2015, is classified as follows:

	Governmental Fund Balance									
	General	Tide and Submerged Land Operating	Tide and Submerged Land Harbor Capital	Combined Transportation	Facilities Financial Planning Reserve	Civic Center COP	Non-Major Governmental Funds			Totals
							Special Revenue Funds	Capital Project Funds	Permanent Funds	
Nonspendable:										
Prepaid items (legally restricted)	\$ 225,443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,488	\$ -	\$ -	\$ 264,931
Inventories (legally restricted)	249,394	-	-	-	-	-	-	-	-	249,394
Long-term loan receivable (form restricted)	15,309,559	-	-	-	-	-	-	-	-	15,309,559
Permanent endowment (legally restricted)	-	-	-	-	-	-	-	-	4,629,781	4,629,781
Restricted:										
Affordable housing	4,199,525	-	-	-	-	-	-	-	-	4,199,525
Oceanfront encroachment	1,190,285	-	-	-	-	-	-	-	-	1,190,285
Upper Newport bay restoration	-	544,187	-	-	-	-	-	-	-	544,187
Streets and highways	-	-	-	-	-	-	374,604	-	1,107,751	1,482,355
Public safety	-	-	-	-	-	-	1,363,685	-	-	1,363,685
Parks	-	-	-	-	3,541,302	-	-	-	-	3,541,302
Air quality improvement	-	-	-	-	-	-	980,186	-	-	980,186
Environmental liability mitigation	-	-	-	-	-	-	5,765,709	-	-	5,765,709
Libraries	-	-	-	-	-	-	-	-	191,308	191,308
Scholarships	-	-	-	-	-	-	-	-	220,553	220,553
Debt service	-	-	-	-	-	2,350,210	-	-	-	2,350,210
Capital re-appropriations	-	1,089,091	-	-	-	-	7,593,947	409,552	-	9,092,590
Encumbrance reserve:										
Beaches	-	124,034	-	-	-	-	-	-	-	124,034
Marinas	-	350,965	-	-	-	-	-	-	-	350,965
Dredging	-	203,185	-	-	-	-	-	-	-	203,185
Streets	-	-	-	-	-	-	1,619,502	-	-	1,619,502
Environmental	-	-	-	-	-	-	1,934,668	-	-	1,934,668
Parks	-	-	-	-	-	-	77,945	-	-	77,945
Committed:										
Strategic planning	-	-	-	-	-	-	-	39,994	-	39,994
Facilities replacement	-	-	-	-	10,387,218	-	-	-	-	10,387,218
Facilities maintenance	-	-	-	-	-	-	-	748,858	-	748,858
Civic center and park	-	-	-	-	-	-	-	1,583,018	-	1,583,018
Sunset ridge park	-	-	-	-	-	-	-	2,423,943	-	2,423,943
Fire Station	-	-	-	-	-	-	-	393,186	-	393,186
Oil and gas liabilities	-	520,000	-	-	-	-	-	-	-	520,000
In-lieu & off-street parking	69,232	-	-	-	-	-	-	-	-	69,232
Public Arts & Cultural Facilities	-	-	-	-	-	-	-	343,495	-	343,495
Bicycle Safety	2,627	-	-	-	-	-	-	-	-	2,627
Parks & Community Centers	-	-	-	-	-	-	-	499,537	-	499,537
Cable franchise reserve	627,889	-	-	-	-	-	-	-	-	627,889
Parking management	-	-	-	-	-	-	-	7,320	-	7,320
Neighborhood enhancement	650,765	-	-	-	-	-	-	-	-	650,765
Capital re-appropriations	6,357,095	-	-	-	-	-	-	7,737,321	-	14,094,416
Encumbrance reserve:										
Drainage	151,584	-	-	-	-	-	-	-	-	151,584
Streets	2,448,036	-	-	-	-	-	-	-	-	2,448,036
Miscellaneous & Studies	177,211	-	-	-	-	-	-	-	-	177,211
Parks	192,305	-	-	-	-	-	-	1,290,163	-	1,482,468
Contract services	768,056	-	-	-	-	-	-	-	-	768,056
Supplies and materials	85,337	-	-	-	-	-	-	-	-	85,337
Maintenance and repairs	50,544	-	-	-	-	-	-	185,208	-	235,752
General	205,471	-	-	-	-	-	-	-	-	205,471
Capital expenditures	61,700	-	-	-	-	-	-	-	-	61,700
Assigned:										
Recreation and senior services	963,177	-	-	-	-	-	-	-	-	963,177
Community development	396,711	-	-	-	-	-	-	-	-	396,711
Fair value Adjustment Reserve	61,337	-	-	-	-	-	-	-	-	61,337
Unassigned:	55,509,258	-	(7,144,672)	(1,326,606)	-	-	(176,896)	(3,847,555)	-	43,013,529
<b>Total fund balances</b>	<b>\$ 89,952,541</b>	<b>\$ 2,831,462</b>	<b>\$ (7,144,672)</b>	<b>\$ (1,326,606)</b>	<b>\$ 13,928,520</b>	<b>\$ 2,350,210</b>	<b>\$ 19,572,838</b>	<b>\$ 11,814,040</b>	<b>\$ 6,149,393</b>	<b>\$ 138,127,726</b>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

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

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

Proprietary Funds:

	<u>Equipment Maintenance</u>	<u>Information Technology</u>
Net position at June 30, 2014, as previously reported	\$ 28,189,467	\$ 10,588,177
Adjustment to recognize expenses in accordance with implementation of GASB 68 pension liability	<u>(1,930,383)</u>	<u>(3,869,268)</u>
Net position at July 1, 2014, as restated	<u>\$ 26,259,084</u>	<u>\$ 6,718,909</u>
	<u>Governmental Activities Internal Service Funds</u>	
Net position at June 30, 2014, as previously reported	\$ 29,340,293	
Adjustment to recognize expenses in accordance with implementation of GASB 68 pension liability	<u>(5,799,651)</u>	
Net position at July 1, 2014, as restated	<u>\$ 23,540,642</u>	
	<u>Water Enterprise</u>	<u>Wastewater Enterprise</u>
Net position at June 30, 2014, as previously reported	\$ 105,081,091	\$ 32,572,894
Adjustment to recognize expenses in accordance with implementation of GASB 68 pension liability	<u>(6,370,995)</u>	<u>(2,446,655)</u>
Net position at July 1, 2014, as restated	<u>\$ 98,710,096</u>	<u>\$ 30,126,239</u>

Government-wide:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at June 30, 2014, as previously reported	\$ 2,291,842,921	\$ 137,926,783
Adjustment to record GASB 68 pension liability	(267,643,978)	(8,817,650)
Adjustment to record deferred amount from gain on refunding	<u>(248,436)</u>	<u>-</u>
Net position at July 1, 2014, as restated	<u>\$ 2,023,950,507</u>	<u>\$ 129,109,133</u>

CITY OF NEWPORT BEACH  
Notes to Basic Financial Statements  
June 30, 2015

**(18) Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 26, 2016, the date the financial statements were available to be issued.

# **FINANCIAL SECTION**

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FINANCIAL SECTION**

CITY OF NEWPORT BEACH  
 Required Supplementary Information  
 June 30, 2015

**Defined Benefit Plan for Miscellaneous Employees**

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

	2015
<b>Total Pension Liability</b>	
Service Cost	\$ 6,523,874
Interest on total pension liability	24,624,559
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	<u>(15,290,340)</u>
<b>Net Change in total pension liability</b>	<b>15,858,093</b>
<b>Total Pension Liability - beginning</b>	<u>332,710,675</u>
<b>Total Pension Liability - ending (a)</b>	<u>\$ 348,568,768</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 5,793,768
Contributions - employee	4,319,336
Net investment income	38,237,161
Benefit payments	<u>(15,290,340)</u>
<b>Net change in plan fiduciary net position</b>	<b>33,059,925</b>
<b>Plan Fiduciary net position - beginning</b>	<u>222,575,995</u>
<b>Plan Fiduciary net position - ending (b)</b>	<u>\$ 255,635,920</u>
Net pension liability - ending (a)-(b)	<u>\$ 92,932,848</u>
Plan fiduciary net position as a percentage of the total pension liability	73.34%
Covered - employee payroll	\$ 39,560,210
Net pension liability as percentage of covered - employee payroll	234.91%

**Notes to Schedule:**

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF NEWPORT BEACH  
 Required Supplementary Information  
 June 30, 2015

**Defined Benefit Plan for Miscellaneous Employees**

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

	2015
Actuarially determined contribution	\$ 7,117,065
Contributions in relation to the actuarially determined contributions	(7,117,065)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>
 Covered - employee payroll	 \$ 38,512,011
 Contributions as a percentage of covered - employee payroll	 18.48%

**Notes to Schedule:**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years as of the Valuation Date
Asset valuation method	Market
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	50 years (2.5% @ 55 and 2.0% @ 60) and 52 years (2.0% @ 62)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF NEWPORT BEACH  
 Required Supplementary Information  
 June 30, 2015

**Defined Benefit Plan for Safety Employees**

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

	2015
<b>Total Pension Liability</b>	
Service Cost	\$ 8,091,585
Interest on total pension liability	33,807,462
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	<u>(24,529,802)</u>
<b>Net Change in total pension liability</b>	<b>17,369,245</b>
<b>Total Pension Liability - beginning</b>	<u>458,985,263</u>
<b>Total Pension Liability - ending (a)</b>	<u>\$ 476,354,508</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 12,089,637
Contributions - employee	3,122,237
Net investment income	47,151,493
Benefit payments	<u>(24,529,802)</u>
<b>Net change in plan fiduciary net position</b>	<b>37,833,565</b>
<b>Plan Fiduciary net position - beginning</b>	<u>274,774,909</u>
<b>Plan Fiduciary net position - ending (b)</b>	<u>\$ 312,608,474</u>
Net pension liability - ending (a)-(b)	<u>\$ 163,746,034</u>
Plan fiduciary net position as a percentage of the total pension liability	65.63%
Covered - employee payroll	\$ 29,622,144
Net pension liability as percentage of covered - employee payroll	552.78%

**Notes to Schedule:**

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

CITY OF NEWPORT BEACH  
 Required Supplementary Information  
 June 30, 2015

**Defined Benefit Plan for Safety Employees**

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

	2015
Actuarially determined contribution	\$ 13,393,374
Contributions in relation to the actuarially determined contributions	(13,393,374)
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>
Covered - employee payroll	\$ 30,189,633
Contributions as a percentage of covered - employee payroll	44.36%

**Notes to Schedule:**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Single and Agent Employers Example	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years as of the Valuation Date
Asset valuation method	Market Value
Inflation	2.75%
Salary increases	3.30% to 14.20% depending on age, service, and type of employment
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	50 years (3.0% @ 50, 2.0% @ 50, 2.7% @ 57)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

\* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

This page left blank intentionally.

# **FINANCIAL SECTION**

## **SUPPLEMENTARY INFORMATION OTHER GOVERNAMENTAL 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 **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 **Miscellaneous Grants Fund** is used to account for revenues received from various other miscellaneous grants.

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

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

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

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

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

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

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

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

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

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

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

### **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.

This page left blank intentionally.

CITY OF NEWPORT BEACH  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2015

	<b>Special Revenue</b>			
	<u>State Gas Tax</u>	<u>Asset Forfeiture</u>	<u>OTS DUI Grant</u>	<u>Circulation and Transportation</u>
<b>Assets</b>				
Cash and investments	\$ 5,899,062	\$ 675,284	\$ -	\$ 808,229
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	90,517	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<u>\$ 5,899,062</u>	<u>\$ 675,284</u>	<u>90,517</u>	<u>\$ 808,229</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 264,385	\$ 4	\$ -	\$ 120,108
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	90,517	-
<b>Total liabilities</b>	<u>264,385</u>	<u>4</u>	<u>90,517</u>	<u>120,108</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	90,517	-
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:	5,634,677	675,280	-	688,121
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	-	-	(90,517)	-
<b>Total fund balances (deficits)</b>	<u>5,634,677</u>	<u>675,280</u>	<u>(90,517)</u>	<u>688,121</u>
<b>Total liabilities, deferred inflows of and fund balances</b>	<u>\$ 5,899,062</u>	<u>\$ 675,284</u>	<u>\$ 90,517</u>	<u>\$ 808,229</u>

**Special Revenue**

<u>Building Excise Tax</u>	<u>Community Development Block Grant</u>	<u>Air Quality Management District</u>	<u>Environmental Liability</u>	<u>Supplemental Law Enforcement</u>
\$ 768,121	\$ -	\$ 980,229	\$ 5,780,478	\$ -
-	-	-	-	-
-	39,488	-	-	-
<u>\$ 768,121</u>	<u>\$ 39,488</u>	<u>\$ 980,229</u>	<u>\$ 5,780,478</u>	<u>\$ -</u>
\$ 1,771	\$ 30,160	\$ 43	\$ 14,769	\$ -
-	-	-	-	-
-	-	-	-	-
-	56,219	-	-	-
<u>1,771</u>	<u>86,379</u>	<u>43</u>	<u>14,769</u>	<u>-</u>
-	-	-	-	-
-	39,488	-	-	-
-	-	-	-	-
766,350	-	980,186	5,765,709	-
-	-	-	-	-
-	-	-	-	-
-	(86,379)	-	-	-
<u>766,350</u>	<u>(46,891)</u>	<u>980,186</u>	<u>5,765,709</u>	<u>-</u>
<u>\$ 768,121</u>	<u>\$ 39,488</u>	<u>\$ 980,229</u>	<u>\$ 5,780,478</u>	<u>\$ -</u>

(continued)

CITY OF NEWPORT BEACH  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2015  
(continued)

	<u>Special Revenue</u>			<u>Capital Projects</u>
	<u>Misc Grants</u>	<u>Newport Coast Annexation</u>	<u>Contributions</u>	<u>Assessment District</u>
<b>Assets</b>				
Cash and investments	\$ -	\$ 2,400,000	\$ 4,454,790	\$ 460,127
Receivables:				
Accounts (net of allowance)	-	-	7,984	-
Intergovernmental receivables	-	-	509,898	-
Prepaid items	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 2,400,000</u>	<u>\$ 4,972,672</u>	<u>\$ 460,127</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 287,960	\$ 50,575
Deposits payable	-	-	-	-
Unearned revenue	-	-	1,374,891	-
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>1,662,851</u>	<u>50,575</u>
Deferred inflows of resources:				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>509,898</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:	-	2,400,000	2,799,923	409,552
Committed:	-	-	-	-
Assigned:	-	-	-	-
Unassigned:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficits)	<u>-</u>	<u>2,400,000</u>	<u>2,799,923</u>	<u>409,552</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 2,400,000</u>	<u>\$ 4,972,672</u>	<u>\$ 460,127</u>

**Capital Projects**

<u>CIOSA Construction</u>	<u>Fire Station</u>	<u>Facilities Maintenance</u>	<u>Misc SAH Projects</u>	<u>Civic Center and Park</u>
\$ -	\$ 6,269,024	\$ 2,009,921	\$ 1,296,919	\$ 1,748,040
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 6,269,024</u>	<u>\$ 2,009,921</u>	<u>\$ 1,296,919</u>	<u>\$ 1,748,040</u>
\$ -	\$ 61,738	\$ 75,855	\$ -	\$ 12,437
-	-	-	-	-
-	-	-	1,312,210	-
-	-	-	-	-
<u>-</u>	<u>61,738</u>	<u>75,855</u>	<u>1,312,210</u>	<u>12,437</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	6,207,286	1,934,066	-	1,735,603
-	-	-	-	-
-	-	-	(15,291)	-
<u>-</u>	<u>6,207,286</u>	<u>1,934,066</u>	<u>(15,291)</u>	<u>1,735,603</u>
<u>\$ -</u>	<u>\$ 6,269,024</u>	<u>\$ 2,009,921</u>	<u>\$ 1,296,919</u>	<u>\$ 1,748,040</u>

(continued)

CITY OF NEWPORT BEACH  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2015  
(continued)

	Capital Projects			
	Sunset Ridge Park	Marina Park	Strategic Planning	Lifeguard Headquarters
<b>Assets</b>				
Cash and investments	\$ 2,884,413	\$ -	\$ 39,994	\$ -
Receivables:				
Accounts (net of allowance)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Prepaid items	-	-	-	-
	<u>\$ 2,884,413</u>	<u>\$ -</u>	<u>\$ 39,994</u>	<u>\$ -</u>
Total Assets				
	<u>\$ 2,884,413</u>	<u>\$ -</u>	<u>\$ 39,994</u>	<u>\$ -</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 15,064	\$ 2,420,410	\$ -	\$ -
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	470,679	-	121,076
	<u>15,064</u>	<u>2,891,089</u>	<u>-</u>	<u>121,076</u>
Total Liabilities				
	<u>15,064</u>	<u>2,891,089</u>	<u>-</u>	<u>121,076</u>
Deferred inflows of resources:				
Unavailable revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficits):				
Nonspendable:				
Prepaid Items	-	-	-	-
Permanent Endowment	-	-	-	-
Restricted:				
Committed:	2,869,349	-	39,994	-
Assigned:	-	-	-	-
Unassigned:	-	(2,891,089)	-	(121,076)
	<u>2,869,349</u>	<u>(2,891,089)</u>	<u>39,994</u>	<u>(121,076)</u>
Total fund balances (deficits)				
	<u>2,869,349</u>	<u>(2,891,089)</u>	<u>39,994</u>	<u>(121,076)</u>
Total liabilities, deferred inflows of resources and fund balances				
	<u>\$ 2,884,413</u>	<u>\$ -</u>	<u>\$ 39,994</u>	<u>\$ -</u>

**Capital Projects**

<u>Misc Facilities Financing</u>	<u>Parks and Community Centers</u>	<u>West Newport Community Center</u>	<u>Corp Yard Consolidation</u>	<u>Public Art and Cultural Facilities</u>
\$ -	\$ 2,218,028	\$ -	\$ -	\$ 408,180
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,218,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,180</u>
\$ -	\$ 266,283	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
502,205	-	33,500	165,394	-
<u>502,205</u>	<u>266,283</u>	<u>33,500</u>	<u>165,394</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	1,951,745	-	-	408,180
-	-	-	-	-
(502,205)	-	(33,500)	(165,394)	-
<u>(502,205)</u>	<u>1,951,745</u>	<u>(33,500)</u>	<u>(165,394)</u>	<u>408,180</u>
<u>\$ -</u>	<u>\$ 2,218,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 408,180</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**June 30, 2015**  
(continued)

	<u>Capital Projects</u>		<u>Permanent Fund</u>		<b>Total Other Governmental Funds</b>
	<b>Newport Uptown Undergrounding</b>	<b>Balboa Village Parking Management District</b>	<b>Bay Dredging</b>	<b>Ackerman Donation</b>	
<b>Assets</b>					
Cash and investments	\$ -	\$ 103,849	\$ 4,965,735	\$ 1,188,558	\$ 45,358,981
Receivables:					
Accounts (net of allowance)	-	1,971	-	-	9,955
Intergovernmental receivables	-	-	-	-	600,415
Prepaid items	-	-	-	-	39,488
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 105,820</u>	<u>\$ 4,965,735</u>	<u>\$ 1,188,558</u>	<u>\$ 46,008,839</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 4,900	\$ 3,626,462
Deposits payable	119,000	-	-	-	119,000
Unearned revenue	-	-	-	-	2,687,101
Due to other funds	-	-	-	-	1,439,590
<b>Total Liabilities</b>	<u>119,000</u>	<u>-</u>	<u>-</u>	<u>4,900</u>	<u>7,872,153</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	600,415
Fund balances (deficits):					
Nonspendable:					
Prepaid Items	-	-	-	-	39,488
Permanent Endowment	-	-	3,857,000	772,781	4,629,781
Restricted:					
Committed:	-	105,820	1,108,735	410,877	21,639,410
Assigned:	-	-	-	-	-
Unassigned:	(119,000)	-	-	-	(4,024,451)
<b>Total fund balances (deficits)</b>	<u>(119,000)</u>	<u>105,820</u>	<u>4,965,735</u>	<u>1,183,658</u>	<u>37,536,271</u>
<b>Total liabilities, deferred inflows of and fund balances</b>	<u>\$ -</u>	<u>\$ 105,820</u>	<u>\$ 4,965,735</u>	<u>\$ 1,188,558</u>	<u>\$ 46,008,839</u>

This page left blank intentionally.

**CITY OF NEWPORT BEACH**  
**Other Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year ended June 30, 2015**

	<b>Special Revenue</b>			
	<b>State Gas Tax</b>	<b>Asset Forfeiture</b>	<b>OTS DUI Grant</b>	<b>Circulation and Transportation</b>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,445,801	89,586	385,324	-
Licenses, permits and fees	-	-	-	315,403
Investment income	35,133	7,102	-	5,430
Net increase in fair value of investments	7,355	1,596	-	1,200
Other	-	-	-	-
<b>Total revenues</b>	<b>2,488,289</b>	<b>98,284</b>	<b>385,324</b>	<b>322,033</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	756,630	366,820	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	2,940,216	-	-	427,602
Debt service:				
Principal	-	-	-	-
	-	-	-	-
<b>Total expenditures</b>	<b>2,940,216</b>	<b>756,630</b>	<b>366,820</b>	<b>427,602</b>
Excess (deficiency) of revenues over expenditures	(451,927)	(658,346)	18,504	(105,569)
<b>Other financing sources (uses):</b>				
Transfers in	3,357	-	-	-
Transfers out	(1,804)	-	-	(157,701)
Proceeds from loan issuance	-	-	-	-
Payment to refunded loan escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>1,553</b>	<b>-</b>	<b>-</b>	<b>(157,701)</b>
<b>Net change in fund balances</b>	<b>(450,374)</b>	<b>(658,346)</b>	<b>18,504</b>	<b>(263,270)</b>
Fund balances (deficits), beginning	6,085,051	1,333,626	(109,021)	951,391
Fund balances (deficits), ending	<u>\$ 5,634,677</u>	<u>\$ 675,280</u>	<u>\$ (90,517)</u>	<u>\$ 688,121</u>

**Special Revenue**

<b>Building Excise Tax</b>	<b>Community Development Block Grant</b>	<b>Air Quality Management District</b>	<b>Environmental Liability</b>	<b>Supplemental Law Enforcement</b>
\$ -	\$ -	\$ -	\$ 568,047	\$ -
-	279,699	107,349	-	154,121
547,482	-	-	-	-
3,601	-	4,938	30,137	-
958	-	1,222	7,207	-
-	-	-	45,559	-
<u>552,041</u>	<u>279,699</u>	<u>113,509</u>	<u>650,950</u>	<u>154,121</u>
-	-	-	-	154,121
-	-	6,981	93,802	-
-	121,275	-	-	-
205,883	-	-	-	-
-	123,000	-	-	-
-	82,315	-	-	-
<u>205,883</u>	<u>326,590</u>	<u>6,981</u>	<u>93,802</u>	<u>154,121</u>
<u>346,158</u>	<u>(46,891)</u>	<u>106,528</u>	<u>557,148</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	1,339,000	-	-	-
-	(1,339,000)	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>346,158</u>	<u>(46,891)</u>	<u>106,528</u>	<u>557,148</u>	<u>-</u>
<u>420,192</u>	<u>-</u>	<u>873,658</u>	<u>5,208,561</u>	<u>-</u>
<u>\$ 766,350</u>	<u>\$ (46,891)</u>	<u>\$ 980,186</u>	<u>\$ 5,765,709</u>	<u>\$ -</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Other Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year ended June 30, 2015**  
(continued)

	<u>Special Revenue</u>			<u>Capital Projects</u>
	<u>Misc Grants</u>	<u>Newport Coast Annexation</u>	<u>Contributions</u>	<u>Assessment District</u>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,005	-	1,543,954	-
Licenses, permits and fees	-	-	-	-
Investment income	-	21,314	21,354	4,517
Net increase in fair value of investments	-	3,023	4,916	658
Other	-	-	-	-
<b>Total revenues</b>	<u>1,005</u>	<u>24,337</u>	<u>1,570,224</u>	<u>5,175</u>
<b>Expenditures:</b>				
Current:				
Public safety	1,005	-	-	-
Public works	-	-	-	505,177
Community development	-	-	-	-
Capital outlay	-	-	1,277,510	-
Debt service:				
Principal	-	1,200,000	-	-
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>1,005</u>	<u>1,200,000</u>	<u>1,277,510</u>	<u>505,177</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,175,663)</u>	<u>292,714</u>	<u>(500,002)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	1,804	-
Transfers out	-	(24,337)	(17,822)	-
Proceeds from loan issuance	-	-	-	-
Payment to refunded loan escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(24,337)</u>	<u>(16,018)</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>(1,200,000)</u>	<u>276,696</u>	<u>(500,002)</u>
Fund balances (deficits), beginning	<u>-</u>	<u>3,600,000</u>	<u>2,523,227</u>	<u>909,554</u>
Fund balances (deficits), ending	<u>\$ -</u>	<u>\$ 2,400,000</u>	<u>\$ 2,799,923</u>	<u>\$ 409,552</u>

**Capital Projects**

<b>CIOSA Construction</b>	<b>Fire Station</b>	<b>Facilities Maintenance</b>	<b>Misc SAH Projects</b>	<b>Civic Center and Park</b>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	1,360	10,766	47	9,480
-	304	2,069	-	2,117
-	-	-	-	-
-	1,664	12,835	47	11,597
-	-	-	-	-
-	-	-	-	-
157,701	69,137	670,946	15,338	106,919
-	-	-	-	-
-	-	-	-	7,826
157,701	69,137	670,946	15,338	114,745
(157,701)	(67,473)	(658,111)	(15,291)	(103,148)
157,701	6,025,000	350,000	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
157,701	6,025,000	350,000	-	-
-	5,957,527	(308,111)	(15,291)	(103,148)
-	249,759	2,242,177	-	1,838,751
\$ -	\$ 6,207,286	\$ 1,934,066	\$ (15,291)	\$ 1,735,603

(continued)

**CITY OF NEWPORT BEACH**  
**Other Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year ended June 30, 2015**  
(continued)

**Capital Projects**

	<u>Sunset Ridge Park</u>	<u>Marina Park</u>	<u>Strategic Planning</u>	<u>Lifeguard Headquarters</u>
<b>Revenues:</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses, permits and fees	-	-	-	-
Investment income	9,748	-	253	61
Net increase in fair value of investments	1,282	-	50	-
Other	11,094	79,932	-	-
	<u>22,124</u>	<u>79,932</u>	<u>303</u>	<u>61</u>
Total revenues	<u>22,124</u>	<u>79,932</u>	<u>303</u>	<u>61</u>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	2,996,700	17,414,817	17,181	154,999
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
	<u>2,996,700</u>	<u>17,414,817</u>	<u>17,181</u>	<u>154,999</u>
Total expenditures	<u>2,996,700</u>	<u>17,414,817</u>	<u>17,181</u>	<u>154,999</u>
Excess (deficiency) of revenues over expenditures	<u>(2,974,576)</u>	<u>(17,334,885)</u>	<u>(16,878)</u>	<u>(154,938)</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,855,956	20,682,848	-	-
Transfers out	-	-	-	-
Proceeds from loan issuance	-	-	-	-
Payment to refunded loan escrow agent	-	-	-	-
	<u>1,855,956</u>	<u>20,682,848</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>1,855,956</u>	<u>20,682,848</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,118,620)	3,347,963	(16,878)	(154,938)
Fund balances (deficits), beginning	<u>3,987,969</u>	<u>(6,239,052)</u>	<u>56,872</u>	<u>33,862</u>
Fund balances (deficits), ending	<u>\$ 2,869,349</u>	<u>\$ (2,891,089)</u>	<u>\$ 39,994</u>	<u>\$ (121,076)</u>

**Capital Projects**

<u>Misc Facilities Financing</u>	<u>Parks and Community Centers</u>	<u>West Newport Community Center</u>	<u>Corp Yard Consolidation</u>	<u>Public Art and Cultural Facilities</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,250,810	598,255	33,500	165,394	25,315
-	-	-	-	-
-	-	-	-	-
<u>1,250,810</u>	<u>598,255</u>	<u>33,500</u>	<u>165,394</u>	<u>25,315</u>
<u>(1,250,810)</u>	<u>(598,255)</u>	<u>(33,500)</u>	<u>(165,394)</u>	<u>(25,315)</u>
750,000	2,550,000	-	-	433,495
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>750,000</u>	<u>2,550,000</u>	<u>-</u>	<u>-</u>	<u>433,495</u>
(500,810)	1,951,745	(33,500)	(165,394)	408,180
(1,395)	-	-	-	-
<u>\$ (502,205)</u>	<u>\$ 1,951,745</u>	<u>\$ (33,500)</u>	<u>\$ (165,394)</u>	<u>\$ 408,180</u>

(continued)

**CITY OF NEWPORT BEACH**  
**Other Governmental Fund Types**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**For the Year ended June 30, 2015**  
(continued)

	<u>Capital Projects</u>		<u>Permanent Funds</u>		<u>Total Other Governmental Funds</u>
	<u>Newport Uptown Undergrounding</u>	<u>Balboa Village Parking Management District</u>	<u>Bay Dredging</u>	<u>Ackerman Donation</u>	
<b>Revenues:</b>					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ 568,047
Intergovernmental	-	-	-	-	5,006,839
Licenses, permits and fees	-	105,820	-	-	968,705
Investment income	-	-	26,881	6,434	198,556
Net increase in fair value of investments	-	-	6,191	1,482	41,630
Other	-	-	-	-	136,585
<b>Total revenues</b>	<u>-</u>	<u>105,820</u>	<u>33,072</u>	<u>7,916</u>	<u>6,920,362</u>
<b>Expenditures:</b>					
Current:					
Public safety	-	-	-	-	1,278,576
Public works	-	-	-	-	605,960
Community development	-	-	-	8,900	130,175
Capital outlay	119,000	-	-	-	28,647,223
Debt service:					
Principal	-	-	-	-	1,323,000
Interest and fiscal charges	-	-	-	-	90,141
<b>Total expenditures</b>	<u>119,000</u>	<u>-</u>	<u>-</u>	<u>8,900</u>	<u>32,075,075</u>
Excess (deficiency) of revenues over expenditures	<u>(119,000)</u>	<u>105,820</u>	<u>33,072</u>	<u>(984)</u>	<u>(25,154,713)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	-	32,810,161
Transfers out	-	-	-	-	(201,664)
Proceeds from loan issuance	-	-	-	-	1,339,000
Payment to refunded loan escrow agent	-	-	-	-	(1,339,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,608,497</u>
<b>Net change in fund balances</b>	<u>(119,000)</u>	<u>105,820</u>	<u>33,072</u>	<u>(984)</u>	<u>7,453,784</u>
Fund balances (deficits), beginning	-	-	4,932,663	1,184,642	30,082,487
Fund balances (deficits), ending	<u>\$ (119,000)</u>	<u>\$ 105,820</u>	<u>\$ 4,965,735</u>	<u>\$ 1,183,658</u>	<u>\$ 37,536,271</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**State Gas Tax Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 2,172,036	\$ 2,467,217	\$ 2,445,801	\$ (21,416)
Investment income	20,607	20,607	35,133	14,526
Net increase in fair value of investments	-	-	7,355	7,355
<b>Total revenues</b>	<b>2,192,643</b>	<b>2,487,824</b>	<b>2,488,289</b>	<b>465</b>
<b>Expenditures:</b>				
Capital outlay	7,653,773	3,822,228	2,940,216	882,012
Excess (deficiency) of revenues over expenditures	(5,461,130)	(1,334,404)	(451,927)	882,477
<b>Other financing sources (uses):</b>				
Transfers in	3,357	3,357	3,357	-
Transfers out	(1,804)	(1,804)	(1,804)	-
<b>Total other financing sources (uses)</b>	<b>1,553</b>	<b>1,553</b>	<b>1,553</b>	<b>-</b>
Net change in fund balance	(5,459,577)	(1,332,851)	(450,374)	882,477
Fund balance, beginning	6,085,051	6,085,051	6,085,051	-
Fund balance, ending	<u>\$ 625,474</u>	<u>\$ 4,752,200</u>	<u>\$ 5,634,677</u>	<u>\$ 882,477</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Asset Forfeiture Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 66,100	\$ 89,586	\$ 23,486
Investment income	3,847	3,847	7,102	3,255
Net increase in fair value of investments	-	-	1,596	1,596
Total revenues	<u>3,847</u>	<u>69,947</u>	<u>98,284</u>	<u>28,337</u>
<b>Expenditures:</b>				
Public safety	<u>552,995</u>	<u>336,365</u>	<u>756,630</u>	<u>(420,265)</u>
Net change in fund balance	(549,148)	(266,418)	(658,346)	(391,928)
Fund balance, beginning	<u>1,333,626</u>	<u>1,333,626</u>	<u>1,333,626</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 784,478</u></u>	<u><u>\$ 1,067,208</u></u>	<u><u>\$ 675,280</u></u>	<u><u>\$ (391,928)</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**OTS DUI Grant Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 83,517	\$ 579,873	\$ 385,324	\$ (194,549)
<b>Expenditures:</b>				
Public safety	83,517	470,933	366,820	104,113
Net change in fund balance	-	108,940	18,504	(90,436)
Fund balance (deficit), beginning	(109,021)	(109,021)	(109,021)	-
Fund balance (deficit), ending	<u>\$ (109,021)</u>	<u>\$ (81)</u>	<u>\$ (90,517)</u>	<u>\$ (90,436)</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Circulation and Transportation Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Licenses, permits and fees	\$ 330,228	\$ 330,228	\$ 315,403	\$ (14,825)
Investment income	-	-	5,430	5,430
Net increase in fair value of investments	-	-	1,200	1,200
Total revenues	<u>330,228</u>	<u>330,228</u>	<u>322,033</u>	<u>(8,195)</u>
<b>Expenditures:</b>				
Capital outlay	<u>780,016</u>	<u>950,236</u>	<u>427,602</u>	<u>522,634</u>
Excess (deficiency) of revenues over expenditures	(449,788)	(620,008)	(105,569)	514,439
<b>Other financing uses:</b>				
Transfers out	<u>(162,500)</u>	<u>(162,500)</u>	<u>(157,701)</u>	<u>4,799</u>
Net change in fund balance	(612,288)	(782,508)	(263,270)	519,238
Fund balance, beginning	<u>951,391</u>	<u>951,391</u>	<u>951,391</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 339,103</u></u>	<u><u>\$ 168,883</u></u>	<u><u>\$ 688,121</u></u>	<u><u>\$ 519,238</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Building Excise Tax Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Licenses, permits and fees	\$ 223,250	\$ 222,903	\$ 547,482	\$ 324,579
Investment income	1,794	1,794	3,601	1,807
Net increase in fair value of investments	-	-	958	958
Total revenues	<u>225,044</u>	<u>224,697</u>	<u>552,041</u>	<u>327,344</u>
<b>Expenditures:</b>				
Capital outlay	<u>295,287</u>	<u>295,287</u>	<u>205,883</u>	<u>89,404</u>
Net change in fund balance	(70,243)	(70,590)	346,158	416,748
Fund balance, beginning	<u>420,192</u>	<u>420,192</u>	<u>420,192</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 349,949</u></u>	<u><u>\$ 349,602</u></u>	<u><u>\$ 766,350</u></u>	<u><u>\$ 416,748</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Community Development Block Grant Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 355,000	\$ 333,681	\$ 279,699	\$ (53,982)
<b>Expenditures:</b>				
Community development	150,737	128,366	121,275	7,091
Debt service:				
Principal	123,000	123,000	123,000	-
Interest and fiscal charges	82,315	82,315	82,315	-
Total expenditures	<u>356,052</u>	<u>333,681</u>	<u>326,590</u>	<u>7,091</u>
Excess (deficiency) of revenues over expenditures	(1,052)	-	(46,891)	(46,891)
<b>Other financing sources (uses):</b>				
Proceeds from loan issuance	-	-	1,339,000	1,339,000
Payment to refunded loan escrow agent	-	-	<u>(1,339,000)</u>	<u>(1,339,000)</u>
Total other financing (uses)	-	-	-	-
Net change in fund balance	(1,052)	-	(46,891)	(46,891)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (1,052)</u>	<u>\$ -</u>	<u>\$ (46,891)</u>	<u>\$ (46,891)</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Air Quality Management District Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 107,349	\$ 7,349
Investment income	1,901	1,901	4,938	3,037
Net increase in fair value of investments	-	-	1,222	1,222
Total revenues	<u>101,901</u>	<u>101,901</u>	<u>113,509</u>	<u>11,608</u>
<b>Expenditures:</b>				
Public works	<u>10,566</u>	<u>10,566</u>	<u>6,981</u>	<u>3,585</u>
Net change in fund balance	91,335	91,335	106,528	15,193
Fund balance, beginning	<u>873,658</u>	<u>873,658</u>	<u>873,658</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 964,993</u></u>	<u><u>\$ 964,993</u></u>	<u><u>\$ 980,186</u></u>	<u><u>\$ 15,193</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Environmental Liability Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Other taxes	\$ 533,689	\$ 533,689	\$ 568,047	\$ 34,358
Investment income	15,336	15,336	30,137	14,801
Net increase in fair value of investments	-	-	7,207	7,207
Other revenue	25,000	25,000	45,559	20,559
Total revenues	<u>574,025</u>	<u>574,025</u>	<u>650,950</u>	<u>76,925</u>
<b>Expenditures:</b>				
Public works	<u>178,530</u>	<u>178,530</u>	<u>93,802</u>	<u>84,728</u>
Net change in fund balance	395,495	395,495	557,148	161,653
Fund balance, beginning	<u>5,208,561</u>	<u>5,208,561</u>	<u>5,208,561</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 5,604,056</u></u>	<u><u>\$ 5,604,056</u></u>	<u><u>\$ 5,765,709</u></u>	<u><u>\$ 161,653</u></u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Supplemental Law Enforcement Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 138,000	\$ 138,000	\$ 154,121	\$ 16,121
<b>Expenditures:</b>				
Public safety	138,000	138,000	154,121	(16,121)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Newport Coast Annexation Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income	\$ 17,959	\$ 17,959	\$ 21,314	\$ 3,355
Net increase in fair value of investments	-	-	3,023	3,023
Total revenues	<u>17,959</u>	<u>17,959</u>	<u>24,337</u>	<u>6,378</u>
<b>Expenditures:</b>				
Debt service:				
Principal	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,182,041)</u>	<u>(1,182,041)</u>	<u>(1,175,663)</u>	<u>6,378</u>
<b>Other financing uses:</b>				
Transfers out	<u>(17,959)</u>	<u>(17,959)</u>	<u>(24,337)</u>	<u>(6,378)</u>
Net change in fund balance	(1,200,000)	(1,200,000)	(1,200,000)	-
Fund balance, beginning	<u>3,600,000</u>	<u>3,600,000</u>	<u>3,600,000</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ -</u>

**CITY OF NEWPORT BEACH**  
**Budgetary Comparison Schedule**  
**Contributions Fund Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental	\$ 3,607,112	\$ 9,169,995	\$ 1,543,954	\$ (7,626,041)
Investment income	25,519	25,519	21,354	(4,165)
Net increase in fair value of investments	-	-	4,916	4,916
Total revenues	<u>3,632,631</u>	<u>9,195,514</u>	<u>1,570,224</u>	<u>(7,625,290)</u>
<b>Expenditures:</b>				
Capital outlay	<u>10,598,491</u>	<u>3,155,548</u>	<u>1,277,510</u>	<u>1,878,038</u>
Excess (deficiency) of revenues over expenditures	<u>(6,965,860)</u>	<u>6,039,966</u>	<u>292,714</u>	<u>(5,747,252)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	1,804	1,804
Transfers out	<u>(10,480)</u>	<u>(10,480)</u>	<u>(17,822)</u>	<u>(7,342)</u>
Total other financing sources (uses)	<u>(10,480)</u>	<u>(10,480)</u>	<u>(16,018)</u>	<u>(5,538)</u>
Net change in fund balance	(6,976,340)	6,029,486	276,696	(5,752,790)
Fund balance, beginning	<u>2,523,227</u>	<u>2,523,227</u>	<u>2,523,227</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (4,453,113)</u>	<u>\$ 8,552,713</u>	<u>\$ 2,799,923</u>	<u>\$ (5,752,790)</u>

This page left blank intentionally.

# **FINANCIAL SECTION**

## **SUPPLEMENTARY INFORMATION INTERNAL SERVICE FUNDS**

**FINANCIAL SECTION**

## INTERNAL SERVICE FUNDS

---

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

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

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

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

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

The ***Equipment Maintenance Fund*** is used to account for the cost of maintaining and replacing the City's rolling stock fleet, parking equipment, coordinated communications system equipment and fire 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, 2015**

<b>Assets</b>	<b>Insurance Reserve</b>	<b>Compensated Absences</b>	<b>Retiree Insurance</b>	<b>Equipment Maintenance</b>	<b>Information Technology</b>	<b>Total Internal Service Funds</b>
<b>Current assets:</b>						
Cash and investments	\$25,305,669	\$ 3,924,009	\$ -	\$ 14,336,130	\$ 5,894,643	\$ 49,460,451
Receivables:						
Accounts (net of allowance)	-	-	749,245	63,095	-	812,340
Inventories	-	-	-	372,218	-	372,218
Net other pension employment benefits	-	-	1,604,014	-	-	1,604,014
Prepaid items	-	-	181,620	1,154,174	118,459	1,454,253
Total current assets	<u>25,305,669</u>	<u>3,924,009</u>	<u>2,534,879</u>	<u>15,925,617</u>	<u>6,013,102</u>	<u>53,703,276</u>
<b>Noncurrent assets:</b>						
Capital assets:						
Equipment	-	-	-	27,285,602	3,052,728	30,338,330
Software	-	-	-	-	1,713,716	1,713,716
Work in progress	-	-	-	-	1,464,418	1,464,418
Less accumulated depreciation	-	-	-	(17,833,010)	(1,884,718)	(19,717,728)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,452,592</u>	<u>4,346,144</u>	<u>13,798,736</u>
Total assets	<u>25,305,669</u>	<u>3,924,009</u>	<u>2,534,879</u>	<u>25,378,209</u>	<u>10,359,246</u>	<u>67,502,012</u>
<b>Deferred outflows of resources:</b>						
Pensions	-	-	-	131,671	263,922	395,593
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	174,419	17,826	-	424,202	390,902	1,007,349
Accrued payroll	-	-	-	56,910	117,056	173,966
Due to other funds	-	-	284,200	-	-	284,200
Workers' compensation - current	2,786,982	-	-	-	-	2,786,982
General liability - current	7,411,009	-	-	-	-	7,411,009
Compensated absences - current	-	1,951,871	-	-	-	1,951,871
Total current liabilities	<u>10,372,410</u>	<u>1,969,697</u>	<u>284,200</u>	<u>481,112</u>	<u>507,958</u>	<u>13,615,377</u>
<b>Noncurrent liabilities:</b>						
Workers' compensation	11,558,018	-	-	-	-	11,558,018
General liability	4,461,374	-	-	-	-	4,461,374
Compensated absences	-	7,448,400	-	-	-	7,448,400
Net pension liability	-	-	-	1,719,325	3,446,223	5,165,548
Total noncurrent liabilities	<u>16,019,392</u>	<u>7,448,400</u>	<u>-</u>	<u>1,719,325</u>	<u>3,446,223</u>	<u>28,633,340</u>
Total liabilities	<u>26,391,802</u>	<u>9,418,097</u>	<u>284,200</u>	<u>2,200,437</u>	<u>3,954,181</u>	<u>42,248,717</u>
<b>Deferred inflows of resources:</b>						
Pensions	-	-	-	323,626	648,677	972,303
<b>Net Position</b>						
Invested in capital assets	-	-	-	9,452,592	4,346,144	13,798,736
Unrestricted	(1,086,133)	(5,494,088)	2,250,679	13,533,225	1,674,166	10,877,849
Total net position	<u>\$ (1,086,133)</u>	<u>\$ (5,494,088)</u>	<u>\$ 2,250,679</u>	<u>\$ 22,985,817</u>	<u>\$ 6,020,310</u>	<u>\$ 24,676,585</u>

**CITY OF NEWPORT BEACH**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Net Position**  
**For the Year Ended June 30, 2015**

	<u>Insurance Reserve</u>	<u>Compensated Absences</u>	<u>Retiree Insurance</u>	<u>Equipment Maintenance</u>	<u>Information Technology</u>	<u>Total Internal Service Funds</u>
Operating revenues:						
Charges for services	\$ 5,822,144	\$ 2,297,447	\$ 2,763,005	\$ 5,639,460	\$ 4,002,150	\$ 20,524,206
Retiree reimbursements	-	-	286,932	-	-	286,932
Employee contributions	-	-	155,895	-	-	155,895
Other	195,251	-	26,698	242,960	1,112	466,021
	<u>6,017,395</u>	<u>2,297,447</u>	<u>3,232,530</u>	<u>5,882,420</u>	<u>4,003,262</u>	<u>21,433,054</u>
Total operating revenues						
Operating expenses:						
Salaries and wages	-	-	-	1,192,682	2,232,356	3,425,038
Depreciation	-	-	-	2,006,231	674,990	2,681,221
Professional services	-	-	-	9,871	154,420	164,291
Maintenance and supplies	-	-	-	791,604	907,636	1,699,240
Fleet parts and supplies	-	-	-	413,310	-	413,310
800 MHz	-	-	-	114,856	-	114,856
Telecommunication	-	-	-	-	234,404	234,404
Hardware	-	-	-	-	300,914	300,914
Software	-	-	-	-	233,353	233,353
AV Equipment	-	-	-	-	167	167
Workers' compensation	3,172,122	-	-	-	-	3,172,122
Claims and judgments	7,236,430	-	-	-	-	7,236,430
Compensated absences	-	2,052,265	-	-	-	2,052,265
Voluntary Separation Incentive Program	-	-	-	-	-	-
OPEB ARC- Cash subsidy	-	-	2,658,991	-	-	2,658,991
Other	-	-	440,633	-	-	440,633
	<u>10,408,552</u>	<u>2,052,265</u>	<u>3,099,624</u>	<u>4,528,554</u>	<u>4,738,240</u>	<u>24,827,235</u>
Total operating expenses						
Operating income (loss)	<u>(4,391,157)</u>	<u>245,182</u>	<u>132,906</u>	<u>1,353,866</u>	<u>(734,978)</u>	<u>(3,394,181)</u>
Nonoperating revenues:						
Investment income	99,785	7,386	923	108,751	33,614	250,459
Net Increase in fair value of investments	25,982	3,171	-	21,905	7,021	58,079
Gain (loss) on sale of capital assets	-	-	-	75,842	(4,256)	71,586
	<u>125,767</u>	<u>10,557</u>	<u>923</u>	<u>206,498</u>	<u>36,379</u>	<u>380,124</u>
Total nonoperating revenues						
Income (loss) before transfers	<u>(4,265,390)</u>	<u>255,739</u>	<u>133,829</u>	<u>1,560,364</u>	<u>(698,599)</u>	<u>(3,014,057)</u>
Transfers in						
Transfer out	6,402,903	2,380,728	200,000	1,450,000	-	10,433,631
Transfer out	-	-	-	(6,283,631)	-	(6,283,631)
Total transfers	<u>6,402,903</u>	<u>2,380,728</u>	<u>200,000</u>	<u>(4,833,631)</u>	<u>-</u>	<u>4,150,000</u>
Change in net position						
Change in net position	2,137,513	2,636,467	333,829	(3,273,267)	(698,599)	1,135,943
Net position, beginning						
Net position, beginning	(3,223,646)	(8,130,555)	1,916,850	28,189,467	10,588,177	29,340,293
Prior year restatement	-	-	-	(1,930,383)	(3,869,268)	(5,799,651)
Restated net position, beginning	<u>(3,223,646)</u>	<u>(8,130,555)</u>	<u>1,916,850</u>	<u>26,259,084</u>	<u>6,718,909</u>	<u>23,540,642</u>
Net position, ending						
Net position, ending	<u>\$ (1,086,133)</u>	<u>\$ (5,494,088)</u>	<u>\$ 2,250,679</u>	<u>\$ 22,985,817</u>	<u>\$ 6,020,310</u>	<u>\$ 24,676,585</u>

**CITY OF NEWPORT BEACH**  
**Combining Statement of Cash Flows - Internal Service Funds**  
**For the Year Ended June 30, 2015**

	Insurance Reserve	Compensated Absences	Retiree Insurance	Equipment Maintenance	Information Technology	Total Internal Service Funds
<b>Cash flows from operating activities</b>						
Receipts from user departments	\$ 5,860,706	\$ 2,297,447	\$ 3,049,937	\$ 5,592,449	\$ 4,002,150	\$ 20,802,689
Payments to employees	(2,783,122)	(2,076,648)	-	(1,207,948)	(2,250,783)	(8,318,501)
Payments to suppliers	(5,267,640)	-	(2,728,165)	(1,339,519)	(1,685,016)	(11,020,340)
Other operating cash receipts	195,251	-	182,593	242,960	1,112	621,916
Net cash provided (used) by operating activities	<u>(1,994,805)</u>	<u>220,799</u>	<u>504,365</u>	<u>3,287,942</u>	<u>67,463</u>	<u>2,085,764</u>
<b>Cash flows from noncapital financing activities:</b>						
Cash received from other funds	6,402,903	2,380,728	484,200	1,450,000	-	10,717,831
Cash paid to other funds	-	-	(989,488)	(6,283,631)	-	(7,273,119)
Net cash provided (used) by noncapital financing activities	<u>6,402,903</u>	<u>2,380,728</u>	<u>(505,288)</u>	<u>(4,833,631)</u>	<u>-</u>	<u>3,444,712</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets	-	-	-	(2,958,009)	(1,053,093)	(4,011,102)
Proceeds from sale of capital assets	-	-	-	191,075	-	191,075
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,766,934)</u>	<u>(1,053,093)</u>	<u>(3,820,027)</u>
<b>Cash flows from investing activities:</b>						
Interest on investments	125,767	10,557	923	130,656	40,635	308,538
Net cash provided by investing activities	<u>125,767</u>	<u>10,557</u>	<u>923</u>	<u>130,656</u>	<u>40,635</u>	<u>308,538</u>
Net increase (decrease) in cash and cash equivalents	4,533,865	2,612,084	-	(4,181,967)	(944,995)	2,018,987
Cash and cash equivalents, beginning	20,771,804	1,311,925	-	18,518,097	6,839,638	47,441,464
Cash and cash equivalents, ending	<u>\$ 25,305,669</u>	<u>\$ 3,924,009</u>	<u>\$ -</u>	<u>\$ 14,336,130</u>	<u>\$ 5,894,643</u>	<u>\$ 49,460,451</u>
<b>Reconciliation of cash equivalents to the statement of net position:</b>						
Cash and investments reported on statement of net position	25,305,669	3,924,009	-	14,336,130	5,894,643	49,460,451
Cash and cash equivalents	<u>\$ 25,305,669</u>	<u>\$ 3,924,009</u>	<u>\$ -</u>	<u>\$ 14,336,130</u>	<u>\$ 5,894,643</u>	<u>\$ 49,460,451</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
<b>Cash flows from operating activities</b>						
Operating income (loss)	\$ (4,391,157)	\$ 245,182	\$ 132,906	\$ 1,353,866	\$ (734,978)	\$ (3,394,181)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation	-	-	-	2,006,231	674,990	2,681,221
<b>Changes in operating assets and liabilities:</b>						
(Increase) decrease in accounts receivable	38,562	-	1,982,917	(47,011)	-	1,974,468
(increase) in inventories	-	-	-	(11,128)	-	(11,128)
(increase) in net other pension employment benefits	-	-	(104,014)	-	-	(104,014)
(Increase) in prepaid items	-	-	(5,904)	(80,766)	(62,592)	(149,262)
Increase (decrease) in accounts payable and accrued payroll	(11,228)	10,838	(1,501,540)	85,853	228,333	(1,187,744)
Increase in workers' compensation	389,000	-	-	-	-	389,000
Increase in general liability	1,980,018	-	-	-	-	1,980,018
(Decrease) in compensated absences	-	(35,221)	-	-	-	(35,221)
(Decrease) in net of pension liability and deferred cash flows	-	-	-	(19,103)	(38,290)	(57,393)
Total adjustments	<u>2,396,352</u>	<u>(24,383)</u>	<u>371,459</u>	<u>1,934,076</u>	<u>802,441</u>	<u>5,479,945</u>
Net cash provided (used) by operating activities	<u>\$ (1,994,805)</u>	<u>\$ 220,799</u>	<u>\$ 504,365</u>	<u>\$ 3,287,942</u>	<u>\$ 67,463</u>	<u>\$ 2,085,764</u>
<b>Noncash investing, capital, and financing activities:</b>						
Net increase in fair value of investments	\$ 25,982	\$ 3,171	\$ -	\$ 21,905	\$ 7,021	\$ 58,079
Gain (loss) on sale of capital assets	-	-	-	75,842	(4,256)	71,586
Total of noncash activities	<u>\$ 25,982</u>	<u>\$ 3,171</u>	<u>\$ -</u>	<u>\$ 97,747</u>	<u>\$ 2,765</u>	<u>\$ 129,665</u>

This page left blank intentionally.

# **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, 2015**

<b>Assets</b>	<b>Special Assessment District</b>	<b>Business Improvement</b>	<b>Totals</b>
Cash and investments	\$ 193,972	\$ 462,552	\$ 656,524
Cash with fiscal agent	5,307,868	-	5,307,868
Total assets	<u>\$ 5,501,840</u>	<u>\$ 462,552</u>	<u>\$ 5,964,392</u>
<b>Liabilities</b>			
Due to bondholders	\$ 5,501,840	\$ -	\$ 5,501,840
Due to others	-	462,552	462,552
Total liabilities	<u>\$ 5,501,840</u>	<u>\$ 462,552</u>	<u>\$ 5,964,392</u>

**CITY OF NEWPORT BEACH**  
**Statement of Changes in Fiduciary Net Position**  
**All Agency Funds**  
**For the Year Ended June 30, 2015**

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Special Assessment District:</b>				
<b>Assets</b>				
Cash and investments	\$ 191,547	\$ 3,080,216	\$ (3,077,791)	\$ 193,972
Cash with fiscal agent	<u>5,310,284</u>	<u>3,344,330</u>	<u>(3,346,746)</u>	<u>5,307,868</u>
<b>Total Assets</b>	<b><u>\$ 5,501,831</u></b>	<b><u>\$ 6,424,546</u></b>	<b><u>\$ (6,424,537)</u></b>	<b><u>\$ 5,501,840</u></b>
<b>Liabilities</b>				
Due to bondholders	<u>\$ 5,501,831</u>	<u>\$ 6,424,546</u>	<u>\$ (6,424,537)</u>	<u>\$ 5,501,840</u>
<b>Business Improvement District:</b>				
<b>Assets</b>				
Cash and investments	<u>\$ 414,980</u>	<u>\$ 4,300,665</u>	<u>\$ (4,253,093)</u>	<u>\$ 462,552</u>
<b>Liabilities</b>				
Due to others	<u>\$ 414,980</u>	<u>\$ 4,300,665</u>	<u>\$ (4,253,093)</u>	<u>\$ 462,552</u>
<b>Totals - All Agency Funds:</b>				
<b>Assets</b>				
Cash and investments	\$ 606,527	\$ 7,380,881	\$ (7,330,884)	\$ 656,524
Cash with fiscal agent	<u>5,310,284</u>	<u>3,344,330</u>	<u>(3,346,746)</u>	<u>5,307,868</u>
<b>Total Assets</b>	<b><u>\$ 5,916,811</u></b>	<b><u>\$ 10,725,211</u></b>	<b><u>\$ (10,677,630)</u></b>	<b><u>\$ 5,964,392</u></b>
<b>Liabilities</b>				
Due to bondholders	\$ 5,501,831	\$ 6,424,546	\$ (6,424,537)	\$ 5,501,840
Due to others	<u>414,980</u>	<u>4,300,665</u>	<u>(4,253,093)</u>	<u>462,552</u>
<b>Total Liabilities</b>	<b><u>\$ 5,916,811</u></b>	<b><u>\$ 10,725,211</u></b>	<b><u>\$ (10,677,630)</u></b>	<b><u>\$ 5,964,392</u></b>

# STATISTICAL SECTION

STATISTICAL SECTION



## 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			
	2006	2007	2008	2009
Governmental activities:				
Net investment in capital assets	\$ 2,005,643,651	\$ 2,027,026,053	\$ 2,050,925,370	\$ 2,061,635,642
Restricted	51,901,103	35,017,831	40,988,923	44,212,747
Unrestricted	56,662,229	75,989,169	87,802,996	96,276,381
Total governmental activities	<u>\$ 2,114,206,983</u>	<u>\$ 2,138,033,053</u>	<u>\$ 2,179,717,289</u>	<u>\$ 2,202,124,770</u>
Business-type activities:				
Net investment in capital assets	\$ 104,602,266	\$ 107,231,308	\$ 107,313,603	\$ 108,510,361
Restricted	-	-	-	-
Unrestricted	16,907,367	15,808,357	13,639,027	11,435,306
Total business-type activities	<u>\$ 121,509,633</u>	<u>\$ 123,039,665</u>	<u>\$ 120,952,630</u>	<u>\$ 119,945,667</u>
Primary government:				
Net investment in capital assets	\$ 2,110,245,917	\$ 2,134,257,361	\$ 2,158,238,973	\$ 2,170,146,003
Restricted	51,901,103	35,017,831	40,988,923	44,212,747
Unrestricted	73,569,596	91,797,526	101,442,023	107,711,687
Total primary government	<u>\$ 2,235,716,616</u>	<u>\$ 2,261,072,718</u>	<u>\$ 2,300,669,919</u>	<u>\$ 2,322,070,437</u>

<sup>1</sup> 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.

<sup>2</sup> Reflects restatement of net position due to the implementation of GASB 68 in fiscal year ended June 30, 2015 and an adjustment to record deferred amount from gain on refunding. Additional information on the City's implementation of GASB 68 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					
2010	2011	2012 <sup>1</sup>	2013	2014 <sup>2</sup>	2015
\$ 2,084,912,221	\$ 2,087,403,003	\$ 2,098,349,998	\$ 2,124,797,794	\$ 2,148,942,928	\$ 2,176,644,408
34,236,929	63,940,282	61,923,719	72,119,674	59,998,344	45,689,702
86,049,492	67,500,916	82,515,232	77,966,414	(184,990,765)	(156,732,773)
<u>\$ 2,205,198,642</u>	<u>\$ 2,218,844,201</u>	<u>\$ 2,242,788,949</u>	<u>\$ 2,274,883,882</u>	<u>\$ 2,023,950,507</u>	<u>\$ 2,065,601,337</u>
\$ 108,449,847	\$ 108,976,459	\$ 108,981,237	\$ 111,177,135	\$ 115,948,522	\$ 113,914,514
-	-	-	-	-	-
10,173,912	9,442,988	15,089,798	19,172,398	21,978,261	21,756,124
<u>\$ 118,623,759</u>	<u>\$ 118,419,447</u>	<u>\$ 124,071,035</u>	<u>\$ 130,349,533</u>	<u>\$ 137,926,783</u>	<u>\$ 135,670,638</u>
\$ 2,193,362,068	\$ 2,196,379,462	\$ 2,207,331,235	\$ 2,235,974,929	\$ 2,264,891,450	\$ 2,290,558,922
34,236,929	63,940,282	61,923,719	72,119,674	59,998,344	45,689,702
96,223,404	76,943,904	97,605,030	97,138,812	(163,012,504)	(134,976,649)
<u>\$ 2,323,822,401</u>	<u>\$ 2,337,263,648</u>	<u>\$ 2,366,859,984</u>	<u>\$ 2,405,233,415</u>	<u>\$ 2,161,877,290</u>	<u>\$ 2,201,271,975</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses:</b>										
<b>Governmental activities:</b>										
General government	\$ 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	\$ 24,558,041
Public safety	67,789,121	69,795,386	75,821,082	79,301,600	79,402,600	78,128,006	75,696,570	83,235,188	87,676,062	96,945,872
Public works	33,870,359	39,179,844	42,631,401	45,600,429	55,445,327	40,341,323	48,913,412	47,794,631	42,953,118	45,774,939
Community development	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	10,073,248
Community services	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	22,418,287
Interest on long-term debt	479,529	523,401	532,569	437,207	372,502	5,078,881	8,204,928	7,989,339	7,888,192	7,711,334
<b>Total governmental activities expenses</b>	<b>138,610,516</b>	<b>155,989,720</b>	<b>163,741,168</b>	<b>172,642,387</b>	<b>179,617,945</b>	<b>165,315,506</b>	<b>178,061,248</b>	<b>186,317,492</b>	<b>188,992,289</b>	<b>207,481,721</b>
<b>Business-type activities:</b>										
Water	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	21,175,954
Wastewater	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	3,452,398
<b>Total business-type activities expenses</b>	<b>19,371,842</b>	<b>20,659,737</b>	<b>23,572,109</b>	<b>21,963,831</b>	<b>22,331,385</b>	<b>23,761,945</b>	<b>21,719,064</b>	<b>23,670,465</b>	<b>25,405,940</b>	<b>24,628,352</b>
<b>Total primary government expenses</b>	<b>157,982,358</b>	<b>176,649,457</b>	<b>187,313,277</b>	<b>194,606,218</b>	<b>201,949,330</b>	<b>189,077,451</b>	<b>199,780,312</b>	<b>209,987,957</b>	<b>214,398,229</b>	<b>232,110,073</b>
<b>Program revenues:</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	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	3,647,210
Public safety	13,669,509	15,756,327	16,649,400	14,757,266	15,006,601	15,686,314	16,240,135	16,008,421	19,124,113	19,386,017
Public works	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	5,276,991
Community development	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	8,608,645
Community services	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	13,667,775
Operating Grants and Contributions:	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	10,673,286
Capital Grants and Contributions:	69,473,891 <sup>1</sup>	6,904,716	31,037,915 <sup>2</sup>	24,633,716	12,350,100	11,101,239	14,838,783	25,613,846 <sup>3</sup>	563,786	38,157,665 <sup>4</sup>
<b>Total governmental activities program revenues</b>	<b>118,773,566</b>	<b>61,996,473</b>	<b>86,939,088</b>	<b>74,776,883</b>	<b>65,817,008</b>	<b>57,721,216</b>	<b>69,988,962</b>	<b>80,925,457</b>	<b>64,761,636</b>	<b>99,417,589</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	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	27,705,129
Wastewater	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	3,326,362
<b>Total business-type activities program revenues</b>	<b>21,234,612</b>	<b>21,454,018</b>	<b>20,823,291</b>	<b>20,446,186</b>	<b>20,780,961</b>	<b>23,445,660</b>	<b>27,260,590</b>	<b>30,246,405</b>	<b>32,836,552</b>	<b>31,031,491</b>
<b>Total primary government program revenues</b>	<b>140,008,178</b>	<b>83,450,491</b>	<b>107,762,379</b>	<b>95,223,069</b>	<b>86,597,969</b>	<b>81,166,876</b>	<b>97,249,552</b>	<b>111,171,862</b>	<b>97,598,188</b>	<b>130,449,080</b>
<b>Net revenues (expenses):</b>										
Governmental activities	(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)	(108,064,132)
Business-type activities	1,862,770	794,281	(7,648,818)	(1,517,645)	(1,550,424)	(316,285)	5,541,526	6,575,940	7,430,612	6,403,139
<b>Total net revenues (expenses)</b>	<b>\$ (17,974,180)</b>	<b>\$ (93,198,966)</b>	<b>\$ (79,550,898)</b>	<b>\$ (99,383,149)</b>	<b>\$ (115,351,361)</b>	<b>\$ (107,910,575)</b>	<b>\$ (102,530,760)</b>	<b>\$ (98,816,095)</b>	<b>\$ (116,800,041)</b>	<b>\$ (101,660,993)</b>

<sup>1</sup> 2006 data varies from trend because of increased capital assets related mostly to Bristol St. Relinquishment, Newport Coast Community Center, and Fire Station # 7.

<sup>2</sup> 2008 data varies from trend because of increased capital assets related to Santa Ana Heights Annexation.

<sup>3</sup> 2013 data varies from trend because of increased capital assets related to contribution from State of California.

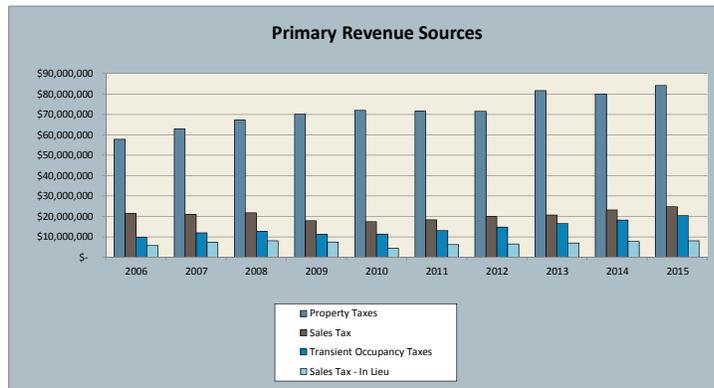
<sup>4</sup> 2015 data varies from trend because of one-time receipt of developer contributions.

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes	\$ 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	\$ 84,121,461
Sales tax	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	24,832,412
Sales tax in-lieu	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	8,046,424
Transient occupancy taxes	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	20,369,158
Business license	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	4,141,282
Franchise taxes	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	4,189,130
Motor vehicle license fees	300,751	391,559	304,920	356,237	314,957	403,042	42,911	-	-	-
Other taxes	508,331	515,128	373,350	230,115	201,893	226,257	278,521	286,880	216,604	354,919
Investment income	1,939,941	3,175,582	3,655,314	1,764,827	706,855	366,081	405,674	219,091	542,915	437,272
investments	(715,615)	(545,533)	508,485	1,096,848	707,200	369,235	246,119	-	53,783	61,337
Other	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	3,161,567
Share of joint venture net income	(513,791)	253,207	-	-	-	-	-	-	-	-
Change in accounting estimates	-	-	-	-	-	-	8,484,000	-	-	-
Capital contributions	-	-	-	-	-	-	7,352	319,884	-	-
Transfers	40,000	-	-	-	-	-	-	-	-	-
Total governmental activities	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	149,714,962
Business-type activities:										
Investment income	549,012	792,936	588,870	374,893	128,399	52,996	49,718	22,442	128,439	123,445
Net increase in fair value of investments	(169,095)	(57,185)	72,913	135,789	100,117	58,977	67,696	-	18,199	34,921
Capital contributions	-	-	-	-	-	-	(7,352)	(319,884)	-	-
Transfers	(40,000)	-	-	-	-	-	-	-	-	-
Total business-type activities	339,917	735,751	661,783	510,682	228,516	111,973	110,062	(297,442)	146,638	158,366
Total primary government	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	149,873,328
Changes in net position:										
Governmental activities	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	41,650,830
Business-type activities	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	6,561,505
Total primary government	\$ 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	\$ 48,212,335



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

	Fiscal Year <sup>2</sup>			
	2006	2007	2008	2009
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			
	2006	2007	2008	2009
General fund:				
Reserved	\$ 9,374,722	\$ 7,233,703	\$ 6,807,094	\$ 5,907,205
Unreserved	45,212,339	62,679,499	72,252,045	73,703,759
Total general fund	\$ 54,587,061	\$ 69,913,202	\$ 79,059,139	\$ 79,610,964
All other governmental funds:				
Reserved	\$ 36,134,686	\$ 11,168,955	\$ 12,060,365	\$ 8,831,229
Unreserved, reported in:				
Special revenue funds	7,533,654	18,917,308	21,670,956	23,849,191
Capital projects funds	2,077,124	(3,258,201)	3,271,954	7,671,450
Permanent funds	404,771	660,029	934,648	1,170,009
Total all other governmental funds	\$ 46,150,235	\$ 27,488,091	\$ 37,937,923	\$ 41,521,879
Total all governmental funds	\$ 100,737,296	\$ 97,401,293	\$ 116,997,062	\$ 121,132,843

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

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

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

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

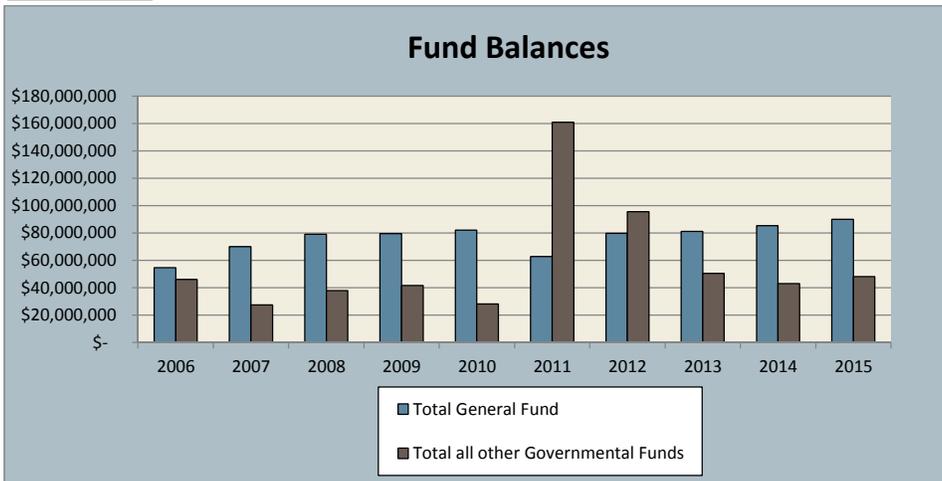
<sup>5</sup> Data varies from trend due to the reclassification of the contingency reserve from committed fund balance to unassigned fund balance per council approval.

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

Fiscal Year <sup>2</sup>					
2010	2011	2012	2013	2014	2015
	\$ 1,031,742	\$ 7,854,478	\$ 9,919,486	\$ 16,316,499	\$ 15,784,396
	1,681,333	2,263,049	2,410,373	3,939,751	5,389,810
	27,619,902	29,673,333	29,371,507	12,782,235 <sup>5</sup>	11,847,852
	11,865,835	19,431,475	6,843,417	1,326,170	1,421,225
	20,570,033	20,570,023	32,585,375	51,015,820 <sup>5</sup>	55,509,258
	<u>\$ 62,768,845 <sup>3</sup></u>	<u>\$ 79,792,358</u>	<u>\$ 81,130,158</u>	<u>\$ 85,380,475</u>	<u>\$ 89,952,541</u>
	\$ 5,898,234	\$ 5,396,436	\$ 4,697,220	\$ 4,629,781	\$ 4,669,269
	36,445,842	30,957,184	27,433,342	33,243,790	29,842,384
	115,923,344	70,500,156	33,961,163	19,513,389	26,159,261
	5,633,558	-	-	-	-
	(2,988,102)	(11,339,671)	(15,723,261)	(14,291,969)	(12,495,729)
	<u>\$ 160,912,876 <sup>4</sup></u>	<u>\$ 95,514,105</u>	<u>\$ 50,368,464</u>	<u>\$ 43,094,991</u>	<u>\$ 48,175,185</u>
	<u>\$ 223,681,721</u>	<u>\$ 175,306,463</u>	<u>\$ 131,498,622</u>	<u>\$ 128,475,466</u>	<u>\$ 138,127,726</u>

2010
\$ 5,472,481
76,685,385
<u>\$ 82,157,866</u>

\$ 9,363,673
27,973,528
(10,571,278)
1,294,924
<u>\$ 28,060,847</u>
<u>\$ 110,218,713</u>



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

	Fiscal Year			
	2006	2007	2008	2009
<b>Revenues:</b>				
Taxes	\$ 102,737,810	\$ 112,230,054	\$ 118,758,201	\$ 115,711,574
Intergovernmental	14,842,994	18,866,929	21,005,429	11,434,885
Licenses and permits	5,708,965	4,574,659	6,474,789	5,883,515
Charges for services	13,135,366	14,452,723	15,073,178	14,498,120
Fines and forfeitures	3,841,843	4,126,351	4,662,442	4,572,611
Investment income	3,847,982	5,431,137	5,463,066	3,245,677
Net increase (decrease) in fair value of investments	(1,325,211)	(626,881)	720,488	1,472,335
Property income	13,625,142	13,965,815	15,217,803	14,032,342
Donations	883,405	1,379,461	2,159,637	6,760,140
Other	1,042,882	1,967,465	4,205,095	8,501,014
<b>Total revenues</b>	<b>158,341,178</b>	<b>176,367,713</b>	<b>193,740,128</b>	<b>186,112,213</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	12,531,200	13,706,061	14,508,103	15,567,654
Public safety	65,262,069	68,843,947	73,486,413	78,554,344
Public works	26,430,751	28,352,293	30,108,941	30,619,405
Community development	7,900,503	7,753,035	8,703,841	9,971,536
Community services	12,730,727	13,988,589	14,478,146	17,485,605
Capital outlay	24,811,237	45,615,169	20,524,638	26,002,338
<b>Debt service:</b>				
Principal retirement	1,715,542	3,736,587	3,263,948	3,292,641
Interest and fiscal charges	480,909	458,035	577,299	482,908
Issuance of debt costs	-	-	-	-
<b>Total expenditures</b>	<b>151,862,938</b>	<b>182,453,716</b>	<b>165,651,329</b>	<b>181,976,431</b>
Excess (deficiency) of revenues over (under) expenditures	6,478,240	(6,086,003)	28,088,799	4,135,782
<b>Other financing sources (uses):</b>				
Transfers in	25,194,920	20,271,396	27,583,922	23,354,366
Transfers out	(31,177,725)	(22,521,396)	(36,076,952)	(23,354,366)
Proceeds from issuance of debt	-	5,000,000	-	-
Issuance of debt premium	-	-	-	-
Proceeds from loan issuance	-	-	-	-
Payment to refunded loan escrow agent	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(5,982,805)</b>	<b>2,750,000</b>	<b>(8,493,030)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ 495,435</b>	<b>\$ (3,336,003)</b>	<b>\$ 19,595,769</b>	<b>\$ 4,135,782</b>
<b>Debt service as a percentage of noncapital expenditures</b>	1.7%	2.8%	2.5%	2.3%

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 113,809,443	\$ 117,983,765	\$ 121,710,955	\$ 134,733,550	\$ 137,910,879	\$ 146,664,903
15,379,698	11,467,471	12,122,963	11,393,589	16,825,839	11,813,208
3,950,967	5,198,986	6,691,125	7,682,555	6,659,203	14,676,754
15,293,362	15,285,813	16,020,825	16,254,399	16,864,092	16,914,210
4,105,632	3,545,229	3,795,787	3,649,532	3,272,951	3,732,405
1,289,890	1,045,592	1,142,935	372,514	1,136,062	928,729
1,155,363	882,317	704,656	-	124,439	177,485
14,624,923	15,538,387	17,458,143	19,847,371	22,214,256	21,406,667
5,497,640	1,790,073	13,977,850	587,445	1,170,171	22,249,427
7,646,274	5,091,527	691,125	3,543,894	1,400,048	6,984,418
<u>182,753,192</u>	<u>177,829,160</u>	<u>194,316,364</u>	<u>198,064,849</u>	<u>207,577,940</u>	<u>245,548,206</u>
15,169,546	15,424,734	12,896,492	13,671,480	14,471,167	14,060,512
77,202,445	74,947,173	75,377,871	80,546,969	82,642,988	94,568,122
39,922,406	31,442,076	32,399,178	32,451,624	32,414,457	33,694,578
9,556,066	8,430,813	8,939,825	8,994,710	9,768,928	9,876,706
14,916,230	15,662,011	19,296,505	18,872,022	19,047,813	20,235,546
36,796,653	37,645,882	80,617,948	72,133,582	33,572,193	47,169,671
1,820,679	6,230,080	4,529,854	3,998,000	4,091,000	4,183,000
383,297	1,179,612	8,320,500	8,152,488	8,052,927	7,957,811
-	1,219,071	-	-	-	-
<u>195,767,322</u>	<u>192,181,452</u>	<u>242,378,173</u>	<u>238,820,875</u>	<u>204,061,473</u>	<u>231,745,946</u>
(13,014,130)	(14,352,292)	(48,061,809)	(40,756,026)	3,516,467	13,802,260
22,380,521	58,763,620	24,640,318	47,875,107	41,223,727	53,281,956
(21,780,521)	(58,763,620)	(24,953,767)	(50,926,922)	(47,245,283)	(57,431,956)
1,500,000	126,660,000	-	-	-	-
-	1,155,300	-	-	-	-
-	-	-	-	-	1,339,000
-	-	-	-	-	(1,339,000)
<u>2,100,000</u>	<u>127,815,300</u>	<u>(313,449)</u>	<u>(3,051,815)</u>	<u>(6,021,556)</u>	<u>(4,150,000)</u>
<u>\$ (10,914,130)</u>	<u>\$ 113,463,008</u>	<u>\$ (48,375,258)</u>	<u>\$ (43,807,841)</u>	<u>\$ (2,505,089)</u>	<u>\$ 9,652,260</u>
1.4%	4.8%	8.3%	15.8%	6.9%	6.6%

## 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 Ten Fiscal Years**

Fiscal Year Ended June 30	Secured			Unsecured	Total Taxable Assessed Value	Change	Total Direct Tax Rate
	Residential	Commercial	Other				
2006	\$ 22,365,388,845	\$ 3,301,145,753	\$ 2,469,818,598	\$ 1,912,715,570	\$ 30,049,068,766	12.64%	1.000%
2007	25,027,222,681	3,667,678,011	2,739,493,151	1,552,698,132	32,987,091,975	9.78%	1.000%
2008	27,131,902,343	4,069,012,096	2,997,390,282	1,598,058,741	35,796,363,462	8.52%	1.000%
2009	28,733,809,754	4,477,310,761	3,224,940,905	1,482,083,490	37,918,144,910	5.93%	1.000%
2010	29,057,665,304	4,614,669,993	3,406,238,449	1,580,961,132	38,659,534,878	1.96%	1.000%
2011	30,853,053,683	4,711,084,222	1,516,055,361	1,671,177,215	38,751,370,481	0.24%	1.000%
2012	31,603,505,416	4,504,291,343	1,442,600,505	1,565,104,496	39,115,501,760	0.94%	1.000%
2013	32,522,843,119	4,627,463,458	1,435,546,888	1,597,277,039	40,183,130,504	2.73%	1.000%
2014	34,678,952,381	4,688,189,694	1,489,111,147	1,484,909,241	42,341,162,463	5.37%	1.000%
2015	36,814,891,583	5,007,508,388	1,348,136,131	1,581,520,801	44,752,056,903	5.69%	1.000%

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	0.049	0.058	0.071	0.071	0.082	0.081	0.081	0.081	0.081	0.047
School Districts	0.1137	0.1103	0.1092	0.1009	0.1521	0.1548	0.1546	0.1646	0.1702	0.1819
Total Overlapping Rate	0.162	0.169	0.180	0.172	0.234	0.236	0.236	0.245	0.251	0.228
Total Direct & Overlapping Rate	<u>\$ 1.162</u>	<u>\$ 1.169</u>	<u>\$ 1.180</u>	<u>\$ 1.172</u>	<u>\$1.234</u>	<u>\$1.236</u>	<u>\$1.236</u>	<u>\$1.245</u>	<u>\$1.251</u>	<u>\$1.228</u>

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of other debt obligations.

Source: HdL, Coren & Cone

**CITY OF NEWPORT BEACH**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

Taxpayer	2015			2006		
	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	\$ 1,835,109,685	1	4.10%	\$ 1,344,477,520	1	4.47%
Balboa Bay Club Ventures	171,819,883	2	0.38%	123,661,632	7	0.41%
Newport Bluffs LLC	146,556,073	3	0.33%	n/a		0.00%
UDR Newport Beach North LP	125,493,800	4	0.28%	191,732,755	5	0.64%
Coronado South Apartments LP	120,887,774	5	0.27%	n/a		0.00%
Jazz Semiconductor Inc	108,704,635	6	0.24%	393,204,165	2	1.31%
100 Bayview LLC	91,885,349	7	0.21%	n/a		0.00%
Newport Healthcare Center LLC	90,259,634	8	0.20%	n/a		0.00%
HHR Newport Beach LLC	87,773,798	9	0.20%	n/a		0.00%
Bay Island Club	82,471,372	10	0.18%	n/a		0.00%
	<u>\$ 2,860,962,003</u>		<u>6.39%</u>	<u>\$ 2,053,076,072</u>		<u>6.83%</u>

Source: HdL, Coren and Cone Co.

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years <sup>2</sup>	Total Collections to Date	
		Amount <sup>1</sup>	Percent of Levy		Amount	Percent of Levy
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 <sup>3</sup>	96.89%	1,507,391	67,789,904	99.09%
2011	70,476,893	68,577,472	97.30%	1,069,122	69,646,594	98.82%
2012	71,157,295	69,435,794	97.58%	985,344	70,421,138	98.97%
2013	74,165,333	72,532,734	97.80%	736,983	73,269,717	98.79%
2014	79,195,727	77,758,504	98.19%	650,273	78,408,777	99.01%
2015	83,843,488	82,191,604	98.03%	- <sup>4</sup>	82,191,604	98.03%

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

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

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

<sup>4</sup> The total amount of Fiscal Year 2015 delinquent taxes collected in subsequent years was not available as of the date the information was collected for the City's Comprehensive Annual Financial Report.

Source: Orange County Auditor Controller's Office

## DEBT CAPACITY

---

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

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

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

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

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

Fiscal Year Ended June 30	Governmental Activities					
	Certificates of Participation <sup>1</sup>	Note Payable	Pre- Annexation Agreement	CDBG Loan	Capital Leases	Purchase Agreement Payable
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	-	-
2015	117,197,765	-	2,400,000	1,339,000	-	-

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.

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

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

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

Business-type Activities					
Total Governmental Activities	Water Revenue Bonds	Total Business- type Activities	Total Primary Government	Percentage of Personal Income <sup>2</sup>	Debt Per Capita <sup>2</sup>
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
120,936,765	-	-	120,936,765	1.77%	1,386

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

<u>Fiscal Year Ended June 30</u>	<u>Certificates of Participation<sup>1</sup></u>	<u>Amounts restricted for debt service</u>	<u>Total</u>	<u>Percent of Assessed Value<sup>2</sup></u>	<u>General Bonded Debt Per Capita</u>
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
2015	117,197,765	(2,350,210)	114,847,555	0.26%	1,316

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

<sup>2</sup> Assessed value was used because the actual value of taxable property is not readily available in the State of California.

**CITY OF NEWPORT BEACH**  
**Direct and Overlapping Debt**  
**June 30, 2015**

**City Net Assessed Valuation:** \$ 44,752,056,903

	Percentage Applicable <sup>(1)</sup>	Outstanding Debt 6/30/14	Estimated Share of Overlapping Debt
<b>OVERLAPPING DEBT:</b>			
Metropolitan Water District	1.932%	\$ 110,420,000	\$ 2,133,314
Coast Community College District	33.188%	609,598,698	202,313,616
Rancho Santiago Community College District	2.448%	277,290,443	6,788,070
Rancho Santiago Community College District School Facilities Improvement District No. 1	4.723%	70,585,000	3,333,730
Laguna Beach Unified School District	14.765%	27,325,000	4,034,536
Laguna Beach U.S.D. Community Facilities District No. 98-1	100.000%	8,970,000	8,970,000
Newport Mesa Unified School District	73.020%	231,244,150	168,854,478
Newport Mesa U.S.D. Community Facilities District No. 90-1	100.000%	7,810,000	7,810,000
Santa Ana Unified School District	5.798%	282,043,547	16,352,885
Irvine Ranch Water District Improvement Districts	3.800% - 100.000%	446,228,000	71,843,396
Bonita Canyon Public Facilities Financing Authority Community Facilities District No. 98-1	100.000%	34,890,000	34,890,000
City of Newport Beach Special Improvement District No. 95-1	100.000%	2,185,000	2,185,000
City of Newport Beach 1915 Act Bonds	100.000%	10,521,762	10,521,762
Orange County Assessment District No. 88-1	100.000%	27,290,000	27,290,000
Orange County Reassessment District No. 99-1R	100.000%	7,005,000	7,005,000
Orange County Assessment District No. 01-1	100.000%	41,040,000	41,040,000
Orange County Reassessment District No. 01-1R	100.000%	2,980,000	2,980,000
Orange County General Fund Obligations	9.498%	98,906,000	9,394,092
Orange County Pension Obligations	9.498%	366,854,623	34,843,852
Orange County Board of Education Certificates of Participation	9.498%	15,190,000	1,442,746
Municipal Water District of O.C. Water Facilities Corporation	11.360%	5,360,000	608,896
Santa Ana Unified School District Certificates of Participation	5.798%	73,662,130	4,270,930
Overlapping Tax Increment Debt (Successor Agency):	58.542%	18,600,000	10,888,812
<b>TOTAL GROSS OVERLAPPING DEBT</b>		<b>\$ 2,775,999,353</b>	<b>\$ 679,795,116</b>
Less: MWDOC Water Facilities Corporation (100% self-supporting)			(608,896)
<b>TOTAL NET OVERLAPPING DEBT</b>			<b>\$ 679,186,220</b>
<b>DIRECT DEBT:</b>			
City of Newport Beach Certificates of Participation	100.000%	117,197,765	\$ 117,197,765
Newport Coast Annexation	100.000%	2,400,000	2,400,000
Community Development Block Grant Loan	100.000%	1,339,000	1,339,000
<b>TOTAL DIRECT DEBT</b>		<b>\$ 120,936,765</b>	<b>\$ 120,936,765</b>
<b>TOTAL NET DIRECT AND OVERLAPPING DEBT</b>			<b>\$ 800,122,985</b>
<b>GROSS COMBINED TOTAL DEBT <sup>(2)</sup></b>			<b>\$ 800,731,881</b>

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

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

Ratios to 2014-15 Net Assessed Valuation:

Total Net Overlapping Debt	1.52%
Total Direct Debt (\$125,240,318)	0.27%
Gross Combined Total Debt	1.79%
Net Combined Total Debt	1.79%

Ratios to Redevelopment Incremental Valuation (\$914,443,368)

Total Overlapping Tax Increment Debt	1.19%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

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

	Fiscal Year			
	2006	2007	2008	2009
Assessed valuation	\$ 30,049,068,766	\$ 32,987,091,975	\$ 35,796,363,462	\$ 37,918,144,910
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	7,512,267,192	8,246,772,994	8,949,090,866	9,479,536,228
Debt limit percentage	15%	15%	15%	15%
Debt limit	1,126,840,079	1,237,015,949	1,342,363,630	1,421,930,434
Total net debt applicable to limit: General obligation bonds	-	-	-	-
Legal debt margin	<u>\$ 1,126,840,079</u>	<u>\$ 1,237,015,949</u>	<u>\$ 1,342,363,630</u>	<u>\$ 1,421,930,434</u>
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

**NOTE:**

The State of California Government Code Section 43605 provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City Finance Department

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 38,659,534,878	\$ 38,751,370,481	\$ 39,115,501,760	\$ 40,183,130,504	\$ 42,341,162,463	\$ 44,752,056,903
25%	25%	25%	25%	25%	25%
9,664,883,720	9,687,842,620	9,778,875,440	10,045,782,626	10,585,290,616	11,188,014,226
15%	15%	15%	15%	15%	15%
1,449,732,558	1,453,176,393	1,466,831,316	1,506,867,394	1,587,793,592	1,678,202,134
-	-	-	-	-	-
<u>\$ 1,449,732,558</u>	<u>\$ 1,453,176,393</u>	<u>\$ 1,466,831,316</u>	<u>\$ 1,506,867,394</u>	<u>\$ 1,587,793,592</u>	<u>\$ 1,678,202,134</u>
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## DEMOGRAPHIC AND ECONOMIC INFORMATION

---

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

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

- Demographic and Economic Statistics
- Principal Employers

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

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

Fiscal Year	Population <sup>1</sup>	Personal Income (in thousands)	Per Capita Income <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
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%
2015	87,249	6,848,523	78,494	4.0%

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

Sources:

<sup>(1)</sup> California State Department of Finance, E-4 Population Estimates for Cities, Counties and State 2001-2010; and, E-1 Population Estimates for Cities, Counties and State January 1, 2014 and 2015.

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

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

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

Employer	2015			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Hoag Memorial Hospital	4,567	1	5.48%	3,579	1	4.41%
Pacific Life Insurance	1,258	2	1.51%	2,854	2	3.52%
Glidewell Dental	1,098	3	1.32%	N/A <sup>2</sup>	-	N/A
Resort at Pelican Hill	927	4	1.11%	N/A <sup>2</sup>	-	N/A
Newport-Mesa Unified School District	909	5	1.09%	N/A <sup>2</sup>	-	N/A
PIMCO Advisors	896	6	1.07%	390	10	0.48%
City of Newport Beach	727	7	0.87%	725	5	0.89%
Jazz Semi-Conductor	692	8	0.83%	N/A <sup>2</sup>	-	N/A
Fletcher Jones Motor Cars Inc.	527	9	0.63%	500	7	0.62%
Balboa Bay Club and Resort	370	10	0.44%	N/A <sup>2</sup>	-	N/A
Marriott-Newport Beach	319	11	0.38%	400	9	0.49%
The Island Hotel	281	12	0.34%	600 <sup>3</sup>	6	0.74%

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

<sup>2</sup> Company listed was unable to provide reliable employee data for 2006.

<sup>3</sup> 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.

This page left blank intentionally.

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

Function	Full-Time Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General government	90	93	93	99	92	94	95	94	79	78
Public safety	388	393	397	397	394	381	359	357	366	370
Community development	48	52	56	57	53	51	58	56	53	52
Public works	163	163	165	160	147	144	130	128	119	109
Community services	65	66	68	71	69	70	68	70	74	75
Water	34	34	35	35	36	37	38	32	32	31
Wastewater	13	13	13	13	14	15	15	15	13	13
Total	<u>801</u>	<u>814</u>	<u>827</u>	<u>832</u>	<u>805</u>	<u>792</u>	<u>763</u>	<u>752</u>	<u>736</u>	<u>728</u>

Source: City Finance Department

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

	Fiscal Year			
	2006	2007	2008	2009
<b>Police:</b>				
Adult Arrests	2,999	3,289	3,196	3,245
Parking Citations Issued	74,780	67,170	70,150	65,176
<b>Fire:</b>				
Fire Responses	214	175	393	371
Fire Inspections	6,470	7,136	7,250	6,912
<b>General Services:</b>				
Street Patching (tons of mix)	4,600	4,980	4,644	3,882
Sidewalk Repair (square feet)	55,000	59,459	58,000	49,644
<b>Recreation &amp; Senior Services:</b>				
Co-Sponsored Youth Organizations	194,722	201,258	318,779	318,000
Senior Transportation Services	12,628	14,728	15,279	16,035
<b>Water:</b>				
New connections	52	95	60	26
Average daily consumption (hundred cubic ft.)	17	17	17	17
<b>Sewer:</b>				
New connections	24	45	45	12
Miles of Pipe Cleaned	335	226	212	209
<b>Library Services:</b>				
Library Circulation of Materials	1,443,078	1,622,573	1,701,476	1,575,518

Source: City of Newport Beach

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

Fiscal Year					
2010	2011	2012	2013	2014	2015
2,967	3,093	2,982	3,161	2,798	3,488
66,310	67,459	55,418	58,823	51,609	59,753
172	165	201	338	338	360
7,000	7,100	4,315	4,338	4,024	4,000
3,467	2,580	2,246	1,708	2,408	2,711
49,540	39,972	34,000	37,607	30,194	27,175
350,000	322,000	257,322	293,938	294,000	370,000
15,458	15,063	15,264	13,112	13,940	13,900
19	28	35	54	72	187
17.25	17.25	15.15	14.02	15.96	16.39
9	6	15	14	22	20
200	235	248	215	245	260
1,819,122	1,770,683	1,582,953	1,582,914	1,650,454	1,610,818

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

	Fiscal Year			
	2006	2007	2008	2009
Police:				
Stations	1	1	1	1
Fire:				
Fire stations	8	8	8	8
Lifeguard Headquarters	1	1	1	1
Public works:				
Streets (miles)	333	395	395	395
Streetlights	7,277	7,278	7,278	7,278
Traffic signals	147	147	148	148
Recreation & Senior Services:				
Parks	61	61	62	63
Community centers	13	13	14	14
Aquatic Center	1	1	1	1
Water:				
Water mains (miles)	299.88	300.35	300.17	300.31
Maximum daily capacity (thousands of gallons)	19,369	20,392	20,365	19,707
Wastewater:				
Sanitary sewers (miles)	179.15	202.80	202.80	202.80
Storm sewers (miles)	57.60	95.50	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					
2010	2011	2012	2013	2014	2015
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	7,277	7,277	7,277	7,277
148	148	153	153	153	153
63	63	63	64	64	64
14	14	14	14	14	14
1	1	1	1	1	1
303.27	303.25	303.25	303.25	313.57	315.60
19,341	28,540	27,508	26,916	27,704	27,800
202.80	202.40	202.40	202.40	205.96	205.97
95.50	95.40	95.40	95.40	98.12	96.88
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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Type of Customer:										
Residential	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	3,853,566
Commercial	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	2,560,620
Government	607,650	601,659	361,457	420,697	349,334	320,821	374,091	394,787	455,251	396,605
<b>Total</b>	<b>6,238,818</b>	<b>6,396,726</b>	<b>5,593,330</b>	<b>5,599,066</b>	<b>5,766,458</b>	<b>5,123,369</b>	<b>6,744,927</b>	<b>6,675,582</b>	<b>6,882,427</b>	<b>6,810,791</b>
Total direct rate per 100 cubic ft.	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.20	\$ 2.46	\$ 2.73	\$ 2.96	\$ 3.08	\$ 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
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
2015	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**

Water Customer	2015			2006		
	Water Charges	Rank	Percent of Total Water Revenues	Water Charges	Rank	Percent of Total Water Revenues
The Irvine Company	\$ 343,326	1	1.26%	\$ 248,685	1	1.38%
Big Canyon Country Club	190,469	2	0.70%	137,077	4	0.76%
Newport Beach Country Club	135,100	3	0.50%	98,194	5	0.54%
Hoag Memorial Hospital	97,454	4	0.36%	177,458	2	0.98%
Park Newport Ltd	88,484	5	0.32%	85,144	6	0.47%
Newport-Mesa USD	87,793	6	0.32%	64,170	9	0.36%
Bluffs Homeowners Association	86,820	7	0.32%	71,888	7	0.40%
Irvine Company Retail Property	83,772	8	0.31%	137,930	3	0.77%
UDR Newport Beach	81,516	9	0.30%	71,784	8	0.40%
Pacific View - Pierce Bros.	61,000	10	0.22%	37,034	14	0.21%
Spyglass Hill Community Association	50,641	11	0.19%	40,833	13	0.23%
Harbor Ridge Association	48,698	12	0.18%	27,022	22	0.15%
Jasmine Creek Community Association	47,603	13	0.17%	54,404	11	0.30%
Hyatt Newporter	39,977	14	0.15%	18,768	34	0.10%
Newport Dunes Resort	39,867	15	0.15%	43,751	12	0.24%
	<u>\$ 1,482,520</u>		<u>5.43%</u>	<u>\$ 1,065,457</u>		<u>7.30%</u>

Source: City Revenue Division





City of Newport Beach  
100 Civic Center Drive  
Newport Beach, CA 92660  
(949) 644-3123  
[www.newportbeachca.gov/cafr](http://www.newportbeachca.gov/cafr)