

CITY OF COSTA MESA, CALIFORNIA

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



FISCAL YEAR ENDED  
JUNE 30, 2015

CITY OF COSTA MESA, CALIFORNIA  
Comprehensive Annual Financial Report  
For the fiscal year ended June 30, 2015

Prepared by: Finance Department  
Colleen O'Donoghue, CPA  
Assistant Finance Director

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 Comprehensive Annual Financial Report  
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**CITY OF COSTA MESA  
CALIFORNIA**



**INTRODUCTORY  
SECTION**



# CITY OF COSTA MESA

77 FAIR DRIVE, P.O. BOX 1200, COSTA MESA, CA 92628-1200

FROM THE OFFICE OF THE FINANCE DIRECTOR —CITY TREASURER

December 18, 2015

Honorable Mayor, Councilmembers, and Chief Executive Officer:

The Comprehensive Annual Financial Report (CAFR) of the City of Costa Mesa (City) for the fiscal year ended June 30, 2015, is hereby submitted. These statements have been prepared in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent public accounting firm of licensed certified public accountants.

This report consists of management's representations concerning finances of the City. Responsibility for both accuracy of the data, and completeness and fairness of presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements for the year ended June 30, 2015, have been audited by White Nelson Diehl Evans LLP, an independent public accounting firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2015, and that the statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.



## PROFILE OF THE GOVERNMENT

The City, incorporated in 1953, has an estimated population of 111,835 and a land area of 16.8 square miles. It is located in the southern coastal area of Orange County, California, and is bordered by the cities of Santa Ana, Newport Beach, Huntington Beach, Fountain Valley, and Irvine. The City is approximately 35 miles southeast of Los Angeles and 85 miles northwest of San Diego. At its nearest point, the City is approximately 1.5 miles from the Pacific Ocean. The City is also home to the world-renowned Henry and Renee Segerstrom Concert Hall, the Segerstrom Center for the Arts, and the Orange County Fairgrounds.

The City has operated under the council-manager form of government since incorporation. Policy making and legislative authority are vested in the City Council, which consists of a Mayor, Mayor Pro Tem, and a three-member Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing members to commissions and committees, appointing the Treasurer, and hiring the Chief Executive Officer and City Attorney. The Chief Executive Officer is responsible for carrying out policies and ordinances approved by the City Council, overseeing the day-to-day operations of the City, and appointing department heads. The City Council is elected at large on a non-partisan basis. Council members are elected to four-year staggered terms, with two or three Council members elected every two years.

The City is a “full service city” and provides a wide range of services. These services include: police and fire protection; animal control; emergency medical aid; building safety regulation and inspection; street lighting; land use planning and zoning; housing and community development; maintenance and improvement of streets and related structures; traffic safety, maintenance, and improvement; and a full range of recreational and cultural programs. A “full-service city” is defined as a city that is financially responsible for the full set of basic tax-dependent municipal services within its jurisdiction including police, fire, parks and recreation, streets, and land-use planning.

The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles, except for certain special revenue and debt service funds for which annual budgets are not adopted. Budgetary control for management purposes is maintained as authorized by Council at the department functional level within individual funds.

The Chief Executive Officer submits the budget to the City Council, who adopts it prior to the beginning of the fiscal year. Public hearings are conducted prior to budget adoption. Supplemental appropriations, when required during the fiscal year, are also approved by the City Council. Intra-functional budgetary amendments are approved by the Chief Executive Officer.

## ECONOMIC CONDITION

The City, like other municipalities has continually been burdened by the financial pressures and impacts imposed by Federal, State, and County governments. Since the early 1980's, these governmental units have passed on to municipalities a myriad of unfunded mandates or service/regulatory requirements and also, have eliminated or redistributed significant sources of revenue. Most recently, the State of California dissolved all redevelopment agencies during fiscal year 2011-12. The City continues to meet these challenges to ensure a high level of service to our residents.

In light of those impacts, the City benefits from its unique positioning both geographically and within its retail sales base. The local economy is primarily based on retail commercial business and light manufacturing of electronics, pharmaceuticals, and plastics. South Coast Plaza Shopping Center is the single largest commercial activity center in the City. Sales volume generated by South Coast Plaza, secures its place as the highest volume regional shopping center in the nation. Sales and property tax revenues generated from this shopping center comprise a significant portion of the City's total tax revenues.

In fiscal year 2015, the City's strong economic base continued to produce solid increases in sales and transient occupancy tax revenues over the prior year. The largest General Fund revenue increase was from sales taxes in the amount of \$1.8 million or 3.8%, while expenditures increased by 1.4%. The General Fund had an operating surplus of \$17.9 million before net other financing uses of \$14.3 million. The City expects the local economy to remain stable with moderate growth in the next fiscal year.

## MAJOR AND FUTURE DEVELOPMENT INITIATIVES

### Major Developments:

*Walgreens (1726 Superior Avenue)* - The former Tower Records building was demolished in 2013 for development of a 14,310 square foot Walgreens retail store and pharmacy. Square footage will be divided into a 9,990 square foot retail area on the first floor and a 4,320 square foot basement. This project is currently under construction.

*Orange Coast Buick/GMC/Cadillac Dealership (2600 Harbor Boulevard)* - This project will update an auto dealership facility to be in compliance with General Motors' current image standards for their automotive product brands. The project involves demolition of the existing auto dealership and construction of a new 52,779 square foot auto dealership facility on the same property with vehicle sales and service areas. This project is currently under construction.

*Superior Pointe (1695 Superior Avenue)* - In July 2013, City Council screened an Urban Master Plan ("Plan") project for development of 29 live/work units. The developer returned in September 2013 for screening of a second Plan project for development of an additional 20 live/work units. These projects were combined into a single development with 49-unit live/work units receiving Planning Commission approval in November 2013. This development project is currently under construction.

*Westreef (1259 Victoria Street)* - A 17-unit residential development clustered in four detached main buildings was approved by Planning Commission and City Council in 2013 and is currently under construction.



*Seabright (2013-2029 Anaheim Avenue)* - A 26-unit attached condominium community being developed by Brandywine Homes is currently under construction.

*Maple Crossing (Intersection of Maple Street and Victoria Street)* - The developer for this 37-unit development has submitted construction plans for plan check. The three-story detached residences will be arranged around a central open space. Private street names and addresses have been assigned for the project. The project consolidates three existing lots (2.28 acres) and replaces 27 apartments, and is currently under construction.

#### Future Developments:

*Baker Street Apartment Project (125 East Baker Street)* - This proposed development is to be located on a 4.17 acre triangular-shaped parcel. The developer is proposing to replace existing office building and surface parking areas with a five-story 240 unit apartment building and a parking structure. The apartment unit breakdown is proposed as follows: 26 studio and studio plus loft units, 117 one-bedroom and one-bedroom plus loft units, 85 two-bedroom and two-bedroom plus loft units, and 12 three-bedroom and three-bedroom plus loft units. On-site amenities will include common open space, recreation areas, a pool, and a clubhouse. This project was approved by the Planning Commission and City Council in 2014.

*City Common (Southwest corner of Harbor Boulevard and Hamilton Street)* – This 1.53 acre site is proposed for construction of a single lot detached single family condominium development. This project will consist of 28 two and three-bedroom, three story, detached homes with 27 two-car garages for three-bedroom homes and single-car garages for two-bedroom homes. Open space for the development is proposed at 58 percent of the total acreage.

*The Lighthouse (1620-1644 Whittier Avenue)* - This Plan is for the development of an 89-unit, three-story mixed-use development, and it will consist of 49 residential units and 40 live/work units within the Mesa West Bluffs Plan area. The Planning Commission approved the Plan in November 2014.

*Ganahl Lumber Relocation/Expansion (1100 Bristol Street)* – This proposed Project would include construction of a new lumberyard and store for Ganahl Lumber Company. The existing store is located on an adjacent property to the south. The new store would replace the existing store with a state-of-the-art building materials facility. The new facility would include a 65,263 square foot main building and 34,000 square feet of shed buildings for various lumber storage/milling activities.

*Residential Mid-Rise (580 Anton Blvd.)* – This project proposes demolition of 21,349 square feet of the Lakes Pavilions Retail Center and construction of a 250-unit midrise residential building. This building would consist of five stories for residential purposes above a three level parking garage. It would include 438 parking spaces with additional ancillary retail and amenity spaces.

### DEBT ADMINISTRATION

The City accounts for general debt service in three different funds that are combined into the Financing Authority Fund in the financial statements. Sources of revenues for retirement of outstanding bonded indebtedness include general property and sales taxes.

In August 2014, Standard and Poor's Rating Services affirmed its 2013 "AA" rating and gave a stable outlook for the City's Public Financing Authority's outstanding certificates of participation. The City has maintained this rating and stable outlook since 2010.

In October 2015, Standard and Poor's Rating Services affirmed its "A" rating and gave a stable outlook for the Costa Mesa Redevelopment Agency outstanding Tax Allocation Bonds.

The City continuously reviews existing debt for refunding possibilities to lower total debt service requirements. The City has also adopted a comprehensive set of debt policies covering all aspects of debt issuance in order to consolidate information for debt obligations and maintain or improve its good credit standing.

### FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Costa Mesa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, the City published an easily readable and efficiently organized CAFR whose contents conformed to program standards. Such reports 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 that our June 30, 2015 report continues to conform to the Certificate of Achievement program requirements and it will be submitted to the GFOA to determine its eligibility for the Certificate.

### ACKNOWLEDGEMENTS

Special recognition is extended to the entire Finance Department staff for their ongoing dedication and efficient services provided to all City departments and citizens on a daily basis. Special appreciation is also extended specifically to Accounting Division staff who contributed to and participated in the coordination and preparation of this CAFR. In addition, our deepest appreciation is also extended to the Central Services Division staff for their assistance in the design of the cover of this report and printing of this document. Further, thanks are also extended to our independent auditors, White Nelson Diehl Evans LLP for their expertise and advice. Members of the City Council have continued to express their interest and support of the Finance Department in the planning of responsible and proactive financial operations for the City. Through team efforts of the City Council, Chief Executive Officer, Department Directors, and employees, the City will continue to provide the high level of service currently provided to the citizens of our community. Due to consistent policies of the City Council and each employee's commitment to maintain superior service level standards, the City of Costa Mesa has been able to maintain a sound financial base from which to operate.

Respectfully submitted,



STEPHEN DUNIVENT  
Interim Finance Director





# City of Costa Mesa List of Principal Officials

June 30, 2015

## Mayor

Stephen M. Mensinger

## City Council

Katrina Foley

Sandra L. Genis

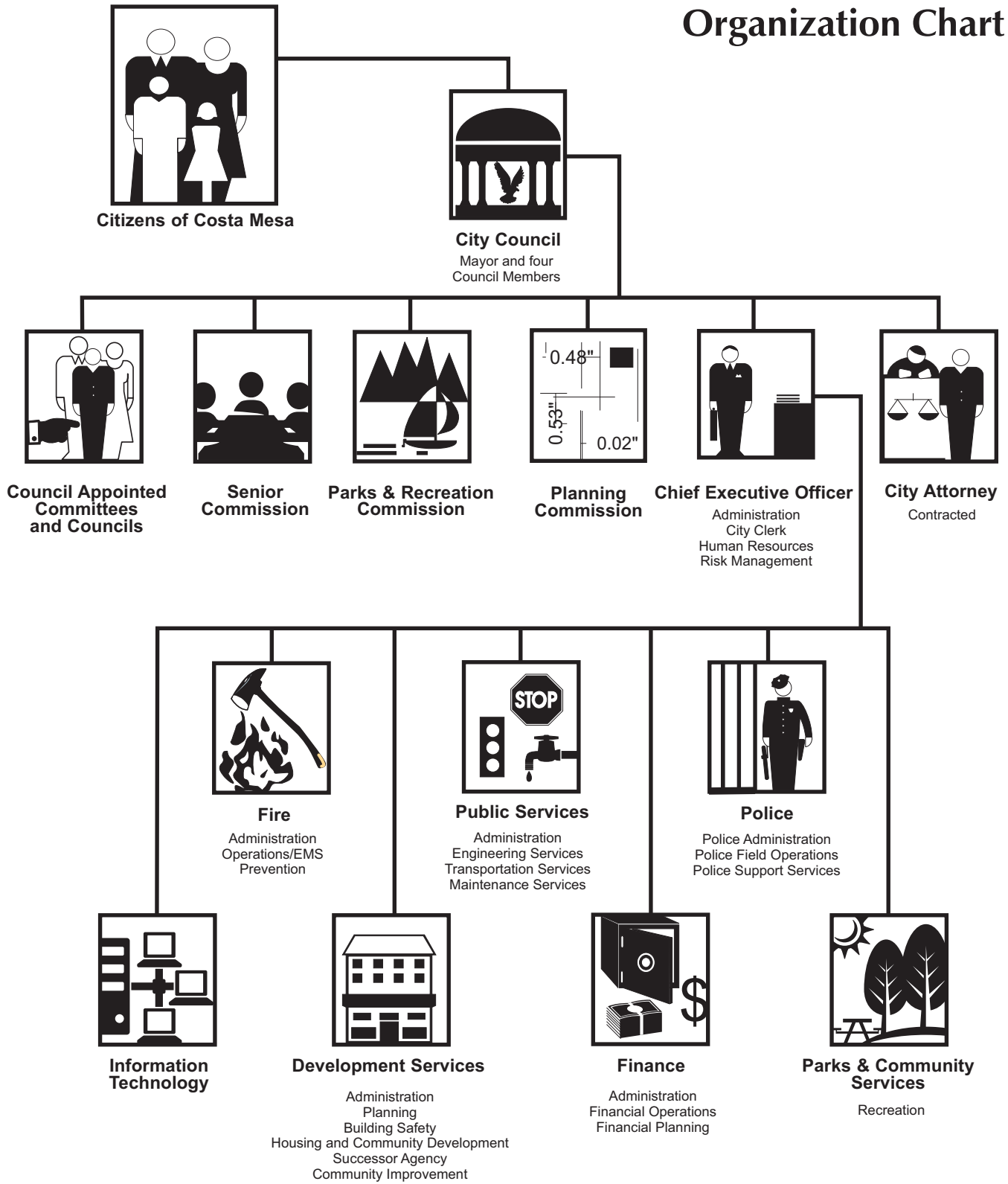
Gary Monahan

James M. Righeimer

|   |                   |
|---|-------------------|
| Chief Executive Officer-----  | Thomas R. Hatch   |
| Assistant Chief Executive Officer-----                                | Rick Francis      |
| Assistant Chief Executive Officer/Administrative Services Director--- | Tamara Letourneau |
| City Attorney (Contract)-----   | Thomas P. Duarte  |
| Development Services Director-----                                    | Gary Armstrong    |
| Interim Finance Director-----   | Stephen Dunivent  |
| Information Technology Director-----                                  | Steve Ely         |
| Public Services Director-----   | Ernesto Munoz     |
| Fire Chief-----   | Dan Stefano       |
| Police Chief-----   | Rob Sharpnack     |

# City of Costa Mesa, California

## Organization Chart



Visit our website at [www.costamesaca.gov](http://www.costamesaca.gov)



Government Finance Officers Association

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

Presented to

**City of Costa Mesa  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

**CITY OF COSTA MESA  
CALIFORNIA**



**INDEPENDENT  
AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and  
Members of the City Council  
of the City of Costa Mesa  
Costa Mesa, California

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Costa Mesa (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, each major fund, and the aggregate remaining fund information of the City of Costa Mesa, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Notes 1(i) and 24 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 \$230,627,791 reduction of previously reported net position of the governmental activities. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and the schedule of contributions - fire safety plans, the schedule of changes in the net pension liability and related ratios and the schedule of contributions - miscellaneous and police safety plans, the schedules of funding progress for the police 1% supplemental retirement plan and other post-employment benefit plan, and budgetary comparison schedules, 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 Matters**

### *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 nonmajor fund financial statements and individual major fund schedules (supplementary section), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **Other Matters (Continued)**

### *Other Information (Continued)*

The supplementary section 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 section is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Dick Evans LLP*

Irvine, California  
December 15, 2015





**CITY OF COSTA MESA  
CALIFORNIA**



**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Costa Mesa (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage all readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i–v of this report.

## FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of resources of the City's primary government exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2015 by \$67.4 million (*net position*). Of this amount, \$(170.8) million (*unrestricted net position deficit*) resulted from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions, and Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, and Amendment of GASB Statement No. 68." These statements established standards for measuring and recognizing liabilities for defined benefit pension plans. The result of implementing these standards decreased the governmental activities net position at July 1, 2014 by \$230.6 million.
- Total net position increased by \$2.6 million from the prior fiscal year total of \$64.8 million, as restated from \$295.4 million.
- As of the close of fiscal year 2015, governmental funds reported combined ending fund balances of \$93.5 million, an increase of \$8.8 million in comparison with the prior year.
- At the end of fiscal year 2015, general fund unassigned fund balance was \$22.2 million or 23% of general fund expenditures of \$95.1 million. The unassigned fund balance may be used to meet the government's ongoing obligations.
- Long-term debt had a net decrease of \$3.2 million or 6% during fiscal year 2015. This decrease was primarily attributable to principal payments on outstanding bonds payable and a reduction in the outstanding claims payable liability and employee leave benefits payable.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the assets/deferred outflows of resources and liabilities/deferred inflows of resources reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information to show how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include general government, protection of persons and property, community programs, public services, and interest on long-term debt. The City has no business-type activities or discretely presented component units.

The basic government-wide financial statements can be found on pages 18-19 of this report.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide reconciliations to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-one individual governmental funds. Information is presented separately in the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances for the General, Housing Authority, HOME Program, Park Development and Capital Improvements funds, all of which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General, Special Revenue and Capital Projects funds. Budgetary comparison statements have been provided for these fund types to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

### **Proprietary Funds**

The City maintains one type of proprietary fund, an *internal service* fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various City functions. The City uses internal service funds to account for equipment and information technology replacement, workers' compensation, general liability, and unemployment insurance functions. Because each of these functions predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the Equipment Replacement, Self Insurance – Worker's Compensation/General Liability/Unemployment and Information Technology Replacement funds, each of which are considered to be nonmajor funds. Each of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these nonmajor internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-32 of this report.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because resources of these funds are *not* available to support the City's own programs and services. The accounting method used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 33-34 of this report.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 35-84 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City. Required supplementary information can be found on pages 85-98 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information section. Combining and individual fund statements and schedules can be found on pages 99-134 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67.4 million at June 30, 2015.

A significant portion of the City's total net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less related outstanding debt used to acquire assets that are still in service. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

| <b>Condensed Statement of Net Position</b>                                |                      |                    |                      |                   |
|---|----------------------|--------------------|----------------------|-------------------|
| <b>Primary Government</b>   |                      |                    |                      |                   |
|   | <b>June 30</b>       | <b>June 30</b>     | <b>Increase/</b>     | <b>Percent</b>    |
|   | <b>2015 *</b>        | <b>2014</b>        | <b>(Decrease)</b>    | <b>Increase/</b>  |
|   |                      |                    | <b>(Decrease)</b>    | <b>(Decrease)</b> |
| <b>Assets:</b>  |                      |                    |                      |                   |
| Current and other assets  | \$ 119,459,269       | 116,535,742        | 2,923,527            | 2.51%             |
| Capital assets, net of<br>accumulated depreciation                        | 233,824,248          | 236,964,126        | (3,139,878)          | -1.33%            |
| Total assets  | <u>353,283,517</u>   | <u>353,499,868</u> | <u>(216,351)</u>     | -0.06%            |
| Deferred outflows of resources  | <u>15,466,821</u>    | -                  | <u>15,466,821</u>    | -                 |
| <b>Liabilities:</b>   |                      |                    |                      |                   |
| Current and other liabilities   | 15,130,868           | 17,207,140         | (2,076,272)          | -12.07%           |
| Long-term liabilities   | <u>254,202,321</u>   | <u>40,891,038</u>  | <u>213,311,283</u>   | 521.66%           |
| Total liabilities   | <u>269,333,189</u>   | <u>58,098,178</u>  | <u>211,235,011</u>   | 363.58%           |
| Deferred inflows of resources   | <u>32,014,338</u>    | -                  | <u>32,014,338</u>    | -                 |
| <b>Net position:</b>  |                      |                    |                      |                   |
| Net investment in capital assets  | 211,133,458          | 211,291,261        | (157,803)            | -0.07%            |
| Restricted  | 27,105,613           | 32,706,590         | (5,600,977)          | -17.12%           |
| Unrestricted  | <u>(170,836,260)</u> | <u>51,403,839</u>  | <u>(222,240,099)</u> | -432.34%          |
| Total net position  | <u>\$ 67,402,811</u> | <u>295,401,690</u> | <u>(227,998,879)</u> | -77.18%           |
| * As restated and disclosed in Note 24 to the Basic Financial Statements. |                      |                    |                      |                   |

At the end of fiscal year 2015, the City continued to report positive balances in two of the three categories of net position for the government as a whole, as well as for its separate governmental activities. However, the unrestricted net position reported a negative balance of \$170.8 million due to the implementation of GASB Statements No. 68 and 71 for defined benefit pension plans. During fiscal year 2015, the City's total net position increased by \$2.6 million from prior fiscal year net position of \$64.8 million, as restated.

## Changes in Net Position

|  | <u>Governmental Activities</u> |                      |
|--|--------------------------------|----------------------|
|  | <u>2015</u>                    | <u>2014</u>          |
| Revenues:                                      |                                |                      |
| Program Revenues:                              |                                |                      |
| Charges for services                           | \$12,887,625                   | \$11,249,212         |
| Operating contributions and grants             | 8,562,955                      | 8,534,673            |
| Capital contributions and grants               | 5,143,592                      | 6,148,876            |
| General revenues:                              |                                |                      |
| Taxes:   |                                |                      |
| Property taxes                                 | 24,139,297                     | 22,984,093           |
| Sales and use taxes                            | 52,117,128                     | 50,329,310           |
| Transient occupancy tax                        | 7,995,154                      | 7,676,090            |
| Franchise taxes                                | 4,885,925                      | 4,891,465            |
| Business license tax                           | 954,408                        | 916,285              |
| Other intergovernmental, unrestricted          | 5,660,305                      | 9,229,059            |
| Investment income                              | 1,692,528                      | 1,772,900            |
| Settlements                                    | -                              | 121,971              |
| Miscellaneous                                  | <u>949,533</u>                 | <u>495,154</u>       |
| Total revenues                                 | <u>124,988,450</u>             | <u>124,349,088</u>   |
| Expenses:                                      |                                |                      |
| General government                             | 25,225,607                     | 23,396,581           |
| Protection of persons and property             | 64,184,047                     | 62,634,432           |
| Community programs                             | 10,189,480                     | 6,784,867            |
| Public services                                | 21,549,681                     | 22,768,197           |
| Interest on long-term debt                     | <u>1,210,723</u>               | <u>1,273,152</u>     |
| Total expenses                                 | <u>122,359,538</u>             | <u>116,857,229</u>   |
| Change in net position                         | 2,628,912                      | 7,491,859            |
| Net position at beginning of year, as restated | <u>64,773,899</u>              | <u>287,909,831</u>   |
| Net position at end of year                    | <u>\$67,407,811</u>            | <u>\$295,401,690</u> |

## Governmental Activities

Governmental activities increased the City's net position by \$2.6 million and key elements attributable to this increase are as follows:

- Property tax revenues increased by \$1.1 million or 5% from fiscal year 2014. This increase resulted primarily from increase in the taxable assessed value of property in the City, additions to the property tax base as a result of new construction activity.
- Sales tax revenues increased by \$1.8 million or 3.6% from fiscal year 2014. This increase was due to a good local economy primarily related to retail and automobile sales.
- Overall expenses increased by \$5.5 million or 4.7% from fiscal year 2014. Within this category, the largest variance occurred in the community programs. Costs increased by \$3.4 million or 50.2% primarily as a result of higher staffing levels in Planning, Parks and Community Services departments, as well as the City's reacquisition of the Senior Center operations in fiscal year 2015.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As was noted earlier, the City uses fund accounting to ensure and demonstrate compliance with professional standards promulgated by oversight agencies and also due to finance-related legal requirements.

### Government Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2015, the City's governmental funds reported combined ending fund balances of \$93.5 million, an increase of \$8.7 million in comparison with the prior fiscal year. Of this total amount:

- \$4.2 million represents *nonspendable fund balance* which includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to maintain intact.
- \$20.9 million represents *restricted fund balance which* includes amounts that can be spent only for specific purposes stipulated by external sources or through enabling legislation.
- \$16.1 million represents *committed fund balance* which includes amounts that can be used only for specific purposes determined by formal action of the City Council. It includes legislation (City Council action) that can only be overturned by new legislation requiring the same voting consensus.

- \$30.5 million represents *assigned fund balance* which includes amounts that are designated or expressed by City Council but do not require formal actions like resolutions or ordinances.
- The remaining \$21.8 million constitutes *unassigned fund balance*.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2015, fund balance of the City's General Fund increased by \$3.6 million. While total fund balance amounted to \$53.8 million, unassigned fund balance was \$22.2 million. Key factors in this change are as follows:

- Sales tax revenues increased by \$1.8 million or 3.8% over the prior fiscal year. As was noted above, this increase was due to a good local economy primarily related to retail and automobile sales.
- Property tax revenues increased by \$1.2 million or 5.4% from fiscal year 2014. This increase resulted primarily from increase in the taxable assessed value of property in the City, additions to the property tax base as a result of new construction activity.
- Overall, total revenues in the General Fund increased by \$5.6 million or 5.2%.
- General Government expenditures increased by \$0.8 million or almost 3.4% from the prior fiscal year. Significant factors contributed to the increase included the hiring of open positions in the Human Resources department and the filling of newly created positions in the Chief Executive Officer's department.
- Community programs expenditures increased by \$1.3 million or 26.8% from the prior fiscal year. This increase was mostly attributed to the rehabilitation and staffing costs of the Cost Mesa Senior Center.
- Overall, total expenditures in the General Fund increased by \$1.4 million or 1.5%.
- Other financing uses increased by net amount of \$5.1 million or 56.7%. This increase was primarily attributable to the transfer of funds to the Capital Improvements Fund. The General Fund is able to provide more funding for capital projects due to increased revenues resulting from the recovering economy.



## **Major Funds Other Than the General Fund**

The Housing Authority Fund had \$0.9 million in fund balance as of the end of the fiscal year which represents a net increase of \$0.5 million or 128% from the prior fiscal year. This fund was created as of February 1, 2012 pursuant to dissolution of the Redevelopment Agency by the State of California as of January 31, 2012. The City approved the creation of a Housing Authority and it currently monitors housing rehabilitation loans previously reported in the Low and Moderate Income Housing Fund.

The HOME Program Fund had \$71,890 in fund balance at the end of the fiscal year which represents a net decrease of \$18,628 or 21% from the prior fiscal year. The decreased fund balance resulted from grant funding and the timing of the drawdown requests.

The Park Development Fund had a \$335,984 fund balance deficit at the end of the fiscal year which represents a decrease of \$1,922,869 or an 85% from the deficit in the prior fiscal year. The decreased deficit resulted from a higher level of collection of park development fees since the previous recession and a reduction of project costs charged to this fund.

The Capital Improvements Fund had a \$13.9 million in fund balance at the end of the fiscal year which represents a net increase of \$8.4 million or 153% from the prior fiscal year. The General Fund is able to provide more funding for capital projects due to increased revenues as a result of the recovering economy.

## **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City utilizes internal service funds which are a propriety fund type. Unrestricted net position of the Internal Service Funds at the end of the year had a deficit of \$881,605. The decrease in total net position for the fiscal year amounted to \$2.1 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2015, actual revenues were \$3.5 million or 3% more than originally estimated and \$3.3 million or 3% more than the final adjusted budget. Major revenue line items in the General Fund are typically adjusted once during the fiscal year in the mid-year budget review while newly approved grants are budgeted once approved by City Council. Revenue estimates are typically not revised for unexpected activity occurring subsequent to the mid-year budget review. Therefore, the City recognized increases during the fiscal year and adjusted the budget as necessary.

Actual expenditures were \$3.6 million or 3.6% less than originally estimated and \$8.5 million or 8% less than the final adjusted budget. Significant contributing factor to the variance related to the final adjusted budget was the lower costs incurred due to vacant positions in the Police Department Any remaining difference consists of smaller fluctuations in a variety of departments and accounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental activities (the City has no business-type activities or discretely presented component units) as of June 30, 2015, amounted to \$233.8 million net of accumulated depreciation and amortization. The investment in capital assets includes land, building improvements and structures, landscaping and sprinklers, machinery and equipment, intangible assets, park system and facilities, and road and storm drain infrastructure. The City's investment in capital assets for the current fiscal year decreased by \$3.1 million. Major capital asset additions during fiscal year 2015 included a variety of street improvements projects citywide and vehicles for public safety. Some of the major projects this fiscal year included:

- Maintenance, construction, and rehabilitation of streets, walkways, curbs, gutters, and alleys
- Various traffic mitigation improvement projects

During the fiscal year, capital assets not being depreciated increased by \$73,151 and capital assets being depreciated decreased by \$3.2 million. Construction in progress as of the fiscal year end totaled \$6.8 million and included the following projects with larger balances:

| <u>Construction Project</u>                   | <u>Total Budget</u> | <u>Spent to Date</u> | <u>Remaining<br/>Commitment</u> |
|---|---------------------|----------------------|---------------------------------|
| Pomona/Industrial Water Quality & Storm Drain | \$ 4,171,600        | 2,998,097            | 1,173,503                       |
| Harbor Widening-Law Court to Sunflower        | <u>1,371,500</u>    | <u>153,855</u>       | <u>1,217,645</u>                |
| Total   | <u>\$5,543,100</u>  | <u>3,151,952</u>     | <u>2,391,148</u>                |

**Capital Assets at Year-End  
(Net of Depreciation)**

|                                      | <u>Governmental Activities</u> |                      |
|--------------------------------------|--------------------------------|----------------------|
|                                      | <u>2015</u>                    | <u>2014</u>          |
| Land                                 | \$34,213,106                   | \$34,213,106         |
| Land rights related to streets       | 29,821,224                     | 29,821,224           |
| Construction in progress             | 6,826,025                      | 6,752,874            |
| Building improvements and structures | 24,248,418                     | 26,049,388           |
| Machinery and equipment              | 11,045,196                     | 12,100,489           |
| Intangibles                          | 1,297,148                      | 1,413,765            |
| Park system and facilities           | 9,479,338                      | 10,334,500           |
| Infrastructure- roads                | 104,986,283                    | 103,177,678          |
| Infrastructure- storm drains         | <u>11,907,510</u>              | <u>13,101,102</u>    |
| Totals                               | <u>\$233,824,248</u>           | <u>\$236,964,126</u> |

Additional information on the City's capital assets can be found in note 6 on pages 55-56 of this report.

**Long-Term Debt**

At year-end, the City had a number of Public Financing Authority bond issues outstanding, including 2003 Refunding Certificates of Participation (\$4.5 million), 2006 Revenue Refunding Bonds (\$1.3 million), and 2007 Certificates of Participation (\$21.2 million). In addition, the City had \$20.7 million of other liabilities (primarily related to claims and employee benefits) outstanding.

Long-term liabilities had a net decrease of \$3.2 million, primarily due to payment of normally scheduled principal maturities on bonds and lease obligations and a reduction in the outstanding claims payable liability.

**Outstanding Debt**

|                               | <u>Governmental Activities</u> |                     |
|-------------------------------|--------------------------------|---------------------|
|                               | <u>2015</u>                    | <u>2014</u>         |
| Bonds payable                 | \$ 27,025,000                  | \$ 29,565,000       |
| Capitalized lease obligations | -                              | 415,395             |
| Other liabilities             | <u>20,705,303</u>              | <u>20,954,458</u>   |
| Totals                        | <u>\$47,730,303</u>            | <u>\$50,934,853</u> |

Additional information on the City of Costa Mesa's long-term debt can be found in notes 7 through 10 on pages 57-62 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

During fiscal year 2015, the local economy continued its recovery after the previous recession that significantly impacted the City's revenues. While this recovery has been beneficial, the City continues to remain cautious about future economic conditions due to the potential volatility of the City's large sales tax base. Economic declines can affect the City more quickly than other cities which are less reliant on sales taxes. When adopting the fiscal year 2016 budget, the City remained conservative with revenue estimates, maintained control over budgeted appropriations, and provided funding for capital improvement projects.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all who have an interest in the government's finances. This report and other financial related information can be found on the City's website [www.costamesaca.gov](http://www.costamesaca.gov). Questions concerning any information provided in this report or requests for additional financial information should contact:

- by mail: Finance Department, City of Costa Mesa, P.O. Box 1200, Costa Mesa, California, 92628-1200
- by e-mail: [colleen.o'donoghue@costamesaca.gov](mailto:colleen.o'donoghue@costamesaca.gov)
- by phone: 714-754-5243



**CITY OF COSTA MESA  
CALIFORNIA**



**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information about the City as a whole and its' activities. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual basis of accounting, which is similar to accounting used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

### **Statement of Net Position**

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the assets/deferred outflows and liabilities/deferred inflows reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

### **Statement of Activities**

The *statement of activities* presents information to show how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## CITY OF COSTA MESA, CALIFORNIA

## Statement of Net Position

June 30, 2015

(With Comparative Data for Prior Year)

|   | Governmental Activities |                    |
|---|-------------------------|--------------------|
|   | 2015                    | 2014               |
| Assets:   |                         |                    |
| Cash and investments (note 2)                         | \$ 95,917,557           | 88,005,057         |
| Cash and investments with fiscal agent (note 2)       | 4,334,210               | 4,307,530          |
| Due from other governments                            | 10,837,893              | 11,602,927         |
| Accounts receivable                                   | 463,081                 | 486,038            |
| Interest receivable                                   | 155,162                 | 128,899            |
| Loans receivable                                      | 7,339,775               | 11,513,272         |
| Rent receivable                                       | 228,825                 | 225,318            |
| Inventories   | 134,042                 | 152,052            |
| Prepaid items   | 48,724                  | 114,649            |
| Capital assets (note 6):                              |                         |                    |
| Land  | 34,213,106              | 34,213,106         |
| Land rights related to streets                        | 29,821,224              | 29,821,224         |
| Construction in progress                              | 6,826,025               | 6,752,874          |
| Other capital assets, net of accumulated depreciation | 162,963,893             | 166,176,922        |
| Total assets  | <u>353,283,517</u>      | <u>353,499,868</u> |
| Deferred outflows of resources:                       |                         |                    |
| Deferred outflows on pensions (note 13d)              | <u>15,466,821</u>       | <u>-</u>           |
| Liabilities:  |                         |                    |
| Accounts payable                                      | 3,373,696               | 3,709,493          |
| Accrued liabilities                                   | 1,755,860               | 1,718,459          |
| Accrued interest payable                              | 295,920                 | 322,757            |
| Retentions payable                                    | 894,674                 | 641,606            |
| Deposits payable                                      | 727,370                 | 771,010            |
| Long-term liabilities:                                |                         |                    |
| Portion due within one year:                          |                         |                    |
| Claims payable (notes 7, 9 and 19)                    | 2,233,348               | 3,700,000          |
| Bonds payable (notes 7 and 8)                         | 2,650,000               | 2,540,000          |
| Capital leases payable (note 7)                       | -                       | 203,815            |
| Employee leave benefits payable (notes 7 and 9)       | 3,200,000               | 3,600,000          |
| Portion due beyond one year:                          |                         |                    |
| Claims payable (notes 7, 9 and 19)                    | 8,646,136               | 7,238,366          |
| Bonds payable (notes 7 and 8)                         | 24,375,000              | 27,025,000         |
| Capital leases payable (note 7)                       | -                       | 211,580            |
| Employee leave benefits payable (notes 7 and 9)       | 836,221                 | 843,799            |
| Net OPEB obligation (notes 7, 9 and 16)               | 3,622,775               | 3,310,261          |
| Police retirement 1% supplemental (notes 7, 9 and 14) | 2,166,823               | 2,262,032          |
| Net pension liability (note 13c)                      | <u>214,555,366</u>      | <u>-</u>           |
| Total liabilities                                     | <u>269,333,189</u>      | <u>58,098,178</u>  |
| Deferred inflows of resources:                        |                         |                    |
| Deferred inflows on pensions (note 13d)               | <u>32,014,338</u>       | <u>-</u>           |
| Net position:   |                         |                    |
| Net investment in capital assets                      | 211,133,458             | 211,291,261        |
| Restricted for:                                       |                         |                    |
| Protection of persons and property                    | 552,573                 | 1,441,906          |
| Community programs                                    | 8,892,751               | 9,622,339          |
| Public services                                       | 17,660,289              | 21,642,345         |
| Unrestricted  | <u>(170,836,260)</u>    | <u>51,403,839</u>  |
| Total net position                                    | <u>\$ 67,402,811</u>    | <u>295,401,690</u> |

See accompanying notes to the basic financial statements.



CITY OF COSTA MESA, CALIFORNIA

Statement of Activities

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

| <u>Functions/Programs</u>          | <u>Expenses</u>       | <u>Program Revenues</u>     |   |   | <u>Net (Expense) Revenue and Changes in Net Position</u> |                     |
|------------------------------------|-----------------------|-----------------------------|---|---|--|---------------------|
|                                    |                       | <u>Charges for Services</u> | <u>Operating Contributions and Grants</u> | <u>Capital Contributions and Grants</u> | <u>2015</u>  | <u>2014</u>         |
|                                    |                       |                             |   |   |  |                     |
| Governmental activities:           |                       |                             |   |   |  |                     |
| General government                 | \$ 25,225,607         | -                           | -   | -                                       | (25,225,607)   | (23,396,581)        |
| Protection of persons and property | 64,184,047            | 2,299,476                   | 2,225,086                                 | -                                       | (59,659,485)   | (56,862,004)        |
| Community programs                 | 10,189,480            | 7,498,348                   | 3,040,814                                 | -                                       | 349,682  | 947,043             |
| Public services                    | 21,549,681            | 3,089,801                   | 3,297,055                                 | 5,143,592                               | (10,019,233)   | (10,339,774)        |
| Interest on long-term debt         | <u>1,210,723</u>      | <u>-</u>                    | <u>-</u>                                  | <u>-</u>                                | <u>(1,210,723)</u>                                       | <u>(1,273,152)</u>  |
| Total governmental activities      | <u>\$ 122,359,538</u> | <u>12,887,625</u>           | <u>8,562,955</u>                          | <u>5,143,592</u>                        | <u>(95,765,366)</u>                                      | <u>(90,924,468)</u> |
| General revenues:                  |                       |                             |   |   |  |                     |
| Taxes:                             |                       |                             |   |   |  |                     |
|                                    |                       |                             |   |   | 24,139,297   | 22,984,093          |
|                                    |                       |                             |   |   | 52,117,128   | 50,329,310          |
|                                    |                       |                             |   |   | 7,995,154  | 7,676,090           |
|                                    |                       |                             |   |   | 4,885,925  | 4,891,465           |
|                                    |                       |                             |   |   | 954,408  | 916,285             |
|                                    |                       |                             |   |   | 5,660,305  | 9,229,059           |
|                                    |                       |                             |   |   | 1,692,528  | 1,772,900           |
|                                    |                       |                             |   |   | -  | 121,971             |
|                                    |                       |                             |   |   | 949,533  | 495,154             |
|                                    |                       |                             |   |   | <u>98,394,278</u>  | <u>98,416,327</u>   |
|                                    |                       |                             |   |   | 2,628,912  | 7,491,859           |
|                                    |                       |                             |   |   | <u>64,773,899</u>  | <u>287,909,831</u>  |
|                                    |                       |                             |   |   | <u>\$ 67,402,811</u>                                     | <u>295,401,690</u>  |

See accompanying notes to basic financial statements.



**CITY OF COSTA MESA  
CALIFORNIA**



**FUND FINANCIAL  
STATEMENTS**

## **GOVERNMENTAL FUNDS**

### **Major Governmental Funds**

#### **GENERAL FUND**

The General Fund must be classified as a major fund in the accompanying fund financial statements and is used to account for all general revenues of the City not specifically levied or collected for some special purpose, and for expenditures related to the rendering of general services by the City. The General Fund is used to account for all resources not required to be accounted for in another fund.

#### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for revenues derived from specific sources which are required by law or administrative action to be accounted for in a separate fund. The following have been classified as major funds in the accompanying fund financial statements:

##### **Housing Authority Fund**

Established pursuant to the California Health and Safety Code, Section 34176(a). The primary purpose of the Housing Authority is to promote affordable housing for families of low and moderate income within the City.

##### **HOME Program Fund**

Established to account for the receipt and disbursement of funds received under the Federal Home Investment Partnership Program of the Department of Housing and Urban Development. These revenues must be expended for acquisition, rehabilitation, and new construction of rental housing.

#### **CAPITAL PROJECTS FUNDS**

Capital projects funds are established to account for financial resources segregated for acquisition and construction of major capital facilities (other than those financed by proprietary funds). The following have been classified as major funds in the accompanying fund financial statements:

##### **Park Development Fund**

Established to account for the development and maintenance of the City's park system. Financing is provided by fees charged to residential and commercial developers.

##### **Capital Improvements Fund**

Established to account for the construction of capital facilities financed by the City's General Fund and various governmental grants.

### **Nonmajor Governmental Funds**

Nonmajor governmental funds constitute all other governmental funds whose assets, liabilities, deferred inflows of resources, revenues, or expenditures do not exceed 10% of the governmental funds total. These funds include nine Special Revenue Funds, one Debt Service Fund and six Capital Projects Funds.

CITY OF COSTA MESA, CALIFORNIA  
Governmental Funds  
Balance Sheet  
June 30, 2015  
(With Comparative Data for Prior Year)

|   | General              | Special Revenue   |                  |
|---|----------------------|-------------------|------------------|
|   |                      | Housing Authority | HOME Program     |
| <u>Assets</u>   |                      |                   |                  |
| Cash and investments (note 2)                                       | \$ 44,593,386        | 930,738           | 74,705           |
| Cash and investments with fiscal agent (note 2)                     | -                    | -                 | -                |
| Due from other governments  | 8,160,488            | -                 | -                |
| Accounts receivable   | 407,663              | -                 | -                |
| Interest receivable   | 80,147               | 1,346             | -                |
| Loans receivable  | -                    | 3,627,094         | 3,134,688        |
| Rent receivable   | 228,825              | -                 | -                |
| Due from other funds (note 3)                                       | 40,562               | -                 | -                |
| Advances to other funds (note 4)                                    | 4,081,005            | -                 | -                |
| Inventories   | 36,066               | -                 | -                |
| Prepaid items   | 48,724               | -                 | -                |
| Total assets  | <u>\$ 57,676,866</u> | <u>4,559,178</u>  | <u>3,209,393</u> |
| <u>Liabilities</u>  |                      |                   |                  |
| Accounts payable  | \$ 1,544,599         | 19,660            | 1,149            |
| Accrued liabilities   | 1,330,898            | 184               | 1,666            |
| Retentions payable  | -                    | -                 | -                |
| Deposits payable  | 727,370              | -                 | -                |
| Due to other funds (note 3)   | -                    | -                 | -                |
| Advances from other funds (note 4)                                  | -                    | -                 | -                |
| Total liabilities   | <u>3,602,867</u>     | <u>19,844</u>     | <u>2,815</u>     |
| <u>Deferred Inflows of Resources</u>                                |                      |                   |                  |
| Unavailable revenues  | <u>258,048</u>       | <u>3,627,094</u>  | <u>3,134,688</u> |
| <u>Fund Balances Deficit (Note 11)</u>                              |                      |                   |                  |
| Nonspendable:   |                      |                   |                  |
| Prepaid items   | 48,724               | -                 | -                |
| Inventories   | 36,066               | -                 | -                |
| Advances to other funds   | 4,081,005            | -                 | -                |
| Restricted for:   |                      |                   |                  |
| Protection of persons and property                                  | -                    | -                 | -                |
| Community programs  | -                    | 912,240           | 71,890           |
| Public services   | -                    | -                 | -                |
| Debt service  | -                    | -                 | -                |
| Committed   | 16,125,000           | -                 | -                |
| Assigned  | 11,325,819           | -                 | -                |
| Unassigned  | 22,199,337           | -                 | -                |
| Total fund balances (deficit)                                       | <u>53,815,951</u>    | <u>912,240</u>    | <u>71,890</u>    |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 57,676,866</u> | <u>4,559,178</u>  | <u>3,209,393</u> |

See accompanying notes to the basic financial statements.

| <u>Capital Projects</u>     |                                 |  |                    |                    |
|-----------------------------|---------------------------------|--|--------------------|--------------------|
| <u>Park<br/>Development</u> | <u>Capital<br/>Improvements</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Totals</u>      |                    |
|                             |                                 |  | <u>2015</u>        | <u>2014</u>        |
| 3,741,502                   | 14,120,025                      | 22,464,818                                 | 85,925,174         | 76,053,398         |
| -                           | -                               | 4,334,210                                  | 4,334,210          | 4,307,530          |
| -                           | 1,148,503                       | 1,528,902                                  | 10,837,893         | 11,602,927         |
| -                           | 2,359                           | 34,831                                     | 444,853            | 467,452            |
| 5,411                       | 20,352                          | 33,385                                     | 140,641            | 112,499            |
| -                           | -                               | 577,993                                    | 7,339,775          | 11,513,272         |
| -                           | -                               | -  | 228,825            | 225,318            |
| -                           | -                               | -  | 40,562             | 53,054             |
| -                           | -                               | -  | 4,081,005          | 4,430,353          |
| -                           | -                               | -  | 36,066             | 47,095             |
| -                           | -                               | -  | 48,724             | 66,671             |
| <u>3,746,913</u>            | <u>15,291,239</u>               | <u>28,974,139</u>                          | <u>113,457,728</u> | <u>108,879,569</u> |
| 1,892                       | 484,203                         | 1,208,974                                  | 3,260,477          | 3,506,239          |
| -                           | -                               | 411,102                                    | 1,743,850          | 1,706,804          |
| -                           | 140,737                         | 753,937                                    | 894,674            | 641,606            |
| -                           | -                               | -  | 727,370            | 771,010            |
| -                           | -                               | 40,562                                     | 40,562             | 53,054             |
| <u>4,081,005</u>            | <u>-</u>                        | <u>-</u>                                   | <u>4,081,005</u>   | <u>4,430,353</u>   |
| <u>4,082,897</u>            | <u>624,940</u>                  | <u>2,414,575</u>                           | <u>10,747,938</u>  | <u>11,109,066</u>  |
| <u>-</u>                    | <u>747,332</u>                  | <u>1,432,184</u>                           | <u>9,199,346</u>   | <u>13,020,381</u>  |
| -                           | -                               | -  | 48,724             | 66,671             |
| -                           | -                               | -  | 36,066             | 47,095             |
| -                           | -                               | -  | 4,081,005          | 3,316,338          |
| -                           | -                               | 1,947,243                                  | 1,947,243          | 2,944,825          |
| -                           | -                               | 106,705                                    | 1,090,835          | 534,766            |
| -                           | -                               | 12,427,483                                 | 12,427,483         | 16,054,993         |
| -                           | -                               | 5,449,210                                  | 5,449,210          | 5,562,530          |
| -                           | -                               | -  | 16,125,000         | 16,125,000         |
| -                           | 13,918,967                      | 5,228,838                                  | 30,473,624         | 21,757,312         |
| <u>(335,984)</u>            | <u>-</u>                        | <u>(32,099)</u>                            | <u>21,831,254</u>  | <u>18,340,592</u>  |
| <u>(335,984)</u>            | <u>13,918,967</u>               | <u>25,127,380</u>                          | <u>93,510,444</u>  | <u>84,750,122</u>  |
| <u>3,746,913</u>            | <u>15,291,239</u>               | <u>28,974,139</u>                          | <u>113,457,728</u> | <u>108,879,569</u> |



CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2015

Fund balances of governmental funds \$ 93,510,444

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Related Items

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

|                          |               |
|--------------------------|---------------|
| Cost of capital assets   | 554,887,425   |
| Accumulated depreciation | (325,643,968) |

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:

|                                   |              |
|-----------------------------------|--------------|
| Bonds payable                     | (27,025,000) |
| Employee benefits leave payable   | (4,036,221)  |
| OPEB                              | (3,622,775)  |
| Police 1% Retirement Supplemental | (2,166,823)  |

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. | (295,920) |
|---|-----------|

Internal Service Funds

|   |           |
|---|-----------|
| Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position because they primarily service governmental activities of the City. | 3,699,186 |
|---|-----------|

Deferred Inflows of Resources

|  |           |
|--|-----------|
| Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds. | 9,199,346 |
|--|-----------|

Pension Debt and Deferred Inflows/Outflows Related to Pensions

Pension related debt applicable to the City 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 pensions 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          | 15,466,821    |
| Deferred inflows of resources           | (32,014,338)  |
| Pension liability                       | (214,555,366) |
| Net position of governmental activities | \$ 67,402,811 |

See accompanying notes to the basic financial statements.



CITY OF COSTA MESA, CALIFORNIA  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the fiscal year ended June 30, 2015  
(With Comparative Data for Prior Year)

|   | General              | Special Revenue   |                 |
|---|----------------------|-------------------|-----------------|
|   |                      | Housing Authority | HOME Program    |
| Revenues:   |                      |                   |                 |
| Taxes   | \$ 89,009,372        | 71,935            | -               |
| Licenses and permits                                      | 2,313,296            | -                 | -               |
| Fines and forfeitures                                     | 1,204,868            | -                 | -               |
| Intergovernmental   | 11,229,135           | -                 | 255,316         |
| Charges for services                                      | 3,574,264            | -                 | -               |
| Rental  | 2,932,280            | 78,550            | -               |
| Investment income   | 1,463,378            | 4,964             | 75              |
| Settlements   | -                    | -                 | -               |
| Miscellaneous   | 1,260,202            | 568,143           | 112,626         |
| Total revenues  | <u>112,986,795</u>   | <u>723,592</u>    | <u>368,017</u>  |
| Expenditures:   |                      |                   |                 |
| Current:  |                      |                   |                 |
| General government  | 24,699,226           | -                 | -               |
| Protection of persons and property                        | 58,538,083           | -                 | -               |
| Community programs  | 6,315,015            | 212,181           | 386,645         |
| Public services   | 5,565,303            | -                 | -               |
| Debt service:   |                      |                   |                 |
| Principal   | -                    | -                 | -               |
| Interest and fiscal charges                               | -                    | -                 | -               |
| Total expenditures  | <u>95,117,627</u>    | <u>212,181</u>    | <u>386,645</u>  |
| Excess (deficiency) of revenues over (under) expenditures | <u>17,869,168</u>    | <u>511,411</u>    | <u>(18,628)</u> |
| Other financing sources (uses):                           |                      |                   |                 |
| Transfers in (note 5)                                     | 201                  | -                 | -               |
| Transfers out (note 5)                                    | <u>(14,253,744)</u>  | <u>-</u>          | <u>-</u>        |
| Total other financing sources (uses)                      | <u>(14,253,543)</u>  | <u>-</u>          | <u>-</u>        |
| Net change in fund balances                               | 3,615,625            | 511,411           | (18,628)        |
| Fund balances (deficit) at beginning of year              | <u>50,200,326</u>    | <u>400,829</u>    | <u>90,518</u>   |
| Fund balances (deficit) at end of year                    | <u>\$ 53,815,951</u> | <u>912,240</u>    | <u>71,890</u>   |

See accompanying notes to the basic financial statements.

| <u>Capital Projects</u>     |                                 |  |                    |                    |
|-----------------------------|---------------------------------|--|--------------------|--------------------|
| <u>Park<br/>Development</u> | <u>Capital<br/>Improvements</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Totals</u>      |                    |
|                             |                                 |  | <u>2015</u>        | <u>2014</u>        |
| -                           | -                               | 1,010,608                                  | 90,091,915         | 86,797,242         |
| -                           | -                               | -  | 2,313,296          | 2,085,348          |
| -                           | -                               | 162,322                                    | 1,367,190          | 3,614,144          |
| -                           | 1,569,824                       | 8,955,850                                  | 22,010,125         | 21,769,293         |
| 1,992,098                   | -                               | 550,668                                    | 6,117,030          | 4,721,191          |
| -                           | -                               | 102,832                                    | 3,113,662          | 3,021,585          |
| 16,818                      | 58,340                          | 227,952                                    | 1,771,527          | 1,712,058          |
| -                           | -                               | -  | -                  | 121,971            |
| -                           | 63,631                          | 201,826                                    | 2,206,428          | 1,177,245          |
| <u>2,008,916</u>            | <u>1,691,795</u>                | <u>11,212,058</u>                          | <u>128,991,173</u> | <u>125,020,077</u> |
| -                           | -                               | -  | 24,699,226         | 23,893,450         |
| -                           | -                               | 2,558,321                                  | 61,096,404         | 64,047,209         |
| 64,621                      | -                               | 1,842,836                                  | 8,821,298          | 6,442,241          |
| -                           | 3,933,477                       | 12,361,472                                 | 21,860,252         | 22,863,385         |
| -                           | -                               | 2,540,000                                  | 2,540,000          | 2,450,000          |
| 21,426                      | -                               | 1,192,245                                  | 1,213,671          | 1,296,111          |
| <u>86,047</u>               | <u>3,933,477</u>                | <u>20,494,874</u>                          | <u>120,230,851</u> | <u>120,992,396</u> |
| <u>1,922,869</u>            | <u>(2,241,682)</u>              | <u>(9,282,816)</u>                         | <u>8,760,322</u>   | <u>4,027,681</u>   |
| -                           | 10,652,000                      | 3,601,744                                  | 14,253,945         | 8,597,756          |
| -                           | -                               | (201)                                      | (14,253,945)       | (9,094,260)        |
| -                           | 10,652,000                      | 3,601,543                                  | -                  | (496,504)          |
| 1,922,869                   | 8,410,318                       | (5,681,273)                                | 8,760,322          | 3,531,177          |
| <u>(2,258,853)</u>          | <u>5,508,649</u>                | <u>30,808,653</u>                          | <u>84,750,122</u>  | <u>81,218,945</u>  |
| <u>(335,984)</u>            | <u>13,918,967</u>               | <u>25,127,380</u>                          | <u>93,510,444</u>  | <u>84,750,122</u>  |



CITY OF COSTA MESA, CALIFORNIA

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities

For the fiscal year ended June 30, 2015

|  |                            |
|--|----------------------------|
| Net changes in fund balances - total governmental funds  | \$ 8,760,322               |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |                            |
| <u>Capital Related Items</u>   |                            |
| 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 and amortization expense. As a result, fund balance decreases by the amount of financial resources expenses, whereas net position decrease by the amount of depreciation and amortization expense charged for the year. |                            |
| Capital outlay   | 8,987,952                  |
| Depreciation and amortization expense  | (11,476,177)               |
| <u>Long-Term Debt Transactions</u>   |                            |
| Some expense reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Repayment of debt service is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balances because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.          |                            |
| Net changes in employee benefits leave payable   | 407,578                    |
| Principal payments - bonds   | 2,540,000                  |
| OPEB   | (312,514)                  |
| Police Retirement 1% Supplemental  | 95,209                     |
| <u>Pension</u>   |                            |
| Pension expense reported in the governmental funds includes the annual required contributions. 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.   |                            |
|  | (475,092)                  |
| <u>Accrued Interest</u>  |                            |
| Recording of the current year change of accrued interest on outstanding debt payable.  | 26,837                     |
| <u>Internal Service Funds</u>  |                            |
| Internal Service Funds are used by management to charge the costs of certain activities to individual City funds. The adjustments for Internal Service Funds “close” those funds by charging additional amounts to participating governmental activities to completely cover the Internal Service Funds’ costs for the year.   |                            |
|  | (2,104,168)                |
| <u>Deferred Inflows of Resources</u>   |                            |
| Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.   |                            |
|  | (3,821,035)                |
| Change in net position of governmental activities  | <u><u>\$ 2,628,912</u></u> |

See accompanying notes to the basic financial statements.

## CITY OF COSTA MESA, CALIFORNIA

## Proprietary Funds

## Statement of Net Position

June 30, 2015

(With Comparative Data for Prior Year)

|                                    | Governmental Activities -<br>Internal Service Funds |                    |
|------------------------------------|---|--------------------|
|                                    | <u>2015</u>   | <u>2014</u>        |
| <u>Assets</u>                      |   |                    |
| Current assets:                    |   |                    |
| Cash and investments (note 2)      | \$ 9,992,383  | 11,951,659         |
| Accounts receivable                | 18,228  | 18,586             |
| Interest receivable                | 14,521  | 16,400             |
| Prepaid items                      | -   | 47,978             |
| Inventories                        | 97,976  | 104,957            |
|                                    | <u>10,123,108</u>                                   | <u>12,139,580</u>  |
| Capital assets:                    |   |                    |
| Motorized equipment                | 11,908,702  | 12,513,804         |
| Other equipment                    | 224,758   | 169,648            |
| Accumulated depreciation           | <u>(7,552,669)</u>                                  | <u>(7,451,008)</u> |
| Net capital assets                 | <u>4,580,791</u>                                    | <u>5,232,444</u>   |
| Total assets                       | <u>14,703,899</u>                                   | <u>17,372,024</u>  |
| <u>Liabilities</u>                 |   |                    |
| Current liabilities:               |   |                    |
| Accounts payable                   | 113,219   | 203,254            |
| Accrued liabilities                | 12,010  | 11,655             |
| Capital lease payable (note 7)     | -   | 203,815            |
| Claims payable (notes 7, 9 and 19) | <u>2,233,348</u>                                    | <u>3,700,000</u>   |
| Total current liabilities          | <u>2,358,577</u>                                    | <u>4,118,724</u>   |
| Long-term liabilities:             |   |                    |
| Capital lease payable (note 7)     | -   | 211,580            |
| Claims payable (notes 7, 9 and 19) | <u>8,646,136</u>                                    | <u>7,238,366</u>   |
| Total long-term liabilities        | <u>8,646,136</u>                                    | <u>7,449,946</u>   |
| Total liabilities                  | <u>11,004,713</u>                                   | <u>11,568,670</u>  |
| <u>Net Position</u>                |   |                    |
| Net investment in capital assets   | 4,580,791   | 4,817,049          |
| Unrestricted                       | <u>(881,605)</u>                                    | <u>986,305</u>     |
| Total net position                 | <u>\$ 3,699,186</u>                                 | <u>5,803,354</u>   |

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Governmental Activities -<br>Internal Service Funds |                         |
|--|---|-------------------------|
|  | <u>2015</u>   | <u>2014</u>             |
| Operating revenues:                    |   |                         |
| Charges for services                   | <u>\$ 5,786,463</u>                                 | <u>6,155,618</u>        |
| Total operating revenues               | <u>5,786,463</u>                                    | <u>6,155,618</u>        |
| Operating expenses:                    |   |                         |
| Allocated administrative costs         | 1,409,157   | 854,298                 |
| Depreciation                           | 661,723   | 529,434                 |
| Fuel and repair parts                  | 1,026,390   | 1,147,993               |
| Claims and premiums                    | <u>4,699,381</u>                                    | <u>2,613,440</u>        |
| Total operating expenses               | <u>7,796,651</u>                                    | <u>5,145,165</u>        |
| Operating income (loss)                | <u>(2,010,188)</u>                                  | <u>1,010,453</u>        |
| Nonoperating revenues (expenses):      |   |                         |
| Investment income                      | 53,787  | 60,842                  |
| Interest expense                       | (23,889)  | (23,307)                |
| Other income                           | -   | -                       |
| Loss on sale of equipment              | <u>(123,878)</u>                                    | <u>(14,162)</u>         |
| Total nonoperating revenues (expenses) | <u>(93,980)</u>                                     | <u>23,373</u>           |
| Income (loss) before transfers         | (2,104,168)   | 1,033,826               |
| Transfers in (note 5)                  | <u>-</u>  | <u>496,504</u>          |
| Change in net position                 | (2,104,168)   | 1,530,330               |
| Net position at beginning of year      | <u>5,803,354</u>                                    | <u>4,273,024</u>        |
| Net position at end of year            | <u><u>\$ 3,699,186</u></u>                          | <u><u>5,803,354</u></u> |

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Proprietary Funds

Statement of Cash Flows

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Governmental Activities -<br>Internal Service Funds |             |
|--|---|-------------|
|  | 2015  | 2014        |
| Cash flows from operating activities:  |   |             |
| Cash received from customers and user departments  | \$ 5,786,821  | 6,158,426   |
| Cash payments to suppliers for goods and services  | (6,602,611)   | (5,533,280) |
| Cash payments to employees for services  | (625,920)   | (548,246)   |
| Net cash provided by (used for) operating activities   | (1,441,710)   | 76,900      |
| Cash flows from noncapital financing activities:   |   |             |
| Cash received from other funds   | -   | 496,504     |
| Net cash provided by noncapital financing activities   | -   | 496,504     |
| Cash flows from capital and related financing activities:  |   |             |
| Cash received from disposal of assets  | 99,002  | 11,645      |
| Acquisition of capital assets  | (232,950)   | (2,112,585) |
| Cash paid for capital related financing  | (439,284)   | (219,642)   |
| Net cash used for capital and related financing activities   | (573,232)   | (2,320,582) |
| Cash flows from investing activities:  |   |             |
| Investment income received   | 55,666  | 64,472      |
| Net cash provided by investing activities  | 55,666  | 64,472      |
| Net decrease in cash and cash equivalents  | (1,959,276)   | (1,682,706) |
| Cash and cash equivalents at beginning of year   | 11,951,659  | 13,634,365  |
| Cash and cash equivalents at end of year   | \$ 9,992,383  | 11,951,659  |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: |   |             |
| Operating income (loss)  | \$ (2,010,188)                                      | 1,010,453   |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities:     |   |             |
| Depreciation   | 661,723   | 529,434     |
| (Increase) decrease in inventories   | 6,981   | 31,187      |
| (Increase) decrease in accounts receivable   | -   | 2,808       |
| (Increase) decrease in prepaid items   | 48,336  | 86,107      |
| Increase (decrease) in accounts payable  | (90,035)  | (121,818)   |
| Increase (decrease) in accrued liabilities   | 355   | 1,902       |
| Increase (decrease) in claims payable  | (58,882)  | (1,463,173) |
| Net cash provided by (used for) operating activities   | \$ (1,441,710)                                      | 76,900      |

Non-cash investing, capital and financing activities:

There were no non-cash investing, capital or financing activities during the year.

See accompanying notes to the basic financial statements.

CITY OF COSTA MESA, CALIFORNIA

Fiduciary Funds

Statement of Net Position

June 30, 2015

|   | Successor Agency<br>to the City of<br>Costa Mesa<br>Redevelopment<br>Agency<br>Private Purpose<br>Trust Fund | Agency<br>Funds  |
|---|--|------------------|
|   | <u>Trust Fund</u>  | <u>Funds</u>     |
| <u>Assets</u>                                   |  |                  |
| Cash and investments (note 2)                   | \$ 1,223,144   | 2,705,710        |
| Cash and investments with fiscal agent (note 2) | 704,335  | -                |
| Accounts receivable                             | -  | 726              |
| Interest receivable                             | -  | 136              |
| Prepaid items                                   | -  | 7,685            |
|   | <u>1,927,479</u>   | <u>2,714,257</u> |
| <u>Liabilities</u>                              |  |                  |
| Accounts payable                                | \$ 9,685   | 264,792          |
| Deposits payable                                | -  | 2,449,465        |
| Long-term liabilities (note 23)                 |  |                  |
| Due within one year                             | 610,000  | -                |
| Due in more than one year                       | 1,305,000  | -                |
|   | <u>1,924,685</u>   | <u>2,714,257</u> |
| <u>Net Position</u>                             |  |                  |
| Net position                                    | <u>\$ 2,794</u>  |                  |

See accompanying notes to the basic financial statements.



CITY OF COSTA MESA, CALIFORNIA

Fiduciary Funds

Statement of Changes in Net Position

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|   | Successor Agency<br>to the City of Costa Mesa<br>Redevelopment Agency<br>Private Purpose Trust Fund |                    |
|---|---|--------------------|
|   | <u>2015</u>   | <u>2014</u>        |
| Additions:  |   |                    |
| Property taxes  | \$ 1,148,260  | 1,778,217          |
| Repayments from City  | 111,595   | -                  |
| Investment earnings   | 99  | 122                |
| Total revenues  | <u>1,259,954</u>  | <u>1,778,339</u>   |
| Deductions:   |   |                    |
| Program expenses of former redevelopment agency                   | 64,248  | 137,581            |
| Administrative expenses   | 213,953   | 224,806            |
| Interest and fiscal agent expenses of former<br>redemption agency | 100,712   | 123,075            |
| Principal   | <u>626,386</u>  | <u>-</u>           |
| Total expenses  | <u>1,005,299</u>  | <u>485,462</u>     |
| Change in net position  | 254,655   | 1,292,877          |
| Net position at beginning of year                                 | <u>(251,861)</u>  | <u>(1,544,738)</u> |
| Net position at end of year                                       | <u>\$ 2,794</u>   | <u>(251,861)</u>   |

See accompanying notes to the financial statements

**CITY OF COSTA MESA  
CALIFORNIA**



**NOTES TO THE  
FINANCIAL STATEMENTS**

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the City of Costa Mesa, California (City):

(a) Description of Reporting Entity

The City of Costa Mesa was incorporated on June 29, 1953 as a general law city under the Government Code of the State of California. The City operates under a Council-Manager form of government and the City Council is composed of five members. Among services provided by the City are the following: public works, parks and recreation, planning, community development, fire, and law enforcement services.

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is either able to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable if an organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

All of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are reported with the interfold data of the City. The following organizations are considered to be component units of the City:

Costa Mesa Public Financing Authority

The Costa Mesa Public Financing Authority (Authority) was established on August 20, 1990 for the purpose of financing public capital improvements. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Transactions of the Authority are reported in the Debt Service Fund. Upon completion, separate financial statements of the Authority can be obtained at City Hall.

Costa Mesa Community Facilities District No. 91-1

The Costa Mesa Community Facilities District No. 91-1 (District) was incorporated for the purpose of acquiring certain public facilities. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the District. Transactions are reported in the Debt Service Fund. Separate financial statements for the District are not prepared.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(a) Description of Reporting Entity, (Continued)

Costa Mesa Housing Authority

The Costa Mesa Housing Authority (Housing Authority) was created pursuant to the State of California Health and Safety Code, Section 34176(a). The primary purpose of the Housing Authority is to promote affordable housing for families of low and moderate income within the City. The Housing Authority is a separate entity primarily funded by housing loan repayments. City Council members, in separate session, serve as the governing board of the Housing Authority, and all accounting and administrative functions are performed by the City. Financial activity of the Housing Authority has been reported as if it were part of the City in the Housing Authority Special Revenue Fund. Upon completion, separate financial statements of the Housing Authority can be obtained at City Hall.

(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 basic 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), as well as its discretely presented component units. The City has no business-type activities or 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, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

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 expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as expenditures.

Franchise fees and business license charges have been reported as general revenues because the fees are based on gross receipts, not charges for services.

Fund Financial Statements

The underlying account system of the City is organized and operated on the basis of separate funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording resources, related liabilities, obligations, reserves, and equities segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. 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 nonmajor funds in the aggregate for governmental funds. Proprietary statements include financial information for internal service funds. Fiduciary statements include financial information for Agency and Private Purpose Trust funds. Fiduciary funds of the City 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*. 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

Sales taxes, property taxes, franchise taxes, motor vehicle in lieu, transient occupancy taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

Revenue recognition is subject to the *measurable* 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 nonexchange* 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 nonexchange* 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 generally only current assets, current liabilities and deferred inflows of resources are 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.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources”, since they do not represent fund balance.

Recognition of governmental fund type revenues represented by unavailable revenues are reported as deferred inflows of revenues.

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

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

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(b) Basis of Accounting and Measurement Focus, (Continued)

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.

Proprietary and Fiduciary Funds

The City's internal service funds are proprietary funds. In the fund financial statements, proprietary and private-purpose trust funds are presented using the *accrual basis of accounting*. Revenues are recognized when they are earned and expenses are recognized when related goods or services are delivered. In the fund financial statements, proprietary and private-purpose trust funds are presented using the *economic resources measurement focus*. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net position. 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 us essentially equal values. Nonoperating revenues, such as investment income, gain or loss on sale of equipment and miscellaneous revenues result from nonexchange transactions or ancillary activities. Operating expenses for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. Amounts paid to acquire capital assets are capitalized as assets in the internal service fund financial statements, rather than being reported as expenses. Proceeds of long-term debt are recorded as liabilities in the internal service fund financial statements, rather than being reported as other financing sources. Amounts paid to reduce long-term indebtedness of the internal service fund are reported as reductions of the related liability, rather than as expenses.

The City's agency funds are fiduciary funds. Agency funds are custodial in nature (assets equal liabilities) and have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications

The funds designated as major funds in the fund financial statements are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

*General Fund* – The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. Expenditures of this fund include the general operating expenditures and other costs which are not paid through other funds.

Special Revenue Funds

*Housing Authority Fund* – This special revenue fund was established per Section 34176(a) of the Health and Safety Code. The primary purpose of this Fund is to promote and preserve affordable housing for families of low and moderate income within the City. Financing is primarily provided by housing rehabilitation loan payments.

*HOME Program Fund* - This special revenue fund was established to account for the receipt and disbursement of funds received under the Federal Home Investment Partnership Program of the Department of Housing and Urban Development. These revenues must be expended for acquisition, rehabilitation, and new construction of rental housing.

Capital Projects Funds

*Park Development Fund* – This capital projects fund was established to account for development and maintenance of the City’s park system. Financing is provided by fees charged to residential and commercial developers.

*Capital Improvements Fund* – This capital projects fund was established to account for construction of capital facilities financed by the City’s General Fund and various governmental grants.

The City’s fund structure also includes the following fund types:

*Special Revenue Funds* – are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action for a specified purpose.

*Debt Service Funds* – are used to account for the accumulation of resources for, and the payment of, long-term liabilities, interest, and related fiscal agent costs.

*Capital Projects Funds* – The capital projects funds are used to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by the proprietary funds).



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(c) Fund Classifications, (Continued)

*Internal Service Funds* – Internal service funds are used to finance and account for activities involved in rendering equipment replacement, self-insurance services, and information technology replacement to departments within the City. Costs of materials and services used are accumulated in these funds and charged to the user departments as such goods are delivered or services rendered.

*Agency Funds* – Agency funds are used to account for assets held by the City in a fiduciary capacity for individuals, government entities, and others. Such funds are operated by carrying out the specifications of trust indentures, statutes, ordinances, or other governing regulations.

*Private Purpose Trust Fund* – The private-purpose trust fund accounts for the assets, liabilities, additions, and deductions made on behalf of the former Costa Mesa Redevelopment Agency.

(d) Cash and Investments

Investments are reported in the accompanying financial statements at fair market value except for the following: investment contracts that are reported at cost because the contracts are not transferable and have terms that are not affected by changes in interest rates; and Lehman Brother's Holding, Inc., which consists of the City's estimated investment balance being held in an escrow account as part of ongoing bankruptcy proceedings.

Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

The City pools cash and investments of all funds except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

(e) Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents also represent the proprietary funds share in the cash and investment pool of the City.

(f) Advances to Other Funds

Long-term interfund advances are recorded as receivables by the advancing governmental funds and as a liabilities in the receiving funds.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(g) Inventories

Inventories of materials and supplies are carried at cost on an average cost basis. The City uses the consumption method of accounting for inventories.

(h) Prepays

The City uses the consumption method to record prepaid items.

(i) 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 Statements establish standards for measuring 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 net position at July 1, 2014 by \$230,627,791.

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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(i) New Accounting Pronouncements, (Continued)

- 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.

(j) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost at the time of purchase. Assets acquired from gifts or contributions are recorded at fair market value on the date received. Generally, capital asset purchases in excess of \$5,000 are capitalized if they have an expected useful life of two years or more.

Capital assets include public domain (infrastructure) capital assets consisting of certain improvements including roads, streets, sidewalks, medians, sewers, and storm drains. Public domain assets acquired prior to 1980 have been included in the accompanying financial statements.

Capital assets used in operations are depreciated or amortized over their estimated useful lives using the straight-line method in the government-wide financial statements and in the fund financial statements of proprietary funds. It is the City’s policy not to depreciate or amortize assets in its first year of service. A full year of depreciation or amortization is charged at final year of asset life or upon disposal. Depreciation and amortization are charged as expenses against operations and accumulated depreciation and amortization are reported on the respective statement of net position. The ranges of lives used for computing depreciation and amortization for each capital asset class are as follows:

|                                      |        |       |
|--------------------------------------|--------|-------|
| Building improvements and structures | 10-20  | years |
| Landscaping and sprinklers           | 35-40  | years |
| Automotive equipment                 | 2-20   | years |
| Office furniture                     | 5-20   | years |
| Office machines                      | 3-20   | years |
| Other equipment                      | 5-60   | years |
| Intangible assets                    | 7-10   | years |
| Park system and facilities           | 10-25  | years |
| Infrastructure – roads               | 5-50   | years |
| Infrastructure – storm drains        | 50-100 | years |

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(k) Deferred Outflows/Inflows of Resources

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This 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 (expenditure) until that time. The City has two items that qualify for reporting in this category. The first item is a deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability. The second item is a deferred outflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

The statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The first item, unavailable revenues, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Governmental fund balance sheets report unavailable revenues from three sources: long-term loans receivable, grants not collected within the availability period, and accumulated interest on a long-term receivable. These amounts are deferred and will be recognized as inflows of resources in periods that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plans fiduciary net position. This amount is amortized over five years.

(l) Fund Balances

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(l) Fund Balances, (Continued)

Committed Fund Balance – this includes amounts that can be used only for specific purposes determined by formal action of the Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if Council action limiting the use of funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. For the purposes of establishing, modifying, and rescinding a committed fund balance, the City considers an ordinance more binding than a resolution or a minute action by City Council

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds for specific purposes. In June 2011, the City Council passed Resolution 11-27, delegating authority to establish, modify, or rescind a fund balance assignment to the Finance Director.

Unassigned Fund Balance – this includes remaining spendable amounts which are not included in one of the other classifications.

In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of the unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

(m) Employee Leave Benefits

Regular full-time City employees earn from 40 to 526.4 hours of vacation a year, depending upon the length of employment and bargaining unit. All employees except for the miscellaneous and confidential groups, can carry forward vacation hours in excess of twice that earned in a calendar year. Miscellaneous and confidential groups can accumulate up to a maximum of 320 hours. If an employee's vacation hours reach the maximum, vacation accruals will freeze until such time the accrual drops below the maximum. Upon termination, permanent employees are entitled to receive compensation at their current rate for all unused vacation up to and including the date of termination.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(m) Employee Leave Benefits, (Continued)

Sick leave credit is accrued for all employees except the miscellaneous and confidential groups, at bi-weekly rates of 3.69 hours for executives and sworn police officers, 4 hours for police management, and up to 6.72 hours for sworn fire employees. Balances in primary sick leave banks may accumulate up to a maximum of 480 hours for miscellaneous employees and sworn police officers, and 672 hours for sworn fire employees. Upon reaching maximum hours, bi-weekly accruals are distributed as follows at the employee's option: 1/2 of the benefit is a) paid at employee's current hourly base rate of pay; or b) converted into vacation hours. The remaining 1/2 of the benefit is placed into a secondary sick leave bank. Secondary banks may be used in the event of verified non-industrial disabilities which result in absences of 60 consecutive calendar days. Sick leave hours equal to hours used from the primary bank for eligible disabilities may be transferred from the secondary bank to the primary bank, provided the transfer does not result in the primary bank having in excess hours over stated limits. Upon separation from the City with a minimum of 20 years continuous service or eligibility for retirement benefits, employees receive pay at their current hourly rate for 1/2 of the balance in their primary bank, except for police management who receive 50% of both primary and secondary leave banks.

Effective July 1, 2014, miscellaneous and confidential employees receive 192 hours of sick leave at the time of hiring and up to 96 hours annually on July 1<sup>st</sup> not to exceed 192 hours in the sick leave bank. Upon separation from the City, sick leave is not paid off. Unused sick leave hours can be used for service credit if the employee retires from the City.

A liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

A liability is recorded for unused sick leave balances except for miscellaneous and confidential groups and only to the extent that it is probable that the unused balances will result in termination payments. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

A current liability is accrued in the governmental funds for material leave benefits due on demand to governmental fund employees that have terminated prior to year end. All other amounts are only recorded in the government-wide financial statements. These non-current amounts will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(1) Summary of Significant Accounting Policies, (Continued)

(n) Claims and Judgments

The City records a liability for litigation, judgments, and claims when it is probable that an asset has been impaired or a liability has been incurred prior to year-end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. This liability is recorded in an internal service fund which accounts for the City's self-insurance activities.

(o) Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles.

Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(p) 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'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.

(q) Estimations

The preparation of financial statements in accordance with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(2) Cash and Investments

Cash and investments are reported as follows:

|  |                       |
|--|-----------------------|
| Statement of Net Position:             |                       |
| Cash and investments                   | \$ 95,917,557         |
| Cash and investments with fiscal agent | 4,334,210             |
| Statement of Fiduciary Net Position:   |                       |
| Cash and investments                   | 3,928,854             |
| Cash and investments with fiscal agent | <u>704,335</u>        |
| Total cash and investments             | <u>\$ 104,884,956</u> |

Cash and investments at June 30, 2015 consisted of the following:

|  |                       |
|--|-----------------------|
| Cash and deposits:                             |                       |
| Petty cash on hand                             | \$ 12,225             |
| Demand deposits                                | <u>5,800,561</u>      |
| Total cash and deposits                        | <u>5,812,786</u>      |
| Investments:                                   |                       |
| Costa Mesa Community Facilities District Bonds | 1,115,000             |
| Medium-term corporate notes                    | 9,296,592             |
| Federal agency securities                      | 26,988,359            |
| Money market mutual funds                      | 7,386,627             |
| Local Agency Investment Fund                   | 43,508,680            |
| US Treasury securities                         | 10,311,287            |
| Lehman Brothers Holdings, Inc-bankruptcy       | <u>465,625</u>        |
| Total investments                              | <u>99,072,170</u>     |
| Total cash and investments                     | <u>\$ 104,884,956</u> |



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(2) Cash and Investments, (Continued)

Investments Authorized by the California Government Code and the City of Costa Mesa's Investment Policy

The table below identifies investment types that are authorized for the City by the California Government Code and investment policies of the City and Successor Agency of the Costa Mesa Redevelopment Agency. The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit 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>Investment Types<br/>Authorized by State Law</u> | <u>Authorized by<br/>Investment<br/>Policy</u> | <u>Maximum<br/>Maturity*</u> | <u>Percentage<br/>of Portfolio*</u> | <u>Investment In<br/>One Issuer*</u> |
|---|--|------------------------------|-------------------------------------|--------------------------------------|
| U.S. Treasury Securities                            | Yes  | 5 years                      | None                                | None                                 |
| Federal Agency Securities                           | Yes  | 5 years                      | None                                | 35%                                  |
| Municipal Securities                                | Yes  | 5 years                      | None                                | 5%                                   |
| Banker's Acceptances                                | Yes  | 180 days                     | 40%                                 | 5%                                   |
| Commercial Paper                                    | Yes  | 270 days                     | 25%                                 | 5%                                   |
| Federally Insured Time Deposit                      | Yes  | 5 Years                      | None                                | None                                 |
| Non-Negotiable Certificates of Deposit              | Yes  | 5 years                      | 20%                                 | None                                 |
| Certificate of Deposit Placement Service            | Yes  | 5 years                      | 30%                                 | None                                 |
| Negotiable Certificates of Deposit                  | Yes  | 5 years                      | 30%                                 | None                                 |
| Repurchase Agreements                               | Yes  | 1 year                       | 30%                                 | None                                 |
| Medium-Term Corporate Notes                         | Yes  | 5 years                      | 30%                                 | 5%                                   |
| Money Market Mutual Funds                           | Yes  | N/A                          | 20%                                 | None                                 |
| Mortgage Backed Securities                          | Yes  | 5 years                      | 20%                                 | None                                 |
| County Pooled Investment Funds                      | Yes  | N/A                          | 35%                                 | None                                 |
| Local Agency Investment Fund                        | Yes  | N/A                          | \$50 Million                        | \$50 Million                         |

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk. Generally the following investment types are authorized by City debt agreements:

| <u>Authorized Investment Type</u>  | <u>Maximum Maturity</u> | <u>Maximum Percentage Allowed</u> | <u>Maximum Investment in One Issuer</u> |
|------------------------------------|-------------------------|-----------------------------------|---|
| U.S. Treasury Securities           | None                    | None                              | None                                    |
| Federal Agency Securities          | 5 years                 | None                              | None                                    |
| Banker's Acceptances               | 270 days                | None                              | None                                    |
| Commercial Paper                   | 365 days                | None                              | None                                    |
| Money Market Mutual Funds          | 5 years                 | 20%                               | 10%                                     |
| Investment Agreements              | None                    | None                              | None                                    |
| Interest-Bearing Time Deposits     | 30 days                 | None                              | None                                    |
| Repurchase Agreements              | 270 days                | None                              | None                                    |
| Local Agency Investment Fund       | None                    | None                              | None                                    |
| State Obligations                  | None                    | None                              | None                                    |
| Pre-refunded Municipal Obligations | None                    | None                              | None                                    |

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(2) Cash and Investments, (Continued)

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:

| <u>Investment Type</u>                            | <u>Total</u>        | <u>Remaining Maturity (in Months)</u> |                            |                            |                                |
|---|---------------------|---------------------------------------|----------------------------|----------------------------|--------------------------------|
|   |                     | <u>12 Months<br/>Or Less</u>          | <u>13 to 24<br/>Months</u> | <u>25 to 60<br/>Months</u> | <u>More than 60<br/>Months</u> |
| Federal Agency Securities                         | \$26,988,359        | -                                     | 6,042,890                  | 20,945,469                 | -                              |
| State Investment Pool (LAIF)                      | 43,508,680          | 43,508,680                            | -                          | -                          | -                              |
| U.S. Treasury Securities                          | 10,311,287          | 2,626,200                             | 984,847                    | 6,700,240                  | -                              |
| Medium Term Corporate Notes                       | 9,296,592           | 1,050,000                             | -                          | 8,246,592                  | -                              |
| Money Market Mutual Funds                         | 2,348,082           | 2,348,082                             | -                          | -                          | -                              |
| Held by Trustee:                                  |                     |                                       |                            |                            |                                |
| Costa Mesa Community Facilities<br>District Bonds | 1,115,000           | 150,000                               | 165,000                    | 365,000                    | 435,000                        |
| Money Market Mutual Funds                         | 5,038,545           | 5,038,545                             | -                          | -                          | -                              |
| Lehman Brothers Holdings, Inc.,<br>Bankruptcy     | <u>465,625</u>      | <u>300,000</u>                        | <u>165,625</u>             | <u>-</u>                   | <u>-</u>                       |
| Total   | <u>\$99,072,170</u> | <u>55,021,507</u>                     | <u>7,358,362</u>           | <u>36,257,301</u>          | <u>435,000</u>                 |

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City (including investments held by bond trustees) held no investments which were highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(2) Cash and Investments, (Continued)

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 as of year end for each investment type:

Ratings at 6/30/15

| <u>Investment Type</u>                        | <u>Value</u>        | <u>Minimum Legal Rating</u> | <u>Moody's</u> | <u>Standard &amp; Poors</u> |
|---|---------------------|-----------------------------|----------------|-----------------------------|
| Federal Agency Securities                     | \$26,988,359        | N/A                         | Aaa            | AA+                         |
| US Treasury Securities                        | 10,311,287          | N/A                         | Aaa            | AA+                         |
| Medium-Term Corporate Notes:                  |                     |                             |                |                             |
| Oracle Corporation                            | 1,000,002           | A                           | A1             | AA-                         |
| Wells Fargo Corporation                       | 1,050,000           | A                           | A2             | A+                          |
| General Electric Capital Corporation          | 1,006,176           | A                           | A1             | AA+                         |
| HSBC USA Incorporate                          | 648,223             | A                           | A2             | A                           |
| Chevron Corporation                           | 653,876             | A                           | Aa1            | AA                          |
| US Bancorp                                    | 656,812             | A                           | A1             | A+                          |
| American Honda Finance                        | 1,006,784           | A                           | A1             | A+                          |
| Bank of New York                              | 999,326             | A                           | A1             | A+                          |
| JP Morgan Chase                               | 491,342             | A                           | A3             | A                           |
| John Deere Capital Corporation                | 494,554             | A                           | A2             | A                           |
| PepsiCo Incorporate                           | 642,826             | A                           | A1             | A                           |
| Qualcomm Incorporate                          | 646,671             | A                           | A1             | A+                          |
| State Investment Pool (LAIF)                  | 43,508,680          | N/A                         | Not Rated      | Not Rated                   |
| Money Market Mutual Funds                     | 2,348,082           | A                           | Aaa            | AAA                         |
| Held by Trustee:                              |                     |                             |                |                             |
| Costa Mesa Community Facilities District Bond | 1,115,000           | N/A                         | Not Rated      | Not Rated                   |
| Money Market Mutual Funds                     | 5,038,545           | AAA                         | Aaa            | AAA                         |
| Lehman Brothers Holdings Inc., Bankruptcy     | 465,625             | N/A                         | Not Rated      | Not Rated                   |
| Total   | <u>\$99,072,170</u> |                             |                |                             |

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(2) Cash and Investments, (Continued)

Disclosures Relating to Credit Risk, (Continued)

At June 30, 2015, the City's investment in the following issuers exceeded 5%.

| <u>Issuer</u> | <u>Investment Type</u>    | <u>Reported Amount</u> | <u>Percentage</u> |
|---------------|---------------------------|------------------------|-------------------|
| FHLMC         | Federal Agency Securities | \$ 4,991,722           | 5.04%             |
| FHLB          | Federal Agency Securities | 6,997,095              | 7.06%             |
| FNMA          | Federal Agency Securities | 12,005,420             | 12.12%            |

Custodial Credit Risk

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

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(3) Due From and To Other Funds

Interfund receivable and payable balances at June 30, 2015 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>         | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General Fund           | Nonmajor Governmental Funds | \$ 40,562     |

All receivables resulted from the recording of reimbursement of miscellaneous costs, which are expected to be reimbursed next year.

(4) Advances To and From Other Funds

Advances to and from other funds at June 30, 2015 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>   | <u>Amount</u> |
|------------------------|-----------------------|---------------|
| General Fund           | Park Development Fund | \$4,081,005   |

The terms for the significant advances reflected above are as follows:

The \$4,081,005 advance from the General Fund to the Park Development Fund is for the purchase of land. On June 17, 2014, the City Council approved a restructuring of this advance. Beginning in fiscal year 2014-15, the term was restated at twenty years and the interest rate was reduced to 0.50%. The advance is expected to be repaid with future park development fees.

(5) Transfers In and Out

Transfers in and out for the year ended June 30, 2015 are as follows:

| <u>Transfers out</u>        | <u>Transfers in</u>         | <u>Total</u>         |
|-----------------------------|-----------------------------|----------------------|
| General Fund                | Major Capital Projects Fund | \$10,652,000 (a1)    |
| General Fund                | Nonmajor Governmental Funds | 3,601,744 (a2 and 3) |
| Nonmajor Governmental Funds | General Fund                | <u>201 (b)</u>       |
|                             |                             | <u>\$14,253,945</u>  |

(a) The General Fund transferred the following to:

1. \$10,652,000 to the Capital Improvements Fund for capital improvement projects.
2. \$87,165 to the Supplemental Law Enforcement Block Grant Fund for public safety expenditures;
3. \$3,514,579 to the Financing Authority Debt Service Fund for debt service payments;

(b) The Park Districts Fund transferred \$201 in investment earnings back to the General Fund.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(6) Capital Asset

A summary of changes in capital assets follows:

|  | <u>Balance at<br/>July 1, 2014</u> | <u>Additions</u>    | <u>Deletions</u>   | <u>Balance at<br/>June 30, 2015</u> |
|--|------------------------------------|---------------------|--------------------|-------------------------------------|
| Capital assets not being depreciated:                    |                                    |                     |                    |                                     |
| Land   | \$ 34,213,106                      | -                   | -                  | 34,213,106                          |
| Land rights related to streets                           | 29,821,224                         | -                   | -                  | 29,821,224                          |
| Construction in progress                                 | <u>6,752,874</u>                   | <u>6,816,622</u>    | <u>(6,743,471)</u> | <u>6,826,025</u>                    |
| Total capital assets not<br>being depreciated            | <u>70,787,204</u>                  | <u>6,816,622</u>    | <u>(6,743,471)</u> | <u>70,860,355</u>                   |
| Capital assets being depreciated/amortized:              |                                    |                     |                    |                                     |
| Building improvements and structures                     | 60,259,959                         | 200,170             | -                  | 60,460,129                          |
| Landscaping and sprinklers                               | 10,207,238                         | 91,456              | -                  | 10,298,694                          |
| Automotive equipment                                     | 13,405,553                         | 177,840             | (1,051,513)        | 12,531,880                          |
| Office furniture   | 485,118                            | 110,549             | -                  | 595,667                             |
| Office machines  | 8,814,217                          | 374,503             | -                  | 9,188,720                           |
| Other equipment  | 10,302,521                         | 324,706             | -                  | 10,627,227                          |
| Intangible assets  | 1,413,765                          | 40,283              | -                  | 1,454,048                           |
| Park system and facilities                               | 16,949,431                         | -                   | -                  | 16,949,431                          |
| Infrastructure – roads                                   | 274,804,638                        | 7,677,114           | -                  | 282,481,752                         |
| Infrastructure – storm drains                            | <u>91,421,852</u>                  | <u>151,130</u>      | <u>-</u>           | <u>91,572,982</u>                   |
| Total capital assets being<br>depreciated/amortized      | <u>488,064,292</u>                 | <u>9,147,751</u>    | <u>(1,051,513)</u> | <u>496,160,530</u>                  |
| Less accumulated depreciation/amortization for:          |                                    |                     |                    |                                     |
| Building improvements and structures                     | (34,210,571)                       | (2,001,140)         | -                  | (36,211,711)                        |
| Landscaping and sprinklers                               | (9,546,822)                        | (60,705)            | -                  | (9,607,527)                         |
| Automotive equipment                                     | (7,971,917)                        | (711,506)           | 828,633            | (7,854,790)                         |
| Office furniture   | (407,772)                          | (23,807)            | -                  | (431,579)                           |
| Office machines  | (5,267,706)                        | (556,724)           | -                  | (5,824,430)                         |
| Other equipment  | (7,919,941)                        | (558,725)           | -                  | (8,478,666)                         |
| Park system and facilities                               | (6,614,931)                        | (855,162)           | -                  | (7,470,093)                         |
| Intangible assets  | -                                  | (156,900)           | -                  | (156,900)                           |
| Infrastructure – roads                                   | (171,626,960)                      | (5,868,509)         | -                  | (177,495,469)                       |
| Infrastructure – storm drain                             | <u>(78,320,750)</u>                | <u>(1,344,722)</u>  | <u>-</u>           | <u>(79,665,472)</u>                 |
| Total accumulated<br>depreciation/amortization           | <u>(321,887,370)</u>               | <u>(12,137,900)</u> | <u>828,633</u>     | <u>(333,196,637)</u>                |
| Total capital assets being<br>depreciated/amortized, net | <u>166,176,922</u>                 | <u>(2,990,149)</u>  | <u>(222,880)</u>   | <u>162,963,893</u>                  |
| Capital assets, net                                      | <u>\$236,964,126</u>               | <u>3,826,473</u>    | <u>(6,966,351)</u> | <u>233,824,248</u>                  |

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(6) Capital Assets, (Continued)

Depreciation expense is charged to the following functions for the year ended June 30, 2015:

Governmental activities:

|  |                         |
|--|-------------------------|
| General government                                     | \$ 1,361,456            |
| Protection of persons and property                     | 2,174,923               |
| Community programs                                     | 1,338,815               |
| Public services  | <u>7,262,706</u>        |
| <br>Total depreciation expense-governmental activities | <br><u>\$12,137,900</u> |

The City has active construction projects as of June 30, 2015. The significant projects include the following:

| <u>Construction Project</u>                   | <u>Project #</u> | <u>Total Budget</u>    | <u>Spent to Date</u> | <u>Remaining<br/>Commitment</u> |
|---|------------------|------------------------|----------------------|---------------------------------|
| Pomona/Industrial Water Quality & Storm Drain | 550017           | \$ 4,171,600           | 2,998,097            | 1,173,503                       |
| Harbor Widening – Law Court to Sunflower      | 300142           | <u>1,371,500</u>       | <u>153,855</u>       | <u>1,217,645</u>                |
| <br>Total                                     |                  | <br><u>\$5,543,100</u> | <br><u>3,151,952</u> | <br><u>2,391,148</u>            |



CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

|                               | Balance at<br>July 1, 2014 | Additions            | Reductions              | Balance at<br>June 30, 2015 | Portion<br>Due<br>Within<br>One<br>Year | Portion<br>Due<br>Beyond<br>One<br>Year |
|-------------------------------|----------------------------|----------------------|-------------------------|-----------------------------|---|---|
| Bonds payable (Note 8):       |                            |                      |                         |                             |   |   |
| Public Financing Authority    |                            |                      |                         |                             |   |   |
| 2003 Refunding                |                            |                      |                         |                             |   |   |
| Certificates of Participation | \$5,570,000                | -                    | (1,025,000)             | 4,545,000                   | 1,070,000                               | 3,475,000                               |
| Public Financing Authority    |                            |                      |                         |                             |   |   |
| 2006 Revenue                  |                            |                      |                         |                             |   |   |
| Refunding Bonds               | 1,435,000                  | -                    | (150,000)               | 1,285,000                   | 160,000                                 | 1,125,000                               |
| Public Financing Authority    |                            |                      |                         |                             |   |   |
| 2007 Certificates of          |                            |                      |                         |                             |   |   |
| Participation                 | <u>22,560,000</u>          | <u>-</u>             | <u>(1,365,000)</u>      | <u>21,195,000</u>           | <u>1,420,000</u>                        | <u>19,775,000</u>                       |
| Total bonds payable           | <u>29,565,000</u>          | <u>-</u>             | <u>(2,540,000)</u>      | <u>27,025,000</u>           | <u>2,650,000</u>                        | <u>24,375,000</u>                       |
| Other liabilities (Note 9):   |                            |                      |                         |                             |   |   |
| Claims payable                | 10,938,366                 | 2,174,466            | (2,233,348)             | 10,879,484                  | 2,233,348                               | 8,646,136                               |
| Employee leave                |                            |                      |                         |                             |   |   |
| benefits payable              | 4,443,799                  | 3,277,363            | (3,684,941)             | 4,036,221                   | 3,200,000                               | 836,221                                 |
| Net OPEB obligation           | 3,310,261                  | 2,141,410            | (1,828,896)             | 3,622,775                   | -                                       | 3,622,775                               |
| Police Retirement             |                            |                      |                         |                             |   |   |
| 1% Supplemental               | <u>2,262,032</u>           | <u>116,542</u>       | <u>(211,751)</u>        | <u>2,166,823</u>            | <u>-</u>                                | <u>2,166,823</u>                        |
| Total other liabilities       | <u>20,954,458</u>          | <u>7,709,781</u>     | <u>(7,958,936)</u>      | <u>20,705,303</u>           | <u>5,433,348</u>                        | <u>15,271,955</u>                       |
| Capital lease:                |                            |                      |                         |                             |   |   |
| TDA Fire Truck                | <u>415,395</u>             | <u>-</u>             | <u>(415,395)</u>        | <u>-</u>                    | <u>-</u>                                | <u>-</u>                                |
| <br>Total                     | <br><u>\$50,934,853</u>    | <br><u>7,709,781</u> | <br><u>(10,914,331)</u> | <br><u>47,730,303</u>       | <br><u>8,083,348</u>                    | <br><u>39,646,955</u>                   |

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(8) Bonds Payable

Costa Mesa Public Financing Authority Bonds

2007 Certificates of Participation

On January 18, 2007, the Costa Mesa Public Financing Authority issued \$29,960,000 of 2007 Certificates of Participation. The Certificates are to provide funding for the construction and equipping of certain improvements to the Civic Center complex particularly the expansion of the police facility. The Certificates mature from October 1, 2007 through October 1, 2026 in annual installments ranging from \$745,000 to \$2,180,000. Interest is payable semi-annually on April 1 and October 1 of each year, commencing on April 1, 2007 at a rate ranging from 3.75% to 4.30%.

There is a reserve requirement of \$2,297,321 on the 2007 Certificate of Participation. The City has \$2,297,321 on reserve with the fiscal agent at June 30, 2015. The principal balance outstanding at June 30, 2015 is \$21,195,000.

2006 Revenue Refunding Bonds

On June 1, 2006, Costa Mesa Public Financing Authority issued \$2,365,000 of Revenue Refunding Bonds, Series 2006A, to advance refund the outstanding portion of the \$3,225,000 of the 1991 Lease Revenue Bonds issued on November 1, 1991. The bonds were issued to provide monies to enable the Authority to acquire the City of Costa Mesa Community Facilities District 91-1 (Plaza Tower Public Improvements) 1991 Special Tax Bonds, issued under the Mello-Roos Community Facilities Act of 1982. The \$2,365,000 Revenue Refunding Bonds which consists of \$1,955,000 of serial bonds and \$410,000 of term bonds. The serial bonds mature from August 1, 2007 through August 1, 2019 in annual installments ranging from \$120,000 to \$190,000. The term bonds mature from August 1, 2020 through August 1, 2021 in annual installments ranging from \$200,000 to \$210,000. Interest is payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2007 at rates ranging from 3.85% to 5.10%.

There is a reserve requirement of \$224,755 on the 2006 Revenue Refunding Bonds. The City has \$763,575 on reserve with the fiscal agent at June 30, 2015. The principal balance outstanding at June 30, 2015 is \$1,285,000.

The bonds are secured by special tax levied within CFD 91-1 Plaza Tower Public Improvements. The special taxes are levied and collected for debt service on the bonds are required to be remitted to the fiscal agent for the bonds within ten days of receipt. The County remitted taxes on December 19, 2014 and April 24, 2015; the City remitted payment 17 and 11 days later, respectively.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

2003 Refunding Certificates of Participation

On October 1, 2003, the Costa Mesa Public Financing Authority issued a \$14,340,000 refunding Certificates of Participation (COP), Series 2003 to refund the \$18,970,000 Refunding Revenue Bonds, Series 1993A, to advanced refund \$640,000 of outstanding 1966 Bonds and \$16,430,000 of outstanding 1988 Lease Revenue Bonds. The 1966 Bonds were issued to finance construction of the Municipal Center and the 1988 Lease Revenue Bonds were issued to finance the acquisition of right-of-way property on Victoria Street. The certificates issued start maturing on 2004 to 2018 in semi-annual installments ranging from \$805,000 to \$1,210,000. Interest is payable on April 1 and October 1, commencing on April 1, 2004 at rates ranging from 2.0% to 4.2%. Certificates maturing on or after October 1, 2014 are subject to optional redemption, in whole or in part from among maturities as selected by the Authority on October 1, 2013. The certificates are subject to mandatory redemption on any date from the net proceeds deposited in the prepayment fund.

The amount required for the bond reserve for the 2003 Refunding Certificate of Participation is \$1,273,314. The City has \$1,273,314 on reserve with the fiscal agent at June 30, 2015. The principal balance outstanding at June 30, 2015 is \$4,545,000.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(8) Bonds Payable, (Continued)

Costa Mesa Public Financing Authority Bonds, (Continued)

The annual debt service requirements for the Public Financing Authority Bonds as of June 30, 2015 are as follows:

| Year<br>Ending<br>June 30 | <u>2006</u>                           |                 | <u>2003</u>   |                 | <u>2007</u>   |                  |
|---------------------------|---------------------------------------|-----------------|---|-----------------|---|------------------|
|                           | <u>Refunding Revenue</u><br>Principal | <u>Interest</u> | <u>Refunding Certificates</u><br><u>Of Participation</u><br>Principal | <u>Interest</u> | <u>Certificates</u><br><u>of Participation</u><br>Principal | <u>Interest</u>  |
| 2016                      | \$160,000                             | 60,301          | 1,070,000   | 182,713         | 1,420,000   | 845,604          |
| 2017                      | 165,000                               | 52,439          | 1,110,000   | 140,450         | 1,480,000   | 787,604          |
| 2018                      | 175,000                               | 44,086          | 1,155,000   | 89,375          | 1,530,000   | 727,404          |
| 2019                      | 185,000                               | 35,130          | 1,210,000   | 30,250          | 1,590,000   | 665,004          |
| 2020                      | 190,000                               | 25,708          | -   | -               | 1,640,000   | 600,404          |
| 2021                      | 200,000                               | 15,810          | -   | -               | 1,710,000   | 533,404          |
| 2022                      | 210,000                               | 5,355           | -   | -               | 1,775,000   | 462,594          |
| 2023                      | -                                     | -               | -   | -               | 1,850,000   | 387,829          |
| 2024                      | -                                     | -               | -   | -               | 1,925,000   | 309,248          |
| 2025                      | -                                     | -               | -   | -               | 2,005,000   | 226,216          |
| 2026                      | -                                     | -               | -   | -               | 2,090,000   | 138,675          |
| 2027                      | -                                     | -               | -   | -               | 2,180,000   | 46,870           |
| Total                     | <u>\$1,285,000</u>                    | <u>238,829</u>  | <u>4,545,000</u>  | <u>442,788</u>  | <u>21,195,000</u>   | <u>5,730,856</u> |

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(9) Other Liabilities

Claims and Judgments

The City retains the risk of loss for general liability and workers' compensation claims as described in note 19. 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 attorneys, 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 \$1,277,240 and workers' compensation was \$9,602,244. \$ 10,879,484

Employee Leave Balances Payable

The City's policies relating to compensated absences are described in note 1. The following liability at June 30, 2015 is expected to be paid primarily by the general fund in future years, consistent with prior year treatment. 4,036,221

OPEB

The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses as described in note 16. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The net OPEB obligation at June 30, 2015 was \$3,622,775. This amount is expected to be paid primarily by the general fund in future years, consistent with prior year treatment. 3,622,775

Police Retirement 1% Supplemental

The City of Costa Mesa joined the CalPERS 3%@age 50 plan for police employees on December 31, 2000. Prior to that date, the City sponsored the retirement plan providing a 2%@age 50 benefit and the Police Officer Separation Incentive Plan providing an additional 1%@age 50 benefit as described in note 14. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@age 50 plan. The net pension obligation at June 30, 2015 for the 1% enhancement was \$2,166,823, consistent with prior year treatment. 2,166,823

Total other liabilities \$ 20,705,303

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(10) Debt Without Government Commitment

The following issues of bonds are not reflected in the Statement of Net Assets since they are obligations of private parties (with no government commitment) payable entirely from and secured by non-City resources as described in the bond resolutions and statements of the various issues:

The City of Costa Mesa Community Facilities District No. 91-1, issued \$2,965,000 of District 91-1 Special Tax Bonds on November 1, 1991. All of the bonds were acquired by the Costa Mesa Public Financing Authority. The bonds mature from August 1, 1992 through August 1, 2021 in annual principal payments ranging from \$25,000 to \$265,000 and bear an interest rate of 8.30%. The bonds were issued to acquire certain improvements to the Anton/Bristol intersection, street improvements to Anton Boulevard and repay certain costs incurred by third parties with respect to the construction of the Metro Fire Station and the I-405 Access Study. The City is not liable for repayment of these bonds, but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the bondholders, and initiating foreclosure proceedings. The outstanding balance at June 30, 2015 was \$1,115,000.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(11) Fund Balances

Fund balance consisted of the following at June 30, 2015:

|                                       | Major<br>Special Revenue<br>Funds |                      |                 | Major<br>Capital Projects<br>Funds |                         | Nonmajor<br>Funds |
|---------------------------------------|-----------------------------------|----------------------|-----------------|------------------------------------|-------------------------|-------------------|
|                                       | General                           | Housing<br>Authority | HOME<br>Program | Park<br>Development                | Capital<br>Improvements |                   |
| Nonspendable:                         |                                   |                      |                 |                                    |                         |                   |
| Prepaid items                         | \$ 48,724                         | -                    | -               | -                                  |                         | -                 |
| Inventories                           | 36,066                            | -                    | -               | -                                  |                         | -                 |
| Advance to other funds                | 4,081,005                         | -                    | -               | -                                  |                         | -                 |
| Restricted for:                       |                                   |                      |                 |                                    |                         |                   |
| Protection of persons<br>and property | -                                 | -                    | -               | -                                  |                         | 1,947,243         |
| Community programs                    | -                                 | 912,240              | 71,890          | -                                  |                         | 106,705           |
| Public services (1)                   | -                                 | -                    | -               | -                                  |                         | 12,427,483        |
| Debt service                          | -                                 | -                    | -               | -                                  |                         | 5,449,210         |
| Committed for:                        |                                   |                      |                 |                                    |                         |                   |
| Declared disasters (2)                | 14,125,000                        | -                    | -               | -                                  |                         | -                 |
| Self insurance (3)                    | 2,000,000                         | -                    | -               | -                                  |                         | -                 |
| Assigned for:                         |                                   |                      |                 |                                    |                         |                   |
| Compensated absences                  | 4,036,221                         | -                    | -               | -                                  |                         | -                 |
| Police Retirement<br>1% Supplemental  | 2,166,823                         | -                    | -               | -                                  |                         | -                 |
| OPEB                                  | 3,622,775                         | -                    | -               | -                                  |                         | -                 |
| Economics reserves                    | 1,500,000                         |                      |                 |                                    |                         |                   |
| Protection of persons<br>and property | -                                 | -                    | -               | -                                  |                         | 750,930           |
| Public services                       | -                                 | -                    | -               | -                                  | 13,918,967              | 4,477,908         |
| Unassigned                            | 22,199,337                        | -                    | -               | (335,984)                          | -                       | (32,099)          |
| Total Fund Balance                    | \$53,815,951                      | 912,240              | 71,890          | (335,984)                          | 13,918,967              | 25,127,380        |

1. Restricted fund balances in the Public Services category consist of fund balances in the Special Gas Tax, Air Quality Improvement, and Measure "M2" Construction funds. Revenues received in these funds are legally restricted for specific purposes, such as transportation related capital projects.
2. The fund balance committed for declared disasters was approved through Resolution No. 11-27 to provide required funding as a result of a declared emergency and for an unanticipated but urgent event threatening the public health, safety and welfare of the City.
3. The fund balance committed for self insurance was approved through Resolution No. 11-127 to provide a self-insurance reserve.

The following governmental funds had deficits at June 30, 2015:

|                               |             |
|-------------------------------|-------------|
| Major Fund:                   |             |
| Park Development Fund         | (\$335,984) |
| Nonmajor Fund:                |             |
| Special Revenue Fund:         |             |
| Office of Traffic Safety Fund | (32,099)    |

## CITY OF COSTA MESA, CALIFORNIA

### Notes to the Basic Financial Statements

Year ended June 30, 2015

#### (12) Property Tax Calendar

Property tax revenues are reported on a modified accrual basis. Accordingly, they are recognized in the fiscal year for which the taxes have been levied, provided this accrual meets the available criteria. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County of Orange collects property taxes for the City tax liens attached annually as of 12:01 a.m. on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1st to June 30th. All secured personal property taxes and one-half of the taxes on real property are due November 1st. The second installment is due February 1st. All taxes are delinquent if not paid as of December 10th and April 10th, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent if not paid as of August 31st.

#### (13) Defined Benefit Pension Plans

##### (a) General Information about the Pension Plans

##### **Plan Descriptions**

All qualified permanent and probationary employees are eligible to participate in the City's separate Miscellaneous and Police Safety Plans, agent multiple-employer defined benefit pension plans and the Fire Safety cost sharing 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 City 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 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.



CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(a) General Information about the Pension Plans, (Continued)

**Benefits Provided (Continued)**

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

|   | <u>Miscellaneous (Agent Multiple-Employer)</u>      |                          |                        |
|---|---|--------------------------|------------------------|
|   | <u>Prior to</u>                                     | <u>On or After</u>       | <u>On or After</u>     |
|   | <u>March 11, 2012</u>                               | <u>March 11, 2012</u>    | <u>January 1, 2013</u> |
| Hire date   |   |                          |                        |
| Benefit formula                                   | 2.5%@55   | 2.0%@60                  | 2%@62                  |
| Benefit vesting schedule                          | 5 years of service                                  | 5 years of service       | 5 years of service     |
| Benefit payments                                  | monthly for life                                    | monthly for life         | monthly for life       |
| Retirement age                                    | 50 - 55   | 50 - 63                  | 52 - 67                |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5%  | 1.092% to 2.418%         | 1.0% to 2.5%           |
| Required employee contribution rates              | 8%  | 7%                       | 6.75%                  |
| Required employer contribution rates              | 29.783%   | 29.783%                  | 29.783%                |
|   |   |                          |                        |
|   | <u>Police Safety (Agent Multiple-Employer)</u>      |                          |                        |
|   | <u>Prior to</u>                                     | <u>On or After</u>       |                        |
|   | <u>March 11, 2012</u>                               | <u>January 1, 2013</u>   |                        |
| Hire date   |   |                          |                        |
| Benefit formula                                   | 3%@50   | 2.7%@57                  |                        |
| Benefit vesting schedule                          | 5 years of service                                  | 5 years of service       |                        |
| Benefit payments                                  | monthly for life                                    | monthly for life         |                        |
| Retirement age                                    | 50 - 55   | 50 - 57                  |                        |
| Monthly benefits, as a % of eligible compensation | 3%  | 2.0% to 2.7%             |                        |
| Required employee contribution rates              |   | 9%                       |                        |
| Required employer contribution rates              |   | 41.456%                  |                        |
|   |   |                          |                        |
|   | <u>Fire Safety (Cost Sharing Multiple-Employer)</u> |                          |                        |
|   | <u>Prior to</u>                                     | <u>On or After</u>       | <u>On or After</u>     |
|   | <u>December 30, 2012</u>                            | <u>December 30, 2012</u> | <u>January 1, 2013</u> |
| Hire date   |   |                          |                        |
| Benefit formula                                   | 3.0%@50   | 2.0%@50                  | 2.7%@57                |
| Benefit vesting schedule                          | 5 years of service                                  | 5 years of service       | 5 years of 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%  | 2.0% to 2.7%             | 2.0% to 2.7%           |
| Required employee contribution rates              | 9%  | 9%                       | 11.50%                 |
| Required employer contribution rates              | 47.452%   | 20.083%                  | 11.50%                 |

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(a) General Information about the Pension Plans, (Continued)

**Employees Covered**

At June 30, 2015, the following employees were covered by the benefit terms for the agent multiple-employer Plans:

|   | <u>Miscellaneous</u> | <u>Police Safety</u> |
|---|----------------------|----------------------|
| Inactive employees or beneficiaries<br>currently receiving benefits | 427                  | 156                  |
| Inactive employees entitled to but<br>not yet receiving benefits    | 581                  | 65                   |
| Active employees  | 273                  | 122                  |
| Total   | <u>1,281</u>         | <u>343</u>           |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be 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 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.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(b) Net Pension Liability, (Continued)

**Actuarial Assumptions**

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

|                           | <u>Miscellaneous</u>            | <u>Police &amp; Fire<br/>Safety</u> |
|---------------------------|---------------------------------|-------------------------------------|
| Valuation Date            | June 30, 2013                   | June 30, 2013                       |
| Measurement Date          | June 30, 2014                   | June 30, 2014                       |
| Actuarial Cost Method     | Entry-Age Normal<br>Cost Method | Entry-Age Normal<br>Cost Method     |
| Actuarial Assumptions:    |                                 |                                     |
| Discount Rate             | 7.50%                           | 7.50%                               |
| Inflation                 | 2.75%                           | 2.75%                               |
| Payroll Growth            | 3.00%                           | 3.00%                               |
| Projected Salary Increase | 3.3% - 14.2% (1)                | 3.3% - 14.2% (1)                    |
| Investment Rate of Return | 7.5% (2)                        | 7.5% (2)                            |
| Mortality                 | (3)                             | (3)                                 |

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds.

The mortality table used 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 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% 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% 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(b) Net Pension Liability, (Continued)

**Discount Rate (Continued)**

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% 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%. 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 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(b) Net Pension Liability, (Continued)

**Discount Rate (Continued)**

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

| Asset Class                   | New<br>Strategic<br>Allocation | Real Return<br>Years<br>1 - 10 (a) | Real Return<br>Years<br>11+ (b) |
|-------------------------------|--------------------------------|------------------------------------|---------------------------------|
| 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                         | 100.00%                        |                                    |                                 |

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(c) Changes in the Net Pension Liability

The changes in the net pension liability for the year ended June 30, 2015, with a measurement date of June 30, 2014, for the Miscellaneous (Agent Multiple-Employer) Plan are as follows:

|  | Increase (Decrease)           |                                   |                                     |
|--|-------------------------------|-----------------------------------|-------------------------------------|
|  | Total<br>Pension<br>Liability | Plan<br>Fiduciary<br>Net Position | Net Pension<br>Liability<br>(Asset) |
| <b>Balance at June 30, 2014</b>                                  | <u>\$ 241,975,291</u>         | <u>\$ 153,666,841</u>             | <u>\$ 88,308,450</u>                |
| <b>Changes in the Year:</b>                                      |                               |                                   |                                     |
| Service cost   | 3,366,560                     | -                                 | 3,366,560                           |
| Interest on the total pension liability                          | 17,792,384                    | -                                 | 17,792,384                          |
| Differences between actual and<br>expected experience            | -                             | -                                 | -                                   |
| Changes in assumptions   | -                             | -                                 | -                                   |
| Changes in benefit terms   | -                             | -                                 | -                                   |
| Contribution - employer  | -                             | 4,903,142                         | (4,903,142)                         |
| Contribution - employee<br>(paid by employer)                    | -                             | -                                 | -                                   |
| Contribution - employee  | -                             | 2,137,933                         | (2,137,933)                         |
| Net investment income  | -                             | 26,075,603                        | (26,075,603)                        |
| Administrative expenses  | -                             | -                                 | -                                   |
| Benefit payments, including refunds<br>of employee contributions | <u>(12,853,585)</u>           | <u>(12,853,585)</u>               | <u>-</u>                            |
| <b>Net Changes</b>   | <u>8,305,359</u>              | <u>20,263,093</u>                 | <u>(11,957,734)</u>                 |
| <b>Balance at June 30, 2015</b>                                  | <u>\$ 250,280,650</u>         | <u>\$ 173,929,934</u>             | <u>\$ 76,350,716</u>                |

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(c) Changes in the Net Pension Liability, (Continued)

The changes in the net pension liability for the year ended June 30, 2015, with a measurement date of June 30, 2014, for the Police Safety (Agent Multiple-Employer) Plan are as follows:

|  | Increase (Decrease)           |                                   |                                     |
|--|-------------------------------|-----------------------------------|-------------------------------------|
|  | Total<br>Pension<br>Liability | Plan<br>Fiduciary<br>Net Position | Net Pension<br>Liability<br>(Asset) |
| <b>Balance at June 30, 2014</b>                                  | <u>\$ 237,419,600</u>         | <u>\$ 143,294,304</u>             | <u>\$ 94,125,296</u>                |
| <b>Changes in the Year:</b>                                      |                               |                                   |                                     |
| Service cost   | 4,675,505                     | -                                 | 4,675,505                           |
| Interest on the total pension liability                          | 17,563,332                    | -                                 | 17,563,332                          |
| Differences between actual and<br>expected experience            | -                             | -                                 | -                                   |
| Changes in assumptions   | -                             | -                                 | -                                   |
| Changes in benefit terms   | -                             | -                                 | -                                   |
| Contribution - employer  | -                             | 5,066,147                         | (5,066,147)                         |
| Contribution - employee<br>(paid by employer)                    | -                             | -                                 | -                                   |
| Contribution - employee  | -                             | 2,204,590                         | (2,204,590)                         |
| Net investment income  | -                             | 24,794,991                        | (24,794,991)                        |
| Administrative expenses  | -                             | -                                 | -                                   |
| Benefit payments, including refunds<br>of employee contributions | (11,159,179)                  | (11,159,179)                      | -                                   |
| <b>Net Changes</b>   | <u>11,079,658</u>             | <u>20,906,549</u>                 | <u>(9,826,891)</u>                  |
| <b>Balance at June 30, 2015</b>                                  | <u>\$ 248,499,258</u>         | <u>\$ 164,200,853</u>             | <u>\$ 84,298,405</u>                |

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(c) Changes in the Net Pension Liability, (Continued)

**Proportionate Share of the Net Pension Liability for the Fire Safety Plan**

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Fire Safety Plan as follows:

|             |   |
|-------------|---|
|             | Proportionate<br>Share of<br>Net Pension<br>Liability |
|             | <hr/>   |
| Fire Safety | \$ 53,906,245   |
|             | <hr/>   |

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

|                              |                    |
|------------------------------|--------------------|
|                              | <u>Fire Safety</u> |
| Proportion - June 30, 2013   | 1.31717%           |
| Proportion - June 30, 2014   | 1.43713%           |
| Change - Increase (Decrease) | 0.11996%           |



CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(c) Changes in the Net Pension Liability, (Continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

|                       | <u>Miscellaneous</u> | <u>Police Safety</u> | <u>Fire Safety</u> |
|-----------------------|----------------------|----------------------|--------------------|
| 1% Decrease           | 6.50%                | 6.50%                | 6.50%              |
| Net Pension Liability | \$ 108,914,385       | \$ 118,969,247       | \$ 78,137,586      |
| Current Discount Rate | 7.50%                | 7.50%                | 7.50%              |
| Net Pension Liability | \$ 76,350,716        | \$ 84,298,405        | \$ 53,906,245      |
| 1% Increase           | 8.50%                | 8.50%                | 8.50%              |
| Net Pension Liability | \$ 49,497,132        | \$ 55,967,592        | \$ 33,940,667      |

**Pension Plans Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(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 \$15,537,483. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date   | \$ 15,062,392                                 | \$ -   |
| Differences between actual and expected experience   | -   | -  |
| Change in assumptions  | -   | -  |
| Change in employer's proportion and differences<br>between the employer's contributions and the<br>employer's proportionate share of contributions | 404,429                                       | -  |
| Net differences between projected and actual<br>earnings on plan investments   | -   | (32,014,338)                                 |
| Total  | <u>\$ 15,466,821</u>                          | <u>\$ (32,014,338)</u>                       |

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(13) Defined Benefit Pension Plans, (Continued)

(d) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, (Continued)

\$15,062,392 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 ending 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<br>Ending<br>June 30, | Amount         |
|----------------------------|----------------|
| 2016                       | \$ (7,859,145) |
| 2017                       | (7,859,145)    |
| 2018                       | (7,888,033)    |
| 2019                       | (8,003,586)    |
| 2020                       | -              |
| Thereafter                 | -              |

(e) Payable to the Pension Plans

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

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(14) Police 1% Supplemental Retirement Plan

*Plan Description:* The City joined the CalPERS 3%@age 50 benefit plan for police employees on December 31, 2000. Prior to that date the City sponsored the retirement plan for safety employees of the City providing a 2%@age 50 benefit plan and the Police Officer Separation Incentive Plan provided an additional 1%@age 50 benefit plan. This section presents actuarial valuation information for the Police Officer Separation Incentive Plan which has been in effect since July 1, 1993 for sworn members of the City's Police Department. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@age 50 benefit plan. The number of participants at June 30, 2015 was nineteen with an average age of 68.8. The average monthly benefit being paid is \$929.75. There are no trust financial statements applicable to this plan.

*Funding Policy:* The City has not adopted a funding policy for this supplemental retirement plan and accordingly plan benefits impact financial resources as benefits are paid.

*Actuarial Methods and Assumptions:* The Annual Required Contribution (ARC) for the plan was determined as part of the July 1, 2013 actuarial valuation using the following methods and assumptions:

|                            |                                    |
|----------------------------|------------------------------------|
| Actuarial cost method      | Projected unit credit              |
| Amortization method*       | Level Dollar over 15 years of UAAL |
| Actuarial assumptions:     |                                    |
| Investment return          | 4.50%                              |
| Inflation                  | 3.00%                              |
| Retirement                 | Age 50 and 5 years of service      |
| Cost of living adjustments | None                               |

\* The initial unfunded liabilities are amortized over a closed period.

*Funded Status and Funding Progress:* As of July 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows: estimate of the life expectancy of remaining participants.

|   |                    |
|---|--------------------|
| Actuarial accrued liability (AAL)                 | \$2,420,443        |
| Actuarial value of plan assets                    | -                  |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$2,420,443</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 00.0%              |
| Covered payroll                                   | <u>\$0</u>         |
| UAAL as a percentage of covered payroll           | 00.0%              |

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(14) Police 1% Supplemental Retirement Plan, (Continued)

*Employer Contributions:* The Annual Pension Cost (APC), percentage of APC contributed, and the Net Pension Obligation (NPO) for the plan for the current year and each of the two proceeding years were as follows:

| <u>Date</u> | <u>Annual Pension Cost</u> | <u>Employer Actual Contribution</u> | <u>Percentage of Annual Pension Cost Contributed</u> | <u>Net Pension Obligation</u> |
|-------------|----------------------------|-------------------------------------|--|-------------------------------|
| 6/30/13     | \$140,558                  | \$219,252                           | 156.0%   | \$2,362,297                   |
| 6/30/14     | 111,718                    | 211,983                             | 189.7%   | 2,262,032                     |
| 6/30/15     | 116,542                    | 211,751                             | 181.7%   | 2,166,823                     |

*Determination of Net Pension Obligation as of June 30, 2015*

|   |                     |
|---|---------------------|
| Annual required contribution                  | \$ 225,377          |
| Interest on Net Pension Obligation            | 101,791             |
| Adjustment to Annual Required Contribution    | <u>(210,626)</u>    |
| Annual Pension Cost                           | 116,542             |
| Less: Employer Contributions                  | <u>(211,751)</u>    |
| Increase (decrease) in Net Pension Obligation | (95,209)            |
| Net Pension Obligation, beginning of year     | <u>2,262,032</u>    |
| Net Pension Obligation, end of year           | <u>\$ 2,166,823</u> |

(15) Defined Contribution Plan

On January 1, 2000, the City adopted a Defined Contribution Plan (Plan) for part-time employees that work under 1,000 hours during the fiscal year and do not meet the eligibility requirements to be enrolled in the California Public Employee Retirement System (CalPERS). The Plan is administered by the Public Agency Retirement Services (PARS). As of June 30, 2015, there were 196 active participants in the Plan. Both the City and employees are required to each contribute 3.75% of gross wages. The City's contribution to the defined contribution plan for the year ended June 30, 2015 was \$50,650.

(16) Other Post Employment Benefits Plan (Defined Benefit)

*Plan Description:* The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The percentage varies by retirement date and years of City service. For employees hired on or after January 1, 2004, the City will only pay for the PEMHCA subsidy once they meet the definition of a retiree under CalPERS. The City provides retiree life insurance of \$1,000 for the retiree and \$500 for the retiree's spouse. As of June 30, 2015, the plan covered 376 active participants and 381 retiree participants.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(16) Other Post Employment Benefits Plan (Defined Benefit), (Continued)

*City's Funding Policy:* The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For fiscal year ended June 30, 2015, the City contributed \$1,828,896 to the plan. The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits. There are no trust financial statements applicable to this plan.

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years based on an open group. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

|  |                    |
|--|--------------------|
| Annual required contribution                   | \$2,134,522        |
| Interest on Net OPEB Obligation (NOO)          | 130,392            |
| NOO amortization adjustment to ARC             | <u>(123,504)</u>   |
| Annual OPEB cost (expense)                     | 2,141,410          |
| Annual contributions (including premiums paid) | <u>(1,828,896)</u> |
| Increase in net OPEB cost (expense)            | 312,514            |
| Net OPEB obligation, beginning of year         | <u>3,310,261</u>   |
| Net OPEB obligation, end of year               | <u>\$3,622,775</u> |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

*Schedule of Employer Postemployment Benefit Contributions*

| Fiscal Year | Annual Required Contribution | Actual Contribution | Percentage Contributed |
|-------------|------------------------------|---------------------|------------------------|
| 6/30/2013   | \$2,146,578                  | \$1,727,148         | 80.5%                  |
| 6/30/2014   | 2,134,522                    | 1,728,740           | 81.0%                  |
| 6/30/2015   | 2,134,522                    | 1,828,896           | 85.7%                  |

*Annual OPEB Cost*

| Fiscal Year | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------|------------------|-----------------------------------|---------------------|
| 6/30/2013   | \$2,153,804      | 80.2%                             | \$2,897,591         |
| 6/30/2014   | 2,141,410        | 80.7%                             | 3,310,261           |
| 6/30/2015   | 2,141,410        | 85.4%                             | 3,622,775           |

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(16) Other Post Employment Benefits Plan (Defined Benefit), (Continued)

*Funded Status and Funding Progress.* The funded status of the plan as of July 1, 2013, the most recent actuarial valuation date, was as follows:

|   |                     |
|---|---------------------|
| Actuarial accrued liability (AAL)                 | \$35,828,202        |
| Actuarial value of plan assets                    | -                   |
| Unfunded actuarial accrued liability (UAAL)       | <u>\$35,828,202</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 00.0%               |
| Covered payroll (active plan members)             | \$35,329,764        |
| UAAL as a percentage of covered payroll           | 101.4%              |

Actuarial valuations for the OPEB plan involve estimates of the value of reported amounts and assumptions about the probability 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, presented as required supplementary information following the notes to the financial statements, 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.

*Actuarial Methods and Assumptions.* 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. The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime. The Unfunded Actuarial Accrued Liability was amortized over a fixed 30-year period as a level percentage of payroll beginning July 1, 2013. The City, with guidance from Actuary, has selected the discount rate (4.5%) and future medical benefit cost increase (various ranging from 5.0% to 10.10%), with a 2.75% inflation rate. It is assumed the City's payroll will increase 3.0% per year. A June 30, 2015 GAAP based Actuarial Valuation report can be obtained from the City's Finance department upon request.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2015

(17) Post Employment Benefits-RHS (Defined Contribution)

On January 1, 2004, the City adopted a new Retirement Health Savings Plan (RHS) for all full-time active employees. This benefit was ratified in the City's contractual agreements (MOU) with the Costa Mesa Employees Association (CMCEA), Costa Mesa Police Association (CMPA), Costa Mesa Police Management Association (CMPMA), and the Costa Mesa Firefighters Association (CMFA). This post-employment medical benefit is to assist employees with their qualifying medical expenses or premiums upon retirement or separation from the City with no minimum age requirement. The RHS plan is a defined contribution plan for all full time employees at the City. Under this plan, the employee and the City each make a mandatory 1% of base pay contribution. If the employee separates from the City prior to the 10-year vesting period, the employee forfeits his or her share of the City's contribution. The City has no payment obligations once the employee separates from the City. Per a side letter agreement with employees, the RHS program was suspended starting November 7, 2010. The City's contribution to the defined contribution post retirement plan for the year ended June 30, 2015 was \$0.

(18) Expenditures in Excess of Appropriations

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) are as follows at June 30, 2015:

|                                       | <u>Function</u>                    | <u>Expenditures</u> | <u>Appropriations</u> | <u>Excess</u> |
|---------------------------------------|------------------------------------|---------------------|-----------------------|---------------|
| General Fund                          | General Government                 | \$24,699,226        | 24,405,684            | 293,542       |
| Nonmajor Special Revenue Funds:       |                                    |                     |                       |               |
| Supplemental Law Enforcement Services | Protection of Persons and Property | 273,538             | 244,508               | 29,030        |
| Proposition 172                       | Protection of Persons and Property | 1,143,006           | 1,060,445             | 82,561        |

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(19) Risk Management

For the fiscal year ended June 30, 2015, the City participated in the California Municipal Excess Liability (“CAMEL”) Program. The membership of CAMEL consists of approximately 21 cities with similar interests and needs regarding liability insurance. Premiums are based upon the losses incurred. The Board of Directors sets the premiums for each participant and each participant is represented on the Board. Premiums are based upon the losses incurred by each member and are not affected by losses incurred by other members.

In the Self-Insurance Workers’ Compensation/General Liability/Unemployment Internal Service Fund, the City has recorded liabilities of \$10,879,484 for lawsuits and other claims arising in the ordinary course of business. The City is self-insured for the first \$2,000,000 of each claim arising for workers’ compensation and has purchased outside insurance coverage in excess of the \$2,000,000 up to an unlimited maximum. The City is self-insured for the first \$2,000,000 of each claim arising for general liability. The City has purchased outside insurance coverage in excess of the \$2,000,000 up to a maximum of \$20,000,000 per occurrence. For the past three years, claim payments have not exceeded the amount of applicable insurance coverage. The City has estimated losses for claims and judgments and has established liabilities of \$9,602,244 for workers’ compensation and \$1,277,240 for general liability. Losses for claims incurred but not reported are recorded when the probable amount of loss can be reasonably estimated. These amounts represent estimates of amounts to be paid for reported claims and incurred but not yet 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 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 City is contingently liable for additional losses not reported in the accompanying financial statements in the range of approximately \$25,000 to \$2,000,000 for which the likelihood of an unfavorable outcome is only reasonably possible, as determined by legal counsel.

Changes in claims payable for the past two fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Claims Incurred and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Ending Balance</u> |
|--------------------|--------------------------|---|-----------------------|-----------------------|
| 2013-14            | \$12,401,539             | \$2,205,831                                     | (\$3,669,004)         | \$10,938,366          |
| 2014-15            | 10,938,366               | 2,174,466                                       | (2,233,348)           | 10,879,484            |



CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(20) Pledged Revenue

The City and its component units have one debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented in the accompanying notes. The purpose for which the proceeds of the related debt issuance was utilized is disclosed in the debt description in Note 8. For the current year, debt service payments as a percentage of the pledged gross revenue (or net of certain expense where so required by the debt agreement) are indicated in the table below. This percentage also approximates the relationship of debt service to pledged revenue for the remainder of the term of the commitment:

| <u>Description of Pledged Revenue</u> | <u>Annual Amount of Pledged Revenue (net of expenses)</u> | <u>Annual Debt Service Payments (of all debt secured by this revenue)</u> | <u>Debt Service as a Percentage of Pledged Revenue</u> |
|---------------------------------------|---|---|--|
| Mello-Roos CFD 91-1                   | \$ 249,214  | \$ 224,141  | 89.90 %  |

(21) Golf Course Lease Agreement

The City has entered into an agreement with Mesa Verde Partners (MVP) under which MVP will operate and collect user fees from the Costa Mesa Country Club through August 31, 2029. The agreement requires MVP to pay a percentage of gross receipts that MVP receives from green fees, driving range, cart rental, sale from proshop, food beverages, and the rental of banquet and meeting rooms, or a flat minimum monthly rate, whichever is greater. The percentage of gross receipts varies from 6 percent to 35 percent depending on the revenue type, and the minimum rent is adjusted every two years. The minimum rent for the period of September 1, 2013 to August 31, 2015 is \$147,000 per month. In fiscal year 2015, the City received a total of \$2,309,151 from the golf course operations, \$2,206,319 of which is reported in the General Fund and the remaining \$102,832 in the Golf Course Improvements Capital Projects Fund. The City reports the golf course and related equipment under capital assets in the government-wide financial statements.

(22) Legislation and Litigation Affecting the Successor Agency

In fiscal year 2011-12, Assembly Bills 1x 26 (the “Dissolution Act”) and 1x 27 were enacted to dissolve all redevelopment agencies in the State of California. The Legislature subsequently passed and the Governor signed AB 1484 making technical and substantive amendments to the Dissolution Act based on experience at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, California redevelopment agencies were dissolved as of February 1, 2012. Sponsoring communities that had the dissolved redevelopment agencies (“Dissolved Agencies”) and other designated entities were required to initiate the process of unwinding the affairs of the Dissolved Agencies. Successor Agencies were created by sponsoring communities of Dissolved Agencies unless the communities elected not to create the Successor Agencies. On February 1, 2012, the City elected to create a Successor Agency as authorized by City Council Resolution 12-12.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(22) Legislation and Litigation Affecting the Successor Agency, (Continued)

The Dissolution Act also created oversight boards to monitor activities of Successor Agencies. The roles of Successor Agencies and oversight boards are to administer the winding down of Dissolved Agencies which includes making payments due on enforceable obligations, disposing of assets (other than housing assets), and remitting unencumbered balances of the Dissolved Agencies to County Auditor-Controllers for distribution to affected taxing entities.

The Dissolution Act also allowed the sponsoring communities that formed the redevelopment agencies to assume housing functions and take over certain housing assets of the Dissolved Agencies. On January 17, 2012, the City elected to create a Housing Successor Agency pursuant to City Council Resolution 12-3.

As of February 1, 2012, housing assets and obligations of the former RDA were transferred to the Costa Mesa Housing Authority, activities of which are reported in the Housing Authority Special Revenue Fund in the City's financial statements. All other assets and obligations of the former RDA were transferred to the Successor Agency of the City of Costa Mesa Private Purpose Trust Fund, activities of which can be found under the fiduciary funds in the City's financial statements.

The Dissolution Act and AB 1484 also established roles for County Auditor-Controllers ("CAC"), the California Department of Finance ("DOF"), and the California State Controller's office ("SCO") in the dissolution process and satisfaction of enforceable obligations of the Dissolved Agencies.

The County Auditor-Controllers were required to establish Redevelopment Property Tax Trust Funds ("RPTTF") for Successor Agencies to deposit property taxes that would have been redevelopment property tax increment had the redevelopment agency not been dissolved. Successor Agencies use RPTTF deposits to pay enforceable obligations approved by the DOF for each six-month period. RPTTF deposits will be used for enforceable obligations of Successor Agencies until all obligations have been paid in full and non-housing assets have been liquidated.

AB 1484 mandated two Due Diligence Reviews ("DDR") for each Successor Agency. Based on the results of the DDR, Successor Agencies were required to remit unencumbered funds (cash) to the CAC. The DOF issued a Finding of Completion on May 24, 2013 in which DOF concurred that the Successor Agency had made all required payments as a result of the due diligence reviews.

In addition to the Due Diligence Review, the State Controller's Office has been directed to review the propriety of any transfers of assets between Dissolved Agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers was not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the Successor Agency. The City made a payment to the CAC in the amount of \$2,492,747 on May 1, 2013 which included a credit of \$116,867 to the Successor Agency. The SCO issued a final audit report for the transfer of assets dated January 2015.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(22) Legislation and Litigation Affecting the Successor Agency, (Continued)

Earlier in the dissolution process, the DOF disallowed a loan in the amount of \$9,278,545 from the City's General Fund to the former Redevelopment Agency as an enforceable obligation. The DOF's Finding of Completion on May 24, 2013 allowed the placement of these loan agreements on the recognized obligation payment schedule (the "ROPS"), provided the oversight board made a finding that the loan was for legitimate redevelopment purposes pursuant to Health and Safety Code section 34191.4. On October 9, 2013, the City filed a lawsuit in the Sacramento Superior Court, Case No. 34-2013-80001675, against the DOF and the Orange County Auditor-Controller. The lawsuit sought, among other relief, orders requiring the DOF to approve annual loan repayments to the City on future ROPS submitted by the Successor Agency and requiring the Orange County Auditor-Controller to refund the \$2,492,747 payment the City made on May 1, 2013. Based on the uncertainty of DOF reinstatement of the loan, the City wrote off the outstanding balance of the loan in the fiscal year 2012-13. At this time, the status of the lawsuit is still active.

On April 17, 2014, the oversight board approved the finding that the loan was for legitimate redevelopment purposes pursuant to Health and Safety Code section 34191.4. On May 6, 2014, the DOF sent a letter affirming the Oversight Board's decision that the loan was for legitimate redevelopment purpose and reestablishing the loan under certain Amended and Restated Agreement. Subsequent to the write-off of the loan, the City has adjusted the loan for principal additions, interest additions and principal received after the loan was recognized as an enforceable obligation. At June 30, 2015, the loan balance is estimated to be \$9,252,576. The loan balance continues to be excluded from the fiscal year 2014-15 financial statements as certain assurances from the DOF need to occur before the City will formally reinstate the loan.

(23) Successor Agency Bonds Payable Reporting in Fiduciary Funds

The liabilities of the former Redevelopment Agency were transferred to the Successor Agency from the City of Costa Mesa Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency (see note 22).

On October 1, 2003, the Costa Mesa Redevelopment Agency issued \$7,470,000 Tax Allocation Refunding Bonds to refund the \$9,955,000 Downtown Redevelopment Project 1993 Tax Allocation Refunding Bonds. The original bonds were issued to finance a portion of costs associated with implementing the Redevelopment Plan which included the refurbishment of the Downtown Redevelopment Project Area. The bonds issued consist of serial bonds maturing from 2004 to 2017 in semi-annual installments ranging from \$450,000 to \$670,000. Interest is payable on April 1 and October 1, commencing on April 1, 2004 at rates ranging from 2.0% to 5.0%. Bonds maturing on or after October 1, 2014 are subject to optional redemption, in whole or in part from among maturities as selected by the Agency on October 1, 2013. The bonds are secured by tax revenue.

The amount required for bond reserve for the 2003 Tax Allocation Refunding Bonds is \$704,300. The City has \$704,335 on reserve with the fiscal agent at June 30, 2015. The principal balance outstanding at June 30, 2015 is \$1,915,000.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

Year ended June 30, 2015

(23) Successor Agency Bonds Payable Reporting in Fiduciary Funds (Continued)

The annual debt service requirements for the Redevelopment Agency 2003 Tax Allocation Refunding Bonds as of June 30, 2015 are as follows:

| Year Ending<br><u>June 30,</u> | <u>Private Purpose Trust Fund</u> |                 |
|--------------------------------|-----------------------------------|-----------------|
|                                | <u>Principal</u>                  | <u>Interest</u> |
| 2016                           | \$610,000                         | 77,450          |
| 2017                           | 635,000                           | 49,375          |
| 2018                           | <u>670,000</u>                    | <u>16,750</u>   |
| Total                          | <u>\$1,915,000</u>                | <u>143,575</u>  |

(24) Restatement of Prior Year Financial Statements

Restatement of the Governmental Activities net position as of July 1, 2014 is as follows:

|  | <u>Government-Wide<br/>Financials<br/>Governmental<br/>Activities</u> |
|--|---|
| Net position at beginning of the year<br>as previously reported                                    | \$295,401,690   |
| Implementation of GASB Statements<br>68 and 71 to record pension liability<br>at beginning of year | <u>(230,627,791)</u>  |
| Net position at beginning of the year<br>As restated   | <u>\$ 64,773,899</u>  |

(25) Subsequent Events

The City of Costa Mesa acquired three affordable housing properties (22 units) through a non-judicial foreclosure in August 2015 due to a breach of contract by the Civic Center Barrio Housing Corporation (CCBC). It is anticipated that the foreclosure on the fourth and final property will occur sometime in January 2016. The City held a beneficial interest in these properties through a series of Promissory Notes secured by Deeds of Trust. As a result of the foreclosures, the City wrote off \$4,132,667 of outstanding loans receivable balances at June 30, 2015.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 15, 2015, the date the financial statements were available to be issued.

**CITY OF COSTA MESA  
CALIFORNIA**



**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF COSTA MESA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FIRE SAFETY PLAN

Last Ten Fiscal Years\*

|   | <u>2015</u>   |
|---|---------------|
| Plan's proportion of the net pension liability  | 0.86632%      |
| Plan's proportionate share of the net pension liability   | \$ 53,906,245 |
| Plan's covered - employee payroll   | \$ 9,445,998  |
| Plan's proportionate share of the net pension liability as<br>a percentage of covered - employee payroll          | 570.68%       |
| Plan's proportionate share of the fiduciary net position as<br>a percentage of the Plan's total pension liability | 70.20%        |
| Plan's proportionate share of aggregate employer contributions  | \$ 4,567,080  |

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There were no changes in assumptions

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

CITY OF COSTA MESA  
 SCHEDULE OF CONTRIBUTIONS  
 FIRE SAFETY PLAN

Last Ten Fiscal Years\*

|   | 2015         |
|---|--------------|
| Contractually required contribution (actuarially determined)          | \$ 4,603,714 |
| Contributions in relation to the actuarially determined contributions | (4,603,714)  |
| Contribution deficiency (excess)                                      | \$ -         |
| Covered - employee payroll  | \$ 8,616,507 |
| Contributions as a percentage of covered - employee payroll           | 53.43%       |

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

|                               |   |
|-------------------------------|---|
| Single and agent employers    | Entry age   |
| Amortization method           | Level percentage of payroll, closed   |
| Remaining amortization period | 19 Years as of the Valuation Date   |
| Asset valuation method        | 15 Year Smoothed 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 pension plan investment expense, including inflation  |
| Retirement age                | 50 years for 3.00%@50, 2.0%50 and 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.

CITY OF COSTA MESA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
MISCELLANEOUS PLAN

Last Ten Fiscal Years\*

|  | <u>2015</u>                  |
|--|------------------------------|
| Total Pension Liability:   |                              |
| Service cost   | \$ 3,366,560                 |
| Interest on total pension liability  | 17,792,384                   |
| Differences between expected and actual experience                         | -                            |
| Changes in assumptions   | -                            |
| Changes in benefits  | -                            |
| Benefit payments, including refunds of employee contributions              | <u>(12,853,585)</u>          |
| Net Change in Total Pension Liability                                      | 8,305,359                    |
| Total Pension Liability - Beginning of Year                                | <u>241,975,291</u>           |
| Total Pension Liability - End of Year (a)                                  | <u><u>\$ 250,280,650</u></u> |
| Plan Fiduciary Net Position:   |                              |
| Contributions - employer   | \$ 4,903,142                 |
| Contributions - employee   | 2,137,933                    |
| Net investment income  | 26,075,603                   |
| Benefit payments   | <u>(12,853,585)</u>          |
| Net Change in Plan Fiduciary Net Position                                  | 20,263,093                   |
| Plan Fiduciary Net Position - Beginning of Year                            | <u>153,666,841</u>           |
| Plan Fiduciary Net Position - End of Year (b)                              | <u><u>\$ 173,929,934</u></u> |
| Net Pension Liability - Ending (a)-(b)                                     | <u><u>\$ 76,350,716</u></u>  |
| Plan fiduciary net position as a percentage of the total pension liability | 69.49%                       |
| Covered - employee payroll   | \$ 19,508,378                |
| Net pension liability as percentage of covered- employee payroll           | 391.37%                      |

Notes to Schedule:

Benefit Changes:

There were not changes in benefits.

Changes in Assumptions:

There were not changes in assumptions

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



CITY OF COSTA MESA  
 SCHEDULE OF CONTRIBUTIONS  
 MISCELLANEOUS PLAN

Last Ten Fiscal Years\*

|   | 2015          |
|---|---------------|
| Actuarially determined contribution                                   | \$ 5,221,083  |
| Contributions in relation to the actuarially determined contributions | (5,221,083)   |
| Contribution deficiency (excess)                                      | \$ -          |
| Covered - employee payroll  | \$ 17,928,997 |
| Contributions as a percentage of covered - employee payroll           | 29.12%        |

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

|                               |   |
|-------------------------------|---|
| Single and agent employers    | Entry age   |
| Amortization method           | Level percentage of payroll, closed   |
| Remaining amortization period | 22 years as of the Valuation Date   |
| Asset valuation method        | 15 Year Smoothed 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 pension plan investment expense, including inflation  |
| Retirement age                | 2.5%@55, 2.0%@60, 2%@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 COSTA MESA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
POLICE SAFETY PLAN

Last Ten Fiscal Years\*

|  | <u>2015</u>                  |
|--|------------------------------|
| Total Pension Liability:   |                              |
| Service cost   | \$ 4,675,505                 |
| Interest on total pension liability  | 17,563,332                   |
| Differences between expected and actual experience                         | -                            |
| Changes in assumptions   | -                            |
| Changes in benefits  | -                            |
| Benefit payments, including refunds of employee contributions              | <u>(11,159,179)</u>          |
| Net Change in Total Pension Liability                                      | 11,079,658                   |
| Total Pension Liability - Beginning of Year                                | <u>237,419,600</u>           |
| Total Pension Liability - End of Year (a)                                  | <u><u>\$ 248,499,258</u></u> |
| Plan Fiduciary Net Position:   |                              |
| Contributions - employer   | \$ 5,066,147                 |
| Contributions - employee   | 2,204,590                    |
| Net investment income  | 24,794,991                   |
| Benefit payments   | <u>(11,159,179)</u>          |
| Net Change in Plan Fiduciary Net Position                                  | 20,906,549                   |
| Plan Fiduciary Net Position - Beginning of Year                            | <u>143,294,304</u>           |
| Plan Fiduciary Net Position - End of Year (b)                              | <u><u>\$ 164,200,853</u></u> |
| Net Pension Liability - Ending (a)-(b)                                     | <u><u>\$ 84,298,405</u></u>  |
| Plan fiduciary net position as a percentage of the total pension liability | 66.08%                       |
| Covered - employee payroll   | \$ 15,409,861                |
| Net pension liability as percentage of covered- employee payroll           | 547.04%                      |

Notes to Schedule:

Benefit Changes:

There were not changes in benefits.

Changes in Assumptions:

There were not changes in assumptions

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

CITY OF COSTA MESA  
 SCHEDULE OF CONTRIBUTIONS  
 POLICE SAFETY PLAN

Last Ten Fiscal Years\*

|   | 2015          |
|---|---------------|
| Actuarially determined contribution                                   | \$ 5,237,595  |
| Contributions in relation to the actuarially determined contributions | (5,237,595)   |
| Contribution deficiency (excess)                                      | \$ -          |
| Covered - employee payroll  | \$ 13,714,558 |
| Contributions as a percentage of covered - employee payroll           | 38.19%        |

Notes to Schedule:

Valuation Date 6/30/2012

Methods and Assumptions Used to Determine Contribution Rates:

|                               |   |
|-------------------------------|---|
| Single and agent employers    | Entry age   |
| Amortization method           | Level percentage of payroll, closed   |
| Remaining amortization period | 22 years as of the Valuation Date   |
| Asset valuation method        | 15 Year Smoothed 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 pension plan investment expense, including inflation  |
| Retirement age                | 3%@50 and 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.

CITY OF COSTA MESA, CALIFORNIA

Schedules of Funding Progress

For the fiscal year ended June 30, 2015

1% Police Supplemental Pension Plan  
(dollar amounts in thousands)

| <u>Actuarial Valuation Date</u> | <u>Entry Age Normal Accrued Liability</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded Liability/ (Excess Assets)</u> | <u>Funded Status</u> | <u>Annual Covered Payroll</u> | <u>UAAL* As a % of Payroll</u> |
|---------------------------------|---|----------------------------------|--|----------------------|-------------------------------|--------------------------------|
| 7/1/12                          | \$2,771                                   | \$ -                             | \$2,771                                    | 00.0%                | N/A                           | 000.0%                         |
| 7/1/13                          | 2,420                                     | -                                | 2,420                                      | 00.0%                | N/A                           | 000.0%                         |
| 7/1/14                          | 2,420                                     | -                                | 2,420                                      | 00.0%                | N/A                           | 000.0%                         |

Other Post-Employment Benefit Plan  
(dollar amounts in thousands)

| <u>Actuarial Valuation Date</u> | <u>Entry Age Normal Accrued Liability</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded Liability/ (Excess Assets)</u> | <u>Funded Status</u> | <u>Annual Covered Payroll</u> | <u>UAAL* As a % of Payroll</u> |
|---------------------------------|---|----------------------------------|--|----------------------|-------------------------------|--------------------------------|
| 7/1/12                          | \$36,429                                  | \$ -                             | \$36,429                                   | 00.0%                | \$38,315                      | 95.1%                          |
| 7/1/13                          | 35,828                                    | -                                | 35,828                                     | 00.0%                | 35,330                        | 101.4%                         |
| 7/1/14                          | 35,828                                    | -                                | 35,828                                     | 00.0%                | 35,330                        | 101.4%                         |

\*UAAL refers to unfunded actuarial accrued liability.



**CITY OF COSTA MESA  
CALIFORNIA**



**SUPPLEMENTARY  
SCHEDULES**

## **GENERAL FUND**

The General Fund is used to account for all general revenues of the City not specifically levied or collected for special purposes, and for expenditures related to the provision of general services by the City. The General Fund is used to account for all resources not required to be accounted for in another fund.

## **MAJOR SPECIAL REVENUE FUNDS**

### **Housing Authority Fund**

Established pursuant to the Health and Safety Code, Section 34176(a). The primary purpose of the Housing Authority is to promote affordable housing for families of low and moderate income within the City.

### **HOME Program Fund**

Established to account for the receipt and disbursement of funds received under the Federal Home Investment Partnership Program of the Department of Housing and Urban Development. These revenues must be expended for acquisition, rehabilitation, and new construction of rental housing.

CITY OF COSTA MESA, CALIFORNIA

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|                                 | Original<br>Budget | Final<br>Budget    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|---------------------------------|--------------------|--------------------|--------------------|---|----------------------|
| Revenues:                       |                    |                    |                    |   |                      |
| Taxes:                          |                    |                    |                    |   |                      |
| Sales tax                       | \$ 50,169,000      | 50,169,000         | 51,115,064         | 946,064   | 49,264,633           |
| Property tax                    | 24,027,000         | 24,027,000         | 24,058,820         | 31,820  | 22,821,008           |
| Transient occupancy tax         | 8,040,000          | 8,040,000          | 7,995,154          | (44,846)  | 7,676,090            |
| Franchise tax                   | 4,867,000          | 4,867,000          | 4,885,926          | 18,926  | 4,891,465            |
| Business license tax            | 954,000            | 954,000            | 954,408            | 408   | 916,285              |
| Total taxes                     | <u>88,057,000</u>  | <u>88,057,000</u>  | <u>89,009,372</u>  | <u>952,372</u>  | <u>85,569,481</u>    |
| Licenses and permits            | <u>2,287,500</u>   | <u>2,287,500</u>   | <u>2,313,296</u>   | <u>25,796</u>   | <u>2,085,348</u>     |
| Fines and forfeitures           | <u>1,485,000</u>   | <u>1,485,000</u>   | <u>1,204,868</u>   | <u>(280,132)</u>  | <u>1,216,018</u>     |
| Intergovernmental:              |                    |                    |                    |   |                      |
| Motor vehicle in-lieu           | 9,450,000          | 9,450,000          | 9,481,340          | 31,340  | 9,229,059            |
| Grants and other reimbursements | 738,000            | 845,157            | 1,747,795          | 902,638   | 919,776              |
| Total intergovernmental         | <u>10,188,000</u>  | <u>10,295,157</u>  | <u>11,229,135</u>  | <u>933,978</u>  | <u>10,148,835</u>    |
| Charges for services            | <u>3,449,150</u>   | <u>3,449,150</u>   | <u>3,574,264</u>   | <u>125,114</u>  | <u>3,404,276</u>     |
| Rental                          | <u>2,896,000</u>   | <u>2,896,000</u>   | <u>2,932,280</u>   | <u>36,280</u>   | <u>2,825,148</u>     |
| Investment income               | <u>296,427</u>     | <u>296,427</u>     | <u>1,463,378</u>   | <u>1,166,951</u>  | <u>1,407,935</u>     |
| Settlements                     | <u>-</u>           | <u>-</u>           | <u>-</u>           | <u>-</u>  | <u>121,971</u>       |
| Miscellaneous                   | <u>792,585</u>     | <u>901,960</u>     | <u>1,260,202</u>   | <u>358,242</u>  | <u>616,926</u>       |
| Total revenues                  | <u>109,451,662</u> | <u>109,668,194</u> | <u>112,986,795</u> | <u>3,318,601</u>  | <u>107,395,938</u>   |
| Expenditures:                   |                    |                    |                    |   |                      |
| Current:                        |                    |                    |                    |   |                      |
| General government:             |                    |                    |                    |   |                      |
| City council                    | 360,087            | 387,951            | 427,536            | (39,585)  | 383,575              |
| Chief executive officer:        |                    |                    |                    |   |                      |
| Administration                  | 3,642,876          | 3,873,442          | 3,605,802          | 267,640   | 3,319,843            |
| City clerk                      | 638,754            | 690,353            | 639,056            | 51,297  | 465,678              |
| Personnel services              | 1,314,572          | 1,314,572          | 1,213,900          | 100,672   | 1,043,593            |
| Risk management services        | 2,459,971          | 2,459,971          | 2,524,148          | (64,177)  | 2,301,267            |
| City attorney                   | 803,000            | 803,000            | 1,305,124          | (502,124)   | 1,350,222            |
| Financial services              | 2,742,503          | 2,773,971          | 2,432,791          | 341,180   | 2,472,789            |
| Information technology          | 2,802,981          | 3,107,259          | 2,637,899          | 469,360   | 3,037,943            |
| Development services            |                    |                    |                    |   |                      |
| administration                  | 662,546            | 651,846            | 642,822            | 9,024   | 495,340              |
| Facilities and equipment        |                    |                    |                    |   |                      |
| maintenance                     | 9,391,336          | 9,541,636          | 8,824,341          | 717,295   | 8,653,334            |
| Non-departmental                | <u>(1,561,187)</u> | <u>(1,198,317)</u> | <u>445,807</u>     | <u>(1,644,124)</u>                                      | <u>369,866</u>       |
| Total general government        | <u>23,257,439</u>  | <u>24,405,684</u>  | <u>24,699,226</u>  | <u>(293,542)</u>  | <u>23,893,450</u>    |

(Continued)



## CITY OF COSTA MESA, CALIFORNIA

(Continued)

## General Fund

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget   | Final<br>Budget    | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|----------------------|--------------------|---------------------|---|----------------------|
| Protection of persons and property:                          |                      |                    |                     |   |                      |
| Police protection  | 40,450,350           | 42,813,421         | 35,572,020          | 7,241,401   | 35,804,273           |
| Fire protection  | 20,575,082           | 20,824,618         | 20,854,224          | (29,606)  | 21,630,954           |
| Building and safety  | 2,297,742            | 2,300,851          | 2,111,839           | 189,012   | 1,804,720            |
| Total protection of persons<br>and property                  | <u>63,323,174</u>    | <u>65,938,890</u>  | <u>58,538,083</u>   | <u>7,400,807</u>  | <u>59,239,947</u>    |
| Community programs:  |                      |                    |                     |   |                      |
| Community recreation   | 4,587,549            | 4,880,420          | 4,538,488           | 341,932   | 3,628,938            |
| Planning   | 1,555,032            | 2,208,903          | 1,776,527           | 432,376   | 1,351,063            |
| Total community programs                                     | <u>6,142,581</u>     | <u>7,089,323</u>   | <u>6,315,015</u>    | <u>774,308</u>  | <u>4,980,001</u>     |
| Public services:   |                      |                    |                     |   |                      |
| Administration   | 1,452,313            | 1,469,243          | 1,472,963           | (3,720)   | 1,452,651            |
| Engineering  | 1,997,693            | 2,111,368          | 1,602,499           | 508,869   | 1,876,454            |
| Transportation   | 2,514,179            | 2,583,932          | 2,489,841           | 94,091  | 2,305,542            |
| Total public services  | <u>5,964,185</u>     | <u>6,164,543</u>   | <u>5,565,303</u>    | <u>599,240</u>  | <u>5,634,647</u>     |
| Total expenditures   | <u>98,687,379</u>    | <u>103,598,440</u> | <u>95,117,627</u>   | <u>8,480,813</u>  | <u>93,748,045</u>    |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>10,764,283</u>    | <u>6,069,754</u>   | <u>17,869,168</u>   | <u>11,799,414</u>                                       | <u>13,647,893</u>    |
| Other financing sources (uses):                              |                      |                    |                     |   |                      |
| Transfers in   | -                    | -                  | 201                 | 201   | 126                  |
| Transfers out  | (9,270,739)          | (9,270,739)        | (14,253,744)        | (4,983,005)   | (9,094,134)          |
| Total other financing sources (uses)                         | <u>(9,270,739)</u>   | <u>(9,270,739)</u> | <u>(14,253,543)</u> | <u>(4,982,804)</u>                                      | <u>(9,094,008)</u>   |
| Net change in fund balance                                   | 1,493,544            | (3,200,985)        | 3,615,625           | 6,816,610   | 4,553,885            |
| Fund balance at beginning of year                            | <u>50,200,326</u>    | <u>50,200,326</u>  | <u>50,200,326</u>   | -   | <u>45,646,441</u>    |
| Fund balance at end of year                                  | <u>\$ 51,693,870</u> | <u>46,999,341</u>  | <u>53,815,951</u>   | <u>6,816,610</u>  | <u>50,200,326</u>    |

CITY OF COSTA MESA, CALIFORNIA

Housing Authority Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget | Actual  | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|--------------------|-----------------|---------|---|----------------------|
| Revenues:  |                    |                 |         |   |                      |
| Taxes  | \$ -               | -               | 71,935  | 71,935  | 156,597              |
| Rental   | -                  | -               | 78,550  | 78,550  | 94,438               |
| Investment income  | -                  | -               | 4,964   | 4,964   | 1,689                |
| Miscellaneous  | -                  | -               | 568,143 | 568,143   | 144,717              |
| Total revenues   | -                  | -               | 723,592 | 723,592   | 397,441              |
| Expenditures:  |                    |                 |         |   |                      |
| Current:   |                    |                 |         |   |                      |
| Community programs   | -                  | 292,313         | 212,181 | 80,132  | 60,716               |
| Debt service:  |                    |                 |         |   |                      |
| Interest and fiscal charges                                  | -                  | -               | -       | -   | 4,522                |
| Total expenditures   | -                  | 292,313         | 212,181 | 80,132  | 65,238               |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                  | (292,313)       | 511,411 | 803,724   | 332,203              |
| Other financing sources (uses):                              |                    |                 |         |   |                      |
| Transfers in   | -                  | -               | -       | -   | 25,920               |
| Transfers out  | -                  | -               | -       | -   | -                    |
| Total other financing sources (uses)                         | -                  | -               | -       | -   | 25,920               |
| Net change in fund balance                                   | -                  | (292,313)       | 511,411 | 803,724   | 358,123              |
| Fund balance at beginning of year                            | 400,829            | 400,829         | 400,829 | -   | 42,706               |
| Fund balance at end of year                                  | \$ 400,829         | 108,516         | 912,240 | 803,724   | 400,829              |

CITY OF COSTA MESA, CALIFORNIA

HOME Program Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget | Actual   | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|--------------------|-----------------|----------|---|----------------------|
| Revenues:  |                    |                 |          |   |                      |
| Intergovernmental  | \$ 353,421         | 386,421         | 255,316  | (131,105)   | 93,045               |
| Investment income  | 400                | 400             | 75       | (325)   | 767                  |
| Miscellaneous  | 150,000            | 150,000         | 112,626  | (37,374)  | 318,000              |
| Total revenues   | 503,821            | 536,821         | 368,017  | (168,804)   | 411,812              |
| Expenditures:  |                    |                 |          |   |                      |
| Current:   |                    |                 |          |   |                      |
| Community programs   | 648,716            | 1,265,158       | 386,645  | 878,513   | 420,959              |
| Total expenditures   | 648,716            | 1,265,158       | 386,645  | 878,513   | 420,959              |
| Excess (deficiency) of revenues<br>over (under) expenditures | (144,895)          | (728,337)       | (18,628) | 709,709   | (9,147)              |
| Other financing sources (uses):                              |                    |                 |          |   |                      |
| Transfers in   | -                  | -               | -        | -   | -                    |
| Transfers out  | -                  | -               | -        | -   | -                    |
| Total other financing sources (uses)                         | -                  | -               | -        | -   | -                    |
| Net change in fund balance                                   | (144,895)          | (728,337)       | (18,628) | 709,709   | (9,147)              |
| Fund balance at beginning of year                            | 90,518             | 90,518          | 90,518   | -   | 99,665               |
| Fund balance (deficit) at end of year                        | \$ (54,377)        | (637,819)       | 71,890   | 709,709   | 90,518               |

CITY OF COSTA MESA, CALIFORNIA  
Notes to Required Supplementary Information  
For the fiscal year ended June 30, 2015

(1) Budgetary Data

Annual budgets are legally adopted for all governmental funds on a basis consistent with generally accepted accounting principles, except for the following funds for which annual budgets were not adopted:

- Special Revenue Fund:
  - Rental Rehabilitation Program Fund
- Debt Service Fund:
  - Financing Authority Debt Service Fund
- Capital Project Fund:
  - Golf Course Improvements Fund

The City Council adopts an annual budget submitted by the Chief Executive Officer prior to the beginning of each new fiscal year. Public hearings are conducted prior to budget adoption by the Council. Supplemental appropriations, when required during the period, are also approved by the City Council. Interfunctional budget adjustments are approved by the Chief Executive Officer. Expenditures may not legally exceed appropriations at the function level. During the year ended June 30, 2015, supplementary appropriations were made totaling \$35.6 million. At fiscal year-end all operating budget appropriations lapse.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2015

(With Comparative Data for Prior Year)

|  | Special<br>Revenue          | Debt<br>Service             | Capital<br>Projects         | Totals                      |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  |                             |                             |                             | 2015                        | 2014                        |
| <u>Assets</u>  |                             |                             |                             |                             |                             |
| Cash and investments   | \$ 11,958,908               | 1,115,000                   | 9,390,910                   | 22,464,818                  | 26,805,138                  |
| Cash and investments with fiscal agent                                 | -                           | 4,334,210                   | -                           | 4,334,210                   | 4,307,530                   |
| Due from other governments   | 435,209                     | -                           | 1,093,693                   | 1,528,902                   | 2,042,245                   |
| Accounts receivable  | -                           | -                           | 34,831                      | 34,831                      | 9,790                       |
| Interest receivable  | 17,011                      | -                           | 16,374                      | 33,385                      | 36,828                      |
| Loans receivable   | 577,993                     | -                           | -                           | 577,993                     | 878,958                     |
| Advances to other funds  | -                           | -                           | -                           | -                           | 145,085                     |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total assets   | <u>\$ 12,989,121</u>        | <u>5,449,210</u>            | <u>10,535,808</u>           | <u>28,974,139</u>           | <u>34,225,574</u>           |
| <u>Liabilities</u>   |                             |                             |                             |                             |                             |
| Accounts payable   | \$ 708,343                  | -                           | 500,631                     | 1,208,974                   | 1,312,530                   |
| Accrued liabilities  | 405,176                     | -                           | 5,926                       | 411,102                     | 390,127                     |
| Retentions payable   | 359,510                     | -                           | 394,427                     | 753,937                     | 493,588                     |
| Due to other funds   | 40,562                      | -                           | -                           | 40,562                      | 53,054                      |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total liabilities  | <u>1,513,591</u>            | <u>-</u>                    | <u>900,984</u>              | <u>2,414,575</u>            | <u>2,249,299</u>            |
| <u>Deferred Inflows of Resources</u>                                   |                             |                             |                             |                             |                             |
| Unavailable revenues   | <u>729,777</u>              | <u>-</u>                    | <u>702,407</u>              | <u>1,432,184</u>            | <u>1,167,622</u>            |
| <u>Fund Balances</u>   |                             |                             |                             |                             |                             |
| Restricted for:  |                             |                             |                             |                             |                             |
| Protection of persons and property                                     | 1,947,243                   | -                           | -                           | 1,947,243                   | 2,944,825                   |
| Community programs   | 106,705                     | -                           | -                           | 106,705                     | 43,419                      |
| Public services  | 8,723,904                   | -                           | 3,703,579                   | 12,427,483                  | 16,054,993                  |
| Debt service   | -                           | 5,449,210                   | -                           | 5,449,210                   | 5,562,530                   |
| Assigned for:  |                             |                             |                             |                             |                             |
| Protection of persons and property                                     | -                           | -                           | 750,930                     | 750,930                     | 746,934                     |
| Public services  | -                           | -                           | 4,477,908                   | 4,477,908                   | 5,485,637                   |
| Unassigned   | (32,099)                    | -                           | -                           | (32,099)                    | (29,685)                    |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total fund balances  | <u>10,745,753</u>           | <u>5,449,210</u>            | <u>8,932,417</u>            | <u>25,127,380</u>           | <u>30,808,653</u>           |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 12,989,121</u>        | <u>5,449,210</u>            | <u>10,535,808</u>           | <u>28,974,139</u>           | <u>34,225,574</u>           |

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Special<br>Revenue   | Debt<br>Service    | Capital<br>Projects | Totals             |                    |
|--|----------------------|--------------------|---------------------|--------------------|--------------------|
|  |                      |                    |                     | 2015               | 2014               |
| Revenues:  |                      |                    |                     |                    |                    |
| Taxes  | \$ 1,002,065         | -                  | 8,543               | 1,010,608          | 1,071,164          |
| Fines and forfeitures  | 162,322              | -                  | -                   | 162,322            | 2,398,126          |
| Intergovernmental  | 5,845,836            | -                  | 3,110,014           | 8,955,850          | 9,363,688          |
| Charges for services   | -                    | -                  | 550,668             | 550,668            | 550,655            |
| Rental   | -                    | -                  | 102,832             | 102,832            | 101,999            |
| Investment income  | 60,816               | 104,346            | 62,790              | 227,952            | 264,191            |
| Miscellaneous  | 185,665              | -                  | 16,161              | 201,826            | 71,682             |
| Total revenues   | <u>7,256,704</u>     | <u>104,346</u>     | <u>3,851,008</u>    | <u>11,212,058</u>  | <u>13,821,505</u>  |
| Expenditures:  |                      |                    |                     |                    |                    |
| Current:   |                      |                    |                     |                    |                    |
| Protection of persons and property                           | 2,558,321            | -                  | -                   | 2,558,321          | 4,807,262          |
| Community programs   | 1,842,836            | -                  | -                   | 1,842,836          | 838,109            |
| Public services  | 4,673,656            | -                  | 7,687,816           | 12,361,472         | 13,040,364         |
| Debt service:  |                      |                    |                     |                    |                    |
| Principal  | -                    | 2,540,000          | -                   | 2,540,000          | 2,450,000          |
| Interest and fiscal charges                                  | -                    | 1,192,245          | -                   | 1,192,245          | 1,291,589          |
| Total expenditures   | <u>9,074,813</u>     | <u>3,732,245</u>   | <u>7,687,816</u>    | <u>20,494,874</u>  | <u>22,427,324</u>  |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(1,818,109)</u>   | <u>(3,627,899)</u> | <u>(3,836,808)</u>  | <u>(9,282,816)</u> | <u>(8,605,819)</u> |
| Other financing sources (uses):                              |                      |                    |                     |                    |                    |
| Transfers in   | 87,165               | 3,514,579          | -                   | 3,601,744          | 3,562,630          |
| Transfers out  | -                    | -                  | (201)               | (201)              | (126)              |
| Total other financing<br>sources (uses)                      | <u>87,165</u>        | <u>3,514,579</u>   | <u>(201)</u>        | <u>3,601,543</u>   | <u>3,562,504</u>   |
| Net change in fund balances                                  | <u>(1,730,944)</u>   | <u>(113,320)</u>   | <u>(3,837,009)</u>  | <u>(5,681,273)</u> | <u>(5,043,315)</u> |
| Fund balances at beginning of year                           | <u>12,476,697</u>    | <u>5,562,530</u>   | <u>12,769,426</u>   | <u>30,808,653</u>  | <u>35,851,968</u>  |
| Fund balances at end of year                                 | <u>\$ 10,745,753</u> | <u>5,449,210</u>   | <u>8,932,417</u>    | <u>25,127,380</u>  | <u>30,808,653</u>  |

## NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenue derived from specific taxes or other earmarked revenues sources (other than expendable trust or for major capital projects) that are restricted by law or administrative action to expenditures for specified purposes. The following funds have been classified as nonmajor governmental funds in the accompanying fund financial statements.

### **Special Gas Tax Fund**

Established to account for receipt and disbursement of funds required to be used for construction and maintenance of the City's road network system. Financing is provided by the City's share of State gasoline taxes.

### **Proposition 172 Fund**

Established to account for receipt and disbursement of voter-approved one-half cent permanent increase in the state sales tax in November 1993. These revenues must be expended for public safety purposes.

### **Air Quality Improvement Fund**

Established to account for the City's share of funds received under Health & Safety Code 44223 (AB 2766) to finance mobile source air pollution reduction programs consistent with the California Clean Air Act of 1988.

### **Community Development Fund**

This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues must be expended to accomplish one of the following objectives: elimination of slum or blighted areas of benefit to low and moderate income persons, or to meet certain urgent community development needs.

### **Supplemental Law Enforcement Services Fund (SLESF)**

Established to account for the receipt and disbursement of funds received under the State Citizen's Option for Public Safety (COPS) Program allocated pursuant to Government Code Section 30061 enacted by Assembly Bill 3229, Chapter 134 of the 1996 Statutes. These COPS/SLESF funds are allocated based on population and can only be spent for "front line municipal police services" as per Government Code Section 30061(c)(2).

### **Rental Rehabilitation Program Fund**

Established to account for revenues received from the Department of Housing and Urban Development under Section 17 of the U.S. Housing Act of 1937. These revenues must be expended to provide assistance to rehabilitate primarily privately-owned residential rental property.

### **Narcotics Forfeiture Fund**

Established to account for receipt and disbursement of narcotic forfeitures received from County, State, and Federal agencies pursuant to Section 11470 of State Health and Safety Code and Federal Statute 21USC Section 881.

### **Local Law Enforcement Block Grant Fund**

Established to account for Federal grant monies provided by the 1998 Appropriations Act, Public Law 105-119. These funds are restricted for projects utilized to reduce crime and improve public safety.

### **Office of Traffic Safety Fund**

Established to account for Federal grant monies received through the State Office of Traffic Safety. These funds are restricted for operations utilized to enhance traffic safety and to reduce drunk driving within the City.

## CITY OF COSTA MESA, CALIFORNIA

## Nonmajor Special Revenue Funds

## Combining Balance Sheet

June 30, 2015

(With Comparative Data for Prior Year)

|  | Special Gas<br>Tax  | Proposition<br>172 | Air<br>Quality<br>Improvement | Community<br>Development |
|--|---------------------|--------------------|-------------------------------|--------------------------|
| <u>Assets</u>  |                     |                    |                               |                          |
| Cash and investments   | \$ 9,238,460        | -                  | 368,271                       | 88,230                   |
| Due from other governments   | 90,934              | 166,397            | 36,413                        | 70,923                   |
| Interest receivable  | 13,100              | -                  | 515                           | 128                      |
| Loans receivable   | -                   | -                  | -                             | 265,052                  |
| Advances to other funds  | -                   | -                  | -                             | -                        |
| Total assets   | <u>\$ 9,342,494</u> | <u>166,397</u>     | <u>405,199</u>                | <u>424,333</u>           |
| <u>Liabilities</u>   |                     |                    |                               |                          |
| Accounts payable   | \$ 566,189          | 268                | 9,252                         | 38,778                   |
| Accrued liabilities  | 8,912               | 16,451             | -                             | 7,642                    |
| Retentions payable   | 317,609             | -                  | 18,540                        | 23,361                   |
| Due to other funds   | -                   | 8,908              | -                             | -                        |
| Total liabilities  | <u>892,710</u>      | <u>25,627</u>      | <u>27,792</u>                 | <u>69,781</u>            |
| <u>Deferred Inflows of Resources</u>                                   |                     |                    |                               |                          |
| Unavailable revenues   | <u>103,287</u>      | <u>-</u>           | <u>-</u>                      | <u>265,052</u>           |
| <u>Fund Balances</u>   |                     |                    |                               |                          |
| Restricted for:  |                     |                    |                               |                          |
| Protection of persons or property                                      | -                   | 140,770            | -                             | -                        |
| Community programs   | -                   | -                  | -                             | 89,500                   |
| Public services  | 8,346,497           | -                  | 377,407                       | -                        |
| Unassigned   | <u>-</u>            | <u>-</u>           | <u>-</u>                      | <u>-</u>                 |
| Total fund balances (deficit)  | <u>8,346,497</u>    | <u>140,770</u>     | <u>377,407</u>                | <u>89,500</u>            |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 9,342,494</u> | <u>166,397</u>     | <u>405,199</u>                | <u>424,333</u>           |



| Supplemental<br>Law<br>Enforcement<br>Services | Rental<br>Rehabilitation<br>Program | Narcotics<br>Forfeiture | Local Law<br>Enforcement<br>Block<br>Grant | Office of<br>Traffic<br>Safety | Totals            |                   |
|--|-------------------------------------|-------------------------|--|--------------------------------|-------------------|-------------------|
|  |                                     |                         |  |                                | 2015              | 2014              |
| 4,082  | 17,180                              | 2,232,277               | 10,408                                     | -                              | 11,958,908        | 13,210,458        |
| 16,996   | -                                   | -                       | 20,994                                     | 32,552                         | 435,209           | 374,312           |
| -  | 25                                  | 3,228                   | 15   | -                              | 17,011            | 17,818            |
| -  | 312,941                             | -                       | -  | -                              | 577,993           | 878,958           |
| -  | -                                   | -                       | -  | -                              | -                 | 145,085           |
| <u>21,078</u>                                  | <u>330,146</u>                      | <u>2,235,505</u>        | <u>31,417</u>                              | <u>32,552</u>                  | <u>12,989,121</u> | <u>14,626,631</u> |
| -  | -                                   | 78,928                  | 14,928                                     | -                              | 708,343           | 271,046           |
| 4,082  | -                                   | 367,644                 | -  | 445                            | 405,176           | 386,074           |
| -  | -                                   | -                       | -  | -                              | 359,510           | 338,123           |
| -  | -                                   | -                       | -  | 31,654                         | 40,562            | 53,054            |
| <u>4,082</u>                                   | <u>-</u>                            | <u>446,572</u>          | <u>14,928</u>                              | <u>32,099</u>                  | <u>1,513,591</u>  | <u>1,048,297</u>  |
| -  | 312,941                             | 15,945                  | -  | 32,552                         | 729,777           | 1,101,637         |
| 16,996   | -                                   | 1,772,988               | 16,489                                     | -                              | 1,947,243         | 2,944,825         |
| -  | 17,205                              | -                       | -  | -                              | 106,705           | 43,419            |
| -  | -                                   | -                       | -  | -                              | 8,723,904         | 9,518,138         |
| -  | -                                   | -                       | -  | (32,099)                       | (32,099)          | (29,685)          |
| <u>16,996</u>                                  | <u>17,205</u>                       | <u>1,772,988</u>        | <u>16,489</u>                              | <u>(32,099)</u>                | <u>10,745,753</u> | <u>12,476,697</u> |
| <u>21,078</u>                                  | <u>330,146</u>                      | <u>2,235,505</u>        | <u>31,417</u>                              | <u>32,552</u>                  | <u>12,989,121</u> | <u>14,626,631</u> |

CITY OF COSTA MESA, CALIFORNIA  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the fiscal year ended June 30, 2015  
(With Comparative Data for Prior Year)

|  | Special Gas<br>Tax  | Proposition<br>172 | Air<br>Quality<br>Improvement | Community<br>Development |
|--|---------------------|--------------------|-------------------------------|--------------------------|
| Revenues:  |                     |                    |                               |                          |
| Taxes  | \$ -                | 1,002,065          | -                             | -                        |
| Fines and forfeitures  | -                   | -                  | -                             | -                        |
| Intergovernmental  | 3,692,024           | -                  | 138,769                       | 1,720,739                |
| Investment income  | 46,214              | 91                 | 1,882                         | 160                      |
| Miscellaneous  | -                   | -                  | 533                           | 185,132                  |
| Total revenues   | <u>3,738,238</u>    | <u>1,002,156</u>   | <u>141,184</u>                | <u>1,906,031</u>         |
| Expenditures:  |                     |                    |                               |                          |
| Current:   |                     |                    |                               |                          |
| Protection of persons and property                           | -                   | 1,143,006          | -                             | -                        |
| Community programs   | -                   | -                  | -                             | 1,842,836                |
| Public services  | 4,301,976           | -                  | 371,680                       | -                        |
| Total expenditures   | <u>4,301,976</u>    | <u>1,143,006</u>   | <u>371,680</u>                | <u>1,842,836</u>         |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(563,738)</u>    | <u>(140,850)</u>   | <u>(230,496)</u>              | <u>63,195</u>            |
| Other financing sources (uses):                              |                     |                    |                               |                          |
| Transfers in   | -                   | -                  | -                             | -                        |
| Transfers out  | -                   | -                  | -                             | -                        |
| Total other financing<br>sources (uses)                      | <u>-</u>            | <u>-</u>           | <u>-</u>                      | <u>-</u>                 |
| Net change in fund balances                                  | (563,738)           | (140,850)          | (230,496)                     | 63,195                   |
| Fund balances (deficit) at beginning of year                 | <u>8,910,235</u>    | <u>281,620</u>     | <u>607,903</u>                | <u>26,305</u>            |
| Fund balances (deficit) at end of year                       | <u>\$ 8,346,497</u> | <u>140,770</u>     | <u>377,407</u>                | <u>89,500</u>            |

| Supplemental<br>Law<br>Enforcement<br>Services | Rental<br>Rehabilitation<br>Program | Narcotics<br>Forfeiture | Local Law<br>Enforcement<br>Block<br>Grant | Office of<br>Traffic<br>Safety | Totals             |                    |
|--|-------------------------------------|-------------------------|--|--------------------------------|--------------------|--------------------|
|  |                                     |                         |  |                                | 2015               | 2014               |
| -  | -                                   | -                       | -  | -                              | 1,002,065          | 1,064,676          |
| -  | -                                   | 162,322                 | -  | -                              | 162,322            | 2,398,126          |
| 203,369  | -                                   | -                       | 20,994                                     | 69,941                         | 5,845,836          | 4,717,124          |
| -  | 91                                  | 12,251                  | 127  | -                              | 60,816             | 73,074             |
| -  | -                                   | -                       | -  | -                              | 185,665            | 71,682             |
| <u>203,369</u>                                 | <u>91</u>                           | <u>174,573</u>          | <u>21,121</u>                              | <u>69,941</u>                  | <u>7,256,704</u>   | <u>8,324,682</u>   |
| 273,538  | -                                   | 1,033,500               | 35,922                                     | 72,355                         | 2,558,321          | 4,807,262          |
| -  | -                                   | -                       | -  | -                              | 1,842,836          | 838,109            |
| -  | -                                   | -                       | -  | -                              | 4,673,656          | 5,375,075          |
| <u>273,538</u>                                 | <u>-</u>                            | <u>1,033,500</u>        | <u>35,922</u>                              | <u>72,355</u>                  | <u>9,074,813</u>   | <u>11,020,446</u>  |
| <u>(70,169)</u>                                | <u>91</u>                           | <u>(858,927)</u>        | <u>(14,801)</u>                            | <u>(2,414)</u>                 | <u>(1,818,109)</u> | <u>(2,695,764)</u> |
| 87,165   | -                                   | -                       | -  | -                              | 87,165             | 41,007             |
| -  | -                                   | -                       | -  | -                              | -                  | -                  |
| <u>87,165</u>                                  | <u>-</u>                            | <u>-</u>                | <u>-</u>                                   | <u>-</u>                       | <u>87,165</u>      | <u>41,007</u>      |
| 16,996   | 91                                  | (858,927)               | (14,801)                                   | (2,414)                        | (1,730,944)        | (2,654,757)        |
| -  | 17,114                              | 2,631,915               | 31,290                                     | (29,685)                       | 12,476,697         | 15,131,454         |
| <u>16,996</u>                                  | <u>17,205</u>                       | <u>1,772,988</u>        | <u>16,489</u>                              | <u>(32,099)</u>                | <u>10,745,753</u>  | <u>12,476,697</u>  |

CITY OF COSTA MESA, CALIFORNIA

Special Gas Tax Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget  | Final<br>Budget    | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|---------------------|--------------------|------------------|---|----------------------|
| Revenues:  |                     |                    |                  |   |                      |
| Intergovernmental  | \$ 3,020,000        | 3,020,000          | 3,692,024        | 672,024   | 3,556,286            |
| Investment income  | 50,000              | 50,000             | 46,214           | (3,786)   | 46,316               |
| Total revenues   | <u>3,070,000</u>    | <u>3,070,000</u>   | <u>3,738,238</u> | <u>668,238</u>  | <u>3,602,602</u>     |
| Expenditures:  |                     |                    |                  |   |                      |
| Current:   |                     |                    |                  |   |                      |
| Public services  | <u>3,046,982</u>    | <u>8,483,763</u>   | <u>4,301,976</u> | <u>4,181,787</u>  | <u>5,086,205</u>     |
| Total expenditures   | <u>3,046,982</u>    | <u>8,483,763</u>   | <u>4,301,976</u> | <u>4,181,787</u>  | <u>5,086,205</u>     |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>23,018</u>       | <u>(5,413,763)</u> | <u>(563,738)</u> | <u>4,850,025</u>  | <u>(1,483,603)</u>   |
| Other financing sources (uses):                              |                     |                    |                  |   |                      |
| Transfers in   | -                   | -                  | -                | -   | -                    |
| Transfers out  | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>-</u>  | <u>-</u>             |
| Total other financing sources (uses)                         | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>-</u>  | <u>-</u>             |
| Net change in fund balance                                   | 23,018              | (5,413,763)        | (563,738)        | 4,850,025   | (1,483,603)          |
| Fund balance at beginning of year                            | <u>8,910,235</u>    | <u>8,910,235</u>   | <u>8,910,235</u> | <u>-</u>  | <u>10,393,838</u>    |
| Fund balance at end of year                                  | <u>\$ 8,933,253</u> | <u>3,496,472</u>   | <u>8,346,497</u> | <u>4,850,025</u>  | <u>8,910,235</u>     |

CITY OF COSTA MESA, CALIFORNIA

Proposition 172 Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|--------------------|------------------|------------------|---|----------------------|
| Revenues:  |                    |                  |                  |   |                      |
| Taxes  | \$ 991,527         | 991,527          | 1,002,065        | 10,538  | 1,064,676            |
| Investment income  | 1,200              | 1,200            | 91               | (1,109)   | 1,151                |
| Total revenues   | <u>992,727</u>     | <u>992,727</u>   | <u>1,002,156</u> | <u>9,429</u>  | <u>1,065,827</u>     |
| Expenditures:  |                    |                  |                  |   |                      |
| Current:   |                    |                  |                  |   |                      |
| Protection of persons and property                           | <u>1,044,632</u>   | <u>1,060,445</u> | <u>1,143,006</u> | <u>(82,561)</u>   | <u>1,335,274</u>     |
| Total expenditures   | <u>1,044,632</u>   | <u>1,060,445</u> | <u>1,143,006</u> | <u>(82,561)</u>   | <u>1,335,274</u>     |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(51,905)</u>    | <u>(67,718)</u>  | <u>(140,850)</u> | <u>(73,132)</u>   | <u>(269,447)</u>     |
| Other financing sources (uses):                              |                    |                  |                  |   |                      |
| Transfers in   | -                  | -                | -                | -   | -                    |
| Transfers out  | <u>-</u>           | <u>-</u>         | <u>-</u>         | <u>-</u>  | <u>-</u>             |
| Total other financing sources (uses)                         | <u>-</u>           | <u>-</u>         | <u>-</u>         | <u>-</u>  | <u>-</u>             |
| Net change in fund balance                                   | (51,905)           | (67,718)         | (140,850)        | (73,132)  | (269,447)            |
| Fund balance at beginning of year                            | <u>281,620</u>     | <u>281,620</u>   | <u>281,620</u>   | <u>-</u>  | <u>551,067</u>       |
| Fund balance at end of year                                  | <u>\$ 229,715</u>  | <u>213,902</u>   | <u>140,770</u>   | <u>(73,132)</u>   | <u>281,620</u>       |

CITY OF COSTA MESA, CALIFORNIA

Air Quality Improvement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|--------------------|------------------|------------------|---|----------------------|
| Revenues:  |                    |                  |                  |   |                      |
| Intergovernmental  | \$ 125,000         | 125,000          | 138,769          | 13,769  | 138,322              |
| Investment income  | 2,000              | 2,000            | 1,882            | (118)   | 3,527                |
| Miscellaneous  | -                  | -                | 533              | 533   | -                    |
| Total revenues   | <u>127,000</u>     | <u>127,000</u>   | <u>141,184</u>   | <u>14,184</u>   | <u>141,849</u>       |
| Expenditures:  |                    |                  |                  |   |                      |
| Current:   |                    |                  |                  |   |                      |
| Public services  | <u>249,314</u>     | <u>769,201</u>   | <u>371,680</u>   | <u>397,521</u>  | <u>288,870</u>       |
| Total expenditures   | <u>249,314</u>     | <u>769,201</u>   | <u>371,680</u>   | <u>397,521</u>  | <u>288,870</u>       |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(122,314)</u>   | <u>(642,201)</u> | <u>(230,496)</u> | <u>411,705</u>  | <u>(147,021)</u>     |
| Other financing sources (uses):                              |                    |                  |                  |   |                      |
| Transfers in   | -                  | -                | -                | -   | -                    |
| Transfers out  | <u>-</u>           | <u>-</u>         | <u>-</u>         | <u>-</u>  | <u>-</u>             |
| Total other financing sources (uses)                         | <u>-</u>           | <u>-</u>         | <u>-</u>         | <u>-</u>  | <u>-</u>             |
| Net change in fund balance                                   | (122,314)          | (642,201)        | (230,496)        | 411,705   | (147,021)            |
| Fund balance at beginning of year                            | <u>607,903</u>     | <u>607,903</u>   | <u>607,903</u>   | -   | <u>754,924</u>       |
| Fund balance (deficit) at end of year                        | <u>\$ 485,589</u>  | <u>(34,298)</u>  | <u>377,407</u>   | <u>411,705</u>  | <u>607,903</u>       |

CITY OF COSTA MESA, CALIFORNIA

Community Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget  | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|---------------------|------------------|------------------|---|----------------------|
| <b>Revenues:</b>   |                     |                  |                  |   |                      |
| Intergovernmental  | \$ 1,031,757        | 1,883,087        | 1,720,739        | (162,348)   | 762,642              |
| Investment income  | -                   | -                | 160              | 160   | 4,529                |
| Miscellaneous  | -                   | -                | 185,132          | 185,132   | 71,682               |
| <b>Total revenues</b>  | <b>1,031,757</b>    | <b>1,883,087</b> | <b>1,906,031</b> | <b>22,944</b>   | <b>838,853</b>       |
| <b>Expenditures:</b>   |                     |                  |                  |   |                      |
| <b>Current:</b>  |                     |                  |                  |   |                      |
| Community programs   | 1,481,695           | 2,212,290        | 1,842,836        | 369,454   | 838,109              |
| <b>Total expenditures</b>                                    | <b>1,481,695</b>    | <b>2,212,290</b> | <b>1,842,836</b> | <b>369,454</b>  | <b>838,109</b>       |
| Excess (deficiency) of revenues<br>over (under) expenditures | (449,938)           | (329,203)        | 63,195           | 392,398   | 744                  |
| <b>Other financing sources (uses):</b>                       |                     |                  |                  |   |                      |
| Transfers in   | -                   | -                | -                | -   | -                    |
| Transfers out  | -                   | -                | -                | -   | -                    |
| <b>Total other financing sources (uses)</b>                  | <b>-</b>            | <b>-</b>         | <b>-</b>         | <b>-</b>  | <b>-</b>             |
| <b>Net change in fund balance</b>                            | <b>(449,938)</b>    | <b>(329,203)</b> | <b>63,195</b>    | <b>392,398</b>  | <b>744</b>           |
| Fund balance at beginning of year                            | 26,305              | 26,305           | 26,305           | -   | 25,561               |
| <b>Fund balance (deficit) at end of year</b>                 | <b>\$ (423,633)</b> | <b>(302,898)</b> | <b>89,500</b>    | <b>392,398</b>  | <b>26,305</b>        |

CITY OF COSTA MESA, CALIFORNIA

Supplemental Law Enforcement Services Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget | Actual   | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|--------------------|-----------------|----------|---|----------------------|
| Revenues:  |                    |                 |          |   |                      |
| Intergovernmental  | \$ 244,738         | 244,738         | 203,369  | (41,369)  | 192,665              |
| Total revenues   | 244,738            | 244,738         | 203,369  | (41,369)  | 192,665              |
| Expenditures:  |                    |                 |          |   |                      |
| Current:   |                    |                 |          |   |                      |
| Protection of persons and property                           | 244,508            | 244,508         | 273,538  | (29,030)  | 233,672              |
| Total expenditures   | 244,508            | 244,508         | 273,538  | (29,030)  | 233,672              |
| Excess (deficiency) of revenues<br>over (under) expenditures | 230                | 230             | (70,169) | (70,399)  | (41,007)             |
| Other financing sources (uses):                              |                    |                 |          |   |                      |
| Transfers in   | -                  | -               | 87,165   | 87,165  | 41,007               |
| Transfers out  | -                  | -               | -        | -   | -                    |
| Total other financing sources (uses)                         | -                  | -               | 87,165   | 87,165  | 41,007               |
| Net change in fund balance                                   | 230                | 230             | 16,996   | 16,766  | -                    |
| Fund balance at beginning of year                            | -                  | -               | -        | -   | -                    |
| Fund balance at end of year                                  | \$ 230             | 230             | 16,996   | 16,766  | -                    |



CITY OF COSTA MESA, CALIFORNIA

Narcotics Forfeiture Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget  | Final<br>Budget    | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|---------------------|--------------------|------------------|---|----------------------|
| <b>Revenues:</b>   |                     |                    |                  |   |                      |
| Fines and forfeitures  | \$ 1,000,000        | 1,000,000          | 162,322          | (837,678)   | 2,398,126            |
| Investment income  | 10,000              | 10,000             | 12,251           | 2,251   | 17,306               |
| Intergovernmental  | -                   | -                  | -                | -   | -                    |
| <b>Total revenues</b>  | <b>1,010,000</b>    | <b>1,010,000</b>   | <b>174,573</b>   | <b>(835,427)</b>  | <b>2,415,432</b>     |
| <b>Expenditures:</b>   |                     |                    |                  |   |                      |
| <b>Current:</b>  |                     |                    |                  |   |                      |
| Protection of persons and property                           | 2,074,119           | 2,453,344          | 1,033,500        | 1,419,844   | 3,141,718            |
| <b>Total expenditures</b>                                    | <b>2,074,119</b>    | <b>2,453,344</b>   | <b>1,033,500</b> | <b>1,419,844</b>  | <b>3,141,718</b>     |
| Excess (deficiency) of revenues<br>over (under) expenditures | (1,064,119)         | (1,443,344)        | (858,927)        | 584,417   | (726,286)            |
| <b>Other financing sources (uses):</b>                       |                     |                    |                  |   |                      |
| Transfers in   | -                   | -                  | -                | -   | -                    |
| Transfers out  | -                   | -                  | -                | -   | -                    |
| <b>Total other financing sources (uses)</b>                  | <b>-</b>            | <b>-</b>           | <b>-</b>         | <b>-</b>  | <b>-</b>             |
| <b>Net change in fund balance</b>                            | <b>(1,064,119)</b>  | <b>(1,443,344)</b> | <b>(858,927)</b> | <b>584,417</b>  | <b>(726,286)</b>     |
| Fund balance at beginning of year                            | 2,631,915           | 2,631,915          | 2,631,915        | -   | 3,358,201            |
| <b>Fund balance at end of year</b>                           | <b>\$ 1,567,796</b> | <b>1,188,571</b>   | <b>1,772,988</b> | <b>584,417</b>  | <b>2,631,915</b>     |

CITY OF COSTA MESA, CALIFORNIA

Local Law Enforcement Block Grant Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget | Actual   | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|--------------------|-----------------|----------|---|----------------------|
| Revenues:  |                    |                 |          |   |                      |
| Intergovernmental  | \$ -               | 35,922          | 20,994   | (14,928)  | 20,200               |
| Investment income  | -                  | -               | 127      | 127   | 157                  |
| Total revenues   | -                  | 35,922          | 21,121   | (14,801)  | 20,357               |
| Expenditures:  |                    |                 |          |   |                      |
| Current:   |                    |                 |          |   |                      |
| Protection of persons and property                           | -                  | 36,523          | 35,922   | 601   | 20,200               |
| Total expenditures   | -                  | 36,523          | 35,922   | 601   | 20,200               |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                  | (601)           | (14,801) | (14,200)  | 157                  |
| Other financing sources (uses):                              |                    |                 |          |   |                      |
| Transfers in   | -                  | -               | -        | -   | -                    |
| Transfers out  | -                  | -               | -        | -   | -                    |
| Total other financing sources (uses)                         | -                  | -               | -        | -   | -                    |
| Net change in fund balance                                   | -                  | (601)           | (14,801) | (14,200)  | 157                  |
| Fund balance at beginning of year                            | 31,290             | 31,290          | 31,290   | -   | 31,133               |
| Fund balance at end of year                                  | \$ 31,290          | 30,689          | 16,489   | (14,200)  | 31,290               |

CITY OF COSTA MESA, CALIFORNIA

Office of Traffic Safety Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget | Actual   | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|--------------------|-----------------|----------|---|----------------------|
| Revenues:  |                    |                 |          |   |                      |
| Intergovernmental  | \$ -               | 287,425         | 69,941   | (217,484)   | 47,009               |
| Total revenues   | -                  | 287,425         | 69,941   | (217,484)   | 47,009               |
| Expenditures:  |                    |                 |          |   |                      |
| Current:   |                    |                 |          |   |                      |
| Protection of persons and property                           | -                  | 305,200         | 72,355   | 232,845   | 76,398               |
| Total expenditures   | -                  | 305,200         | 72,355   | 232,845   | 76,398               |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                  | (17,775)        | (2,414)  | 15,361  | (29,389)             |
| Other financing sources (uses):                              |                    |                 |          |   |                      |
| Transfers in   | -                  | -               | -        | -   | -                    |
| Transfers out  | -                  | -               | -        | -   | -                    |
| Total other financing sources (uses)                         | -                  | -               | -        | -   | -                    |
| Net change in fund balance                                   | -                  | (17,775)        | (2,414)  | 15,361  | (29,389)             |
| Fund deficit at beginning of year                            | (29,685)           | (29,685)        | (29,685) | -   | (296)                |
| Fund deficit at end of year                                  | \$ (29,685)        | (47,460)        | (32,099) | 15,361  | (29,685)             |



## **NONMAJOR DEBT SERVICE FUND**

Debt Service Funds are used to account for accumulated resources for, and payment of, general long-term debt.

The following fund has been classified as a nonmajor governmental fund in the accompanying fund financial statements:

### **Financing Authority Debt Service Fund**

To accumulate monies for payment of the 2007 Certificates of Participation (COP), 2006 Revenue Refunding Bonds, and 2003 Refunding Certificates of Participation. The 2007 COP provided funding for expansion of the police facility. The 2006 Revenue Refunding bonds refunded 1991 Local Agency Revenues Bonds that provided monies for the purchase of the Costa Mesa Community Facilities 1991 Special Tax Bonds. The 2003 Refunding COP refunded 1993 Refunding Revenue Bonds that provided for the refunding of the Costa Mesa City Hall and Public Safety Facilities, Inc. 1966 and 1988 Lease Revenue Bond issues.

CITY OF COSTA MESA, CALIFORNIA  
 Nonmajor Debt Service Fund  
 Balance Sheet  
 June 30, 2015  
 (With Comparative Data for Prior Year)

|  | Financing<br>Authority<br>Debt<br>Service | Totals    |           |
|--|---|-----------|-----------|
| <u>Assets</u>                          |   | 2015      | 2014      |
| Cash and investments                   | \$ 1,115,000                              | 1,115,000 | 1,255,000 |
| Cash and investments with fiscal agent | 4,334,210                                 | 4,334,210 | 4,307,530 |
| Total assets                           | \$ 5,449,210                              | 5,449,210 | 5,562,530 |
| <u>Liabilities and Fund Balance</u>    |   |           |           |
| Liabilities:                           |   |           |           |
| Accrued liabilities                    | \$ -                                      | -         | -         |
| Advances from other funds              | -   | -         | -         |
| Total liabilities                      | -   | -         | -         |
| Fund balance:                          |   |           |           |
| Restricted for:                        |   |           |           |
| Debt service                           | 5,449,210                                 | 5,449,210 | 5,562,530 |
| Total fund balance                     | 5,449,210                                 | 5,449,210 | 5,562,530 |
| Total liabilities and fund balance     | \$ 5,449,210                              | 5,449,210 | 5,562,530 |

CITY OF COSTA MESA, CALIFORNIA  
Nonmajor Debt Service Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the fiscal year ended June 30, 2015  
(With Comparative Data for Prior Year)

|  | Financing<br>Authority<br>Debt<br>Service | Totals      |             |
|--|---|-------------|-------------|
|  |   | 2015        | 2014        |
| Revenues:  |   |             |             |
| Investment income  | \$ 104,346                                | 104,346     | 115,395     |
| Total revenues   | 104,346                                   | 104,346     | 115,395     |
| Expenditures:  |   |             |             |
| Debt service:  |   |             |             |
| Principal  | 2,540,000                                 | 2,540,000   | 2,450,000   |
| Interest and fiscal charges                                  | 1,192,245                                 | 1,192,245   | 1,291,589   |
| Total expenditures   | 3,732,245                                 | 3,732,245   | 3,741,589   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (3,627,899)                               | (3,627,899) | (3,626,194) |
| Other financing sources (uses):                              |   |             |             |
| Transfers in   | 3,514,579                                 | 3,514,579   | 3,521,623   |
| Transfers out  | -   | -           | -           |
| Total other financing sources (uses)                         | 3,514,579                                 | 3,514,579   | 3,521,623   |
| Net change in fund balance                                   | (113,320)                                 | (113,320)   | (104,571)   |
| Fund balance at beginning of year                            | 5,562,530                                 | 5,562,530   | 5,667,101   |
| Fund balance at end of year                                  | \$ 5,449,210                              | 5,449,210   | 5,562,530   |





## MAJOR AND NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Funds are established to account for financial resources segregated for acquisition and construction of major capital facilities (other than those financed by proprietary funds).

The following have been classified as major funds in the accompanying fund financial statements:

### **Park Development Fund**

Established to account for development and maintenance of the City's park system. Financing is provided by fees charged to residential and commercial developers.

### **Capital Improvements Fund**

Established to account for construction of capital facilities financed by the City's General Fund and various governmental grants.

The following have been classified as nonmajor governmental funds in the accompanying fund financial statements:

### **Measure "M2" Fund**

Established to account for the expenditure of the 2006 voter-approved one-half percent sales tax for local transportation improvements. Measure M2 is a 30-year extension of the earlier Measure M program.

### **Parking Districts Fund**

Established under the Vehicle Parking District Law of 1943 to provide vehicle facilities in the downtown area. Financing is provided through specific property tax levies.

### **Golf Course Improvements Fund**

Established to account for Costa Mesa Country Club capital expenditures. The City receives two and one-half percent of monthly gross receipts of green and tournament fees to finance capital improvements.

### **Drainage Fees Fund**

Established to account for construction and maintenance of the City's drainage system. Financing is provided by fees charged to residential and commercial developers.

### **Traffic Impact Fees Fund**

Established to account for the receipt and disbursement of funds for transportation improvements Citywide. Financing is provided by fees charged to residential and commercial developers.

### **Fire System Development Fees Fund**

Established to account for receipt and disbursement of development impact fees established by Ordinance 89-1 for future construction of fire protection facilities and equipment for the north Costa Mesa area.

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2015

(With Comparative Data for Prior Year)

|  | Measure "M2"<br>Fund | Parking<br>Districts | Golf Course<br>Improvements | Drainage<br>Fees |
|--|----------------------|----------------------|-----------------------------|------------------|
| <u>Assets</u>  |                      |                      |                             |                  |
| Cash and investments   | \$ 3,927,604         | 43,618               | 264,285                     | 1,211,821        |
| Due from other governments   | 1,093,685            | 8                    | -                           | -                |
| Accounts receivable  | 1,887                | -                    | 10,517                      | -                |
| Interest receivable  | 8,531                | 63                   | 382                         | 1,753            |
| Total assets   | <u>\$ 5,031,707</u>  | <u>43,689</u>        | <u>275,184</u>              | <u>1,213,574</u> |
| <u>Liabilities</u>   |                      |                      |                             |                  |
| Accounts payable   | \$ 321,943           | -                    | -                           | 7,222            |
| Accrued liabilities  | 5,926                | -                    | -                           | -                |
| Retentions payable   | 297,852              | -                    | -                           | 52,025           |
| Total liabilities  | <u>625,721</u>       | <u>-</u>             | <u>-</u>                    | <u>59,247</u>    |
| <u>Deferred Inflows of Resources</u>                                   |                      |                      |                             |                  |
| Unavailable revenues   | <u>702,407</u>       | <u>-</u>             | <u>-</u>                    | <u>-</u>         |
| <u>Fund Balances</u>   |                      |                      |                             |                  |
| Restricted for:  |                      |                      |                             |                  |
| Public services  | 3,703,579            | -                    | -                           | -                |
| Assigned for:  |                      |                      |                             |                  |
| Protection of persons and property                                     | -                    | -                    | -                           | -                |
| Public services  | -                    | 43,689               | 275,184                     | 1,154,327        |
| Total fund balances  | <u>3,703,579</u>     | <u>43,689</u>        | <u>275,184</u>              | <u>1,154,327</u> |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 5,031,707</u>  | <u>43,689</u>        | <u>275,184</u>              | <u>1,213,574</u> |

| Traffic<br>Impact Fees | Fire System<br>Development<br>Fees | Totals            |                   |
|------------------------|------------------------------------|-------------------|-------------------|
|                        |                                    | 2015              | 2014              |
| 3,193,736              | 749,846                            | 9,390,910         | 12,339,680        |
| -                      | -                                  | 1,093,693         | 1,667,933         |
| 22,427                 | -                                  | 34,831            | 9,790             |
| 4,561                  | 1,084                              | 16,374            | 19,010            |
| <u>3,220,724</u>       | <u>750,930</u>                     | <u>10,535,808</u> | <u>14,036,413</u> |
| 171,466                | -                                  | 500,631           | 1,041,484         |
| -                      | -                                  | 5,926             | 4,053             |
| 44,550                 | -                                  | 394,427           | 155,465           |
| <u>216,016</u>         | <u>-</u>                           | <u>900,984</u>    | <u>1,201,002</u>  |
| -                      | -                                  | 702,407           | 65,985            |
| -                      | -                                  | 3,703,579         | 6,536,855         |
| -                      | 750,930                            | 750,930           | 746,934           |
| 3,004,708              | -                                  | 4,477,908         | 5,485,637         |
| <u>3,004,708</u>       | <u>750,930</u>                     | <u>8,932,417</u>  | <u>12,769,426</u> |
| <u>3,220,724</u>       | <u>750,930</u>                     | <u>10,535,808</u> | <u>14,036,413</u> |

CITY OF COSTA MESA, CALIFORNIA

Nonmajor Capital Projects Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Measure "M2"<br>Fund | Parking<br>Districts | Golf Course<br>Improvements | Drainage<br>Fees |
|--|----------------------|----------------------|-----------------------------|------------------|
| Revenues:  |                      |                      |                             |                  |
| Taxes  | \$ -                 | 8,543                | -                           | -                |
| Intergovernmental  | 3,110,014            | -                    | -                           | -                |
| Charges for services   | -                    | -                    | -                           | 308,771          |
| Rental   | -                    | -                    | 102,832                     | -                |
| Investment income  | 33,779               | 216                  | 1,277                       | 6,375            |
| Miscellaneous  | 5,151                | -                    | -                           | -                |
| Total revenues   | <u>3,148,944</u>     | <u>8,759</u>         | <u>104,109</u>              | <u>315,146</u>   |
| Expenditures:  |                      |                      |                             |                  |
| Current:   |                      |                      |                             |                  |
| Public services  | <u>5,982,220</u>     | <u>-</u>             | <u>94,341</u>               | <u>1,063,384</u> |
| Total expenditures   | <u>5,982,220</u>     | <u>-</u>             | <u>94,341</u>               | <u>1,063,384</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(2,833,276)</u>   | <u>8,759</u>         | <u>9,768</u>                | <u>(748,238)</u> |
| Other financing sources (uses):                              |                      |                      |                             |                  |
| Transfers in   | -                    | -                    | -                           | -                |
| Transfers out  | <u>-</u>             | <u>(201)</u>         | <u>-</u>                    | <u>-</u>         |
| Total other financing<br>sources (uses)                      | <u>-</u>             | <u>(201)</u>         | <u>-</u>                    | <u>-</u>         |
| Net change in fund balance                                   | (2,833,276)          | 8,558                | 9,768                       | (748,238)        |
| Fund balance at beginning of year                            | <u>6,536,855</u>     | <u>35,131</u>        | <u>265,416</u>              | <u>1,902,565</u> |
| Fund balance at end of year                                  | <u>\$ 3,703,579</u>  | <u>43,689</u>        | <u>275,184</u>              | <u>1,154,327</u> |

| Traffic<br>Impact Fees | Fire System<br>Development<br>Fees | Totals             |                    |
|------------------------|------------------------------------|--------------------|--------------------|
|                        |                                    | 2015               | 2014               |
| -                      | -                                  | 8,543              | 6,488              |
| -                      | -                                  | 3,110,014          | 4,646,564          |
| 241,897                | -                                  | 550,668            | 550,655            |
| -                      | -                                  | 102,832            | 101,999            |
| 17,147                 | 3,996                              | 62,790             | 75,722             |
| 11,010                 | -                                  | 16,161             | -                  |
| <u>270,054</u>         | <u>3,996</u>                       | <u>3,851,008</u>   | <u>5,381,428</u>   |
| <u>547,871</u>         | <u>-</u>                           | <u>7,687,816</u>   | <u>7,665,289</u>   |
| <u>547,871</u>         | <u>-</u>                           | <u>7,687,816</u>   | <u>7,665,289</u>   |
| <u>(277,817)</u>       | <u>3,996</u>                       | <u>(3,836,808)</u> | <u>(2,283,861)</u> |
| -                      | -                                  | -                  | -                  |
| <u>-</u>               | <u>-</u>                           | <u>(201)</u>       | <u>(126)</u>       |
| <u>-</u>               | <u>-</u>                           | <u>(201)</u>       | <u>(126)</u>       |
| (277,817)              | 3,996                              | (3,837,009)        | (2,283,987)        |
| <u>3,282,525</u>       | <u>746,934</u>                     | <u>12,769,426</u>  | <u>15,053,413</u>  |
| <u>3,004,708</u>       | <u>750,930</u>                     | <u>8,932,417</u>   | <u>12,769,426</u>  |

CITY OF COSTA MESA, CALIFORNIA

Measure "M2" Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget  | Final<br>Budget    | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior<br>Year<br>Actual |
|--|---------------------|--------------------|--------------------|---|-------------------------|
| Revenues:  |                     |                    |                    |   |                         |
| Intergovernmental  | \$ 4,831,380        | 12,586,492         | 3,110,014          | (9,476,478)   | 4,646,564               |
| Investment income  | 47,500              | 47,500             | 33,779             | (13,721)  | 40,795                  |
| Miscellaneous  | -                   | -                  | 5,151              | 5,151   | -                       |
| Total revenues   | <u>4,878,880</u>    | <u>12,633,992</u>  | <u>3,148,944</u>   | <u>(9,485,048)</u>                                      | <u>4,687,359</u>        |
| Expenditures:  |                     |                    |                    |   |                         |
| Current:   |                     |                    |                    |   |                         |
| Public services  | <u>7,119,199</u>    | <u>19,183,177</u>  | <u>5,982,220</u>   | <u>13,200,957</u>                                       | <u>6,511,341</u>        |
| Total expenditures   | <u>7,119,199</u>    | <u>19,183,177</u>  | <u>5,982,220</u>   | <u>13,200,957</u>                                       | <u>6,511,341</u>        |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(2,240,319)</u>  | <u>(6,549,185)</u> | <u>(2,833,276)</u> | <u>3,715,909</u>  | <u>(1,823,982)</u>      |
| Other financing sources (uses):                              |                     |                    |                    |   |                         |
| Transfers in   | -                   | -                  | -                  | -   | -                       |
| Transfers out  | <u>-</u>            | <u>-</u>           | <u>-</u>           | <u>-</u>  | <u>-</u>                |
| Total other financing sources (uses)                         | <u>-</u>            | <u>-</u>           | <u>-</u>           | <u>-</u>  | <u>-</u>                |
| Net change in fund balance                                   | (2,240,319)         | (6,549,185)        | (2,833,276)        | 3,715,909   | (1,823,982)             |
| Fund balance at beginning of year                            | <u>6,536,855</u>    | <u>6,536,855</u>   | <u>6,536,855</u>   | <u>-</u>  | <u>8,360,837</u>        |
| Fund balance (deficit) at end of year                        | <u>\$ 4,296,536</u> | <u>(12,330)</u>    | <u>3,703,579</u>   | <u>3,715,909</u>  | <u>6,536,855</u>        |

CITY OF COSTA MESA, CALIFORNIA

Parking Districts Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget | Actual | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior<br>Year<br>Actual |
|--|--------------------|-----------------|--------|---|-------------------------|
| Revenues:  |                    |                 |        |   |                         |
| Taxes  | \$ 15,000          | 15,000          | 8,543  | (6,457)   | 6,488                   |
| Investment income  | -                  | -               | 216    | 216   | 174                     |
| Total revenues   | 15,000             | 15,000          | 8,759  | (6,241)   | 6,662                   |
| Expenditures:  |                    |                 |        |   |                         |
| Current:   |                    |                 |        |   |                         |
| Public services  | -                  | -               | -      | -   | -                       |
| Total expenditures   | -                  | -               | -      | -   | -                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | 15,000             | 15,000          | 8,759  | (6,241)   | 6,662                   |
| Other financing sources (uses):                              |                    |                 |        |   |                         |
| Transfers in   | -                  | -               | -      | -   | -                       |
| Transfers out  | -                  | -               | (201)  | (201)   | (126)                   |
| Total other financing sources (uses)                         | -                  | -               | (201)  | (201)   | (126)                   |
| Net change in fund balance                                   | 15,000             | 15,000          | 8,558  | (6,442)   | 6,536                   |
| Fund balance at beginning of year                            | 35,131             | 35,131          | 35,131 | -   | 28,595                  |
| Fund balance at end of year                                  | \$ 50,131          | 50,131          | 43,689 | (6,442)   | 35,131                  |

CITY OF COSTA MESA, CALIFORNIA

Drainage Fees Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget  | Final<br>Budget    | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|---------------------|--------------------|------------------|---|----------------------|
| <b>Revenues:</b>   |                     |                    |                  |   |                      |
| Charges for services   | \$ 400,000          | 400,000            | 308,771          | (91,229)  | 406,746              |
| Investment income  | 9,300               | 9,300              | 6,375            | (2,925)   | 9,751                |
| Total revenues   | <u>409,300</u>      | <u>409,300</u>     | <u>315,146</u>   | <u>(94,154)</u>   | <u>416,497</u>       |
| <b>Expenditures:</b>   |                     |                    |                  |   |                      |
| Current:   |                     |                    |                  |   |                      |
| Public services  | 400,000             | 1,534,464          | 1,063,384        | 471,080   | 126,371              |
| Total expenditures   | <u>400,000</u>      | <u>1,534,464</u>   | <u>1,063,384</u> | <u>471,080</u>  | <u>126,371</u>       |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>9,300</u>        | <u>(1,125,164)</u> | <u>(748,238)</u> | <u>376,926</u>  | <u>290,126</u>       |
| <b>Other financing sources (uses):</b>                       |                     |                    |                  |   |                      |
| Transfers in   | -                   | -                  | -                | -   | -                    |
| Transfers out  | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>-</u>  | <u>-</u>             |
| Total other financing sources (uses)                         | <u>-</u>            | <u>-</u>           | <u>-</u>         | <u>-</u>  | <u>-</u>             |
| Net change in fund balance                                   | 9,300               | (1,125,164)        | (748,238)        | 376,926   | 290,126              |
| Fund balance at beginning of year                            | <u>1,902,565</u>    | <u>1,902,565</u>   | <u>1,902,565</u> | <u>-</u>  | <u>1,612,439</u>     |
| Fund balance at end of year                                  | <u>\$ 1,911,865</u> | <u>777,401</u>     | <u>1,154,327</u> | <u>376,926</u>  | <u>1,902,565</u>     |



CITY OF COSTA MESA, CALIFORNIA

Traffic Impact Fees Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget  | Final<br>Budget  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|---------------------|------------------|------------------|---|----------------------|
| <b>Revenues:</b>   |                     |                  |                  |   |                      |
| Charges for services   | \$ 100,000          | 100,000          | 241,897          | 141,897   | 143,909              |
| Investment income  | 18,550              | 18,550           | 17,147           | (1,403)   | 18,720               |
| Miscellaneous  | -                   | -                | 11,010           | 11,010  | -                    |
| <b>Total revenues</b>  | <b>118,550</b>      | <b>118,550</b>   | <b>270,054</b>   | <b>151,504</b>  | <b>162,629</b>       |
| <b>Expenditures:</b>   |                     |                  |                  |   |                      |
| <b>Current:</b>  |                     |                  |                  |   |                      |
| Public services  | -                   | 1,104,077        | 547,871          | 556,206   | 588,273              |
| <b>Total expenditures</b>  | <b>-</b>            | <b>1,104,077</b> | <b>547,871</b>   | <b>556,206</b>  | <b>588,273</b>       |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>118,550</b>      | <b>(985,527)</b> | <b>(277,817)</b> | <b>707,710</b>  | <b>(425,644)</b>     |
| <b>Other financing sources (uses):</b>                               |                     |                  |                  |   |                      |
| Transfers in   | -                   | -                | -                | -   | -                    |
| Transfers out  | -                   | -                | -                | -   | -                    |
| <b>Total other financing sources (uses)</b>                          | <b>-</b>            | <b>-</b>         | <b>-</b>         | <b>-</b>  | <b>-</b>             |
| <b>Net change in fund balance</b>                                    | <b>118,550</b>      | <b>(985,527)</b> | <b>(277,817)</b> | <b>707,710</b>  | <b>(425,644)</b>     |
| <b>Fund balance at beginning of year</b>                             | <b>3,282,525</b>    | <b>3,282,525</b> | <b>3,282,525</b> | <b>-</b>  | <b>3,708,169</b>     |
| <b>Fund balance at end of year</b>                                   | <b>\$ 3,401,075</b> | <b>2,296,998</b> | <b>3,004,708</b> | <b>707,710</b>  | <b>3,282,525</b>     |

CITY OF COSTA MESA, CALIFORNIA

Fire System Development Fees Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget | Final<br>Budget | Actual  | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual |
|--|--------------------|-----------------|---------|---|----------------------|
| Revenues:  |                    |                 |         |   |                      |
| Investment income  | \$ 3,750           | 3,750           | 3,996   | 246   | 3,858                |
| Total revenues   | 3,750              | 3,750           | 3,996   | 246   | 3,858                |
| Expenditures:  |                    |                 |         |   |                      |
| Current:   |                    |                 |         |   |                      |
| Public services  | -                  | -               | -       | -   | -                    |
| Total expenditures   | -                  | -               | -       | -   | -                    |
| Excess (deficiency) of revenues<br>over (under) expenditures | 3,750              | 3,750           | 3,996   | 246   | 3,858                |
| Other financing sources (uses):                              |                    |                 |         |   |                      |
| Transfers in   | -                  | -               | -       | -   | -                    |
| Transfers out  | -                  | -               | -       | -   | -                    |
| Total other financing sources (uses)                         | -                  | -               | -       | -   | -                    |
| Net change in fund balance                                   | 3,750              | 3,750           | 3,996   | 246   | 3,858                |
| Fund balance at beginning of year                            | 746,934            | 746,934         | 746,934 | -   | 743,076              |
| Fund balance at end of year                                  | \$ 750,684         | 750,684         | 750,930 | 246   | 746,934              |

CITY OF COSTA MESA, CALIFORNIA

Park Development Fund - Major Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget           | Final<br>Budget           | Actual                  | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior Year<br>Actual      |
|--|------------------------------|---------------------------|-------------------------|---|---------------------------|
| <b>Revenues:</b>   |                              |                           |                         |   |                           |
| Charges for services   | \$ 230,700                   | 230,700                   | 1,992,098               | 1,761,398   | 766,260                   |
| Investment income  | 5,000                        | 5,000                     | 16,818                  | 11,818  | 9,284                     |
| Total revenues   | <u>235,700</u>               | <u>235,700</u>            | <u>2,008,916</u>        | <u>1,773,216</u>  | <u>775,544</u>            |
| <b>Expenditures:</b>   |                              |                           |                         |   |                           |
| Current:   |                              |                           |                         |   |                           |
| Community programs   | -                            | 1,113,037                 | 64,621                  | 1,048,416   | 142,456                   |
| Debt service:  |                              |                           |                         |   |                           |
| Interest and fiscal charges                                  | -                            | 225,691                   | 21,426                  | 204,265   | -                         |
| Total expenditures   | <u>-</u>                     | <u>1,338,728</u>          | <u>86,047</u>           | <u>1,252,681</u>  | <u>142,456</u>            |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>235,700</u>               | <u>(1,103,028)</u>        | <u>1,922,869</u>        | <u>3,025,897</u>  | <u>633,088</u>            |
| <b>Other financing sources (uses):</b>                       |                              |                           |                         |   |                           |
| Transfers in   | -                            | -                         | -                       | -   | -                         |
| Transfers out  | -                            | -                         | -                       | -   | -                         |
| Total other financing sources (uses)                         | <u>-</u>                     | <u>-</u>                  | <u>-</u>                | <u>-</u>  | <u>-</u>                  |
| Net change in fund balance                                   | 235,700                      | (1,103,028)               | 1,922,869               | 3,025,897   | 633,088                   |
| Fund deficit at beginning of year                            | <u>(2,258,853)</u>           | <u>(2,258,853)</u>        | <u>(2,258,853)</u>      | <u>-</u>  | <u>(2,891,941)</u>        |
| Fund deficit at end of year                                  | <u><u>\$ (2,023,153)</u></u> | <u><u>(3,361,881)</u></u> | <u><u>(335,984)</u></u> | <u><u>3,025,897</u></u>                                 | <u><u>(2,258,853)</u></u> |

CITY OF COSTA MESA, CALIFORNIA

Capital Improvements Fund - Major Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Original<br>Budget  | Final<br>Budget     | Actual             | Variance with<br>Final Budget<br>Positive<br>(Negative) | Prior<br>Year<br>Actual |
|--|---------------------|---------------------|--------------------|---|-------------------------|
| Revenues:  |                     |                     |                    |   |                         |
| Intergovernmental  | \$ 1,887,000        | 8,364,839           | 1,569,824          | (6,795,015)   | 2,163,725               |
| Investment income  | 6,700               | 6,700               | 58,340             | 51,640  | 28,192                  |
| Miscellaneous  | -                   | -                   | 63,631             | 63,631  | -                       |
| Total revenues   | <u>1,893,700</u>    | <u>8,371,539</u>    | <u>1,691,795</u>   | <u>(6,679,744)</u>                                      | <u>2,191,917</u>        |
| Expenditures:  |                     |                     |                    |   |                         |
| Current:   |                     |                     |                    |   |                         |
| Public services  | <u>7,337,000</u>    | <u>19,053,098</u>   | <u>3,933,477</u>   | <u>15,119,621</u>                                       | <u>4,188,374</u>        |
| Total expenditures   | <u>7,337,000</u>    | <u>19,053,098</u>   | <u>3,933,477</u>   | <u>15,119,621</u>                                       | <u>4,188,374</u>        |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(5,443,300)</u>  | <u>(10,681,559)</u> | <u>(2,241,682)</u> | <u>8,439,877</u>  | <u>(1,996,457)</u>      |
| Other financing sources (uses):                              |                     |                     |                    |   |                         |
| Transfers in   | 5,450,000           | 5,450,000           | 10,652,000         | 5,202,000   | 5,035,000               |
| Transfers out  | <u>-</u>            | <u>-</u>            | <u>-</u>           | <u>-</u>  | <u>-</u>                |
| Total other financing sources (uses)                         | <u>5,450,000</u>    | <u>5,450,000</u>    | <u>10,652,000</u>  | <u>5,202,000</u>  | <u>5,035,000</u>        |
| Net change in fund balance                                   | 6,700               | (5,231,559)         | 8,410,318          | 13,641,877  | 3,038,543               |
| Fund balance at beginning of year                            | <u>5,508,649</u>    | <u>5,508,649</u>    | <u>5,508,649</u>   | <u>-</u>  | <u>2,470,106</u>        |
| Fund balance at end of year                                  | <u>\$ 5,515,349</u> | <u>277,090</u>      | <u>13,918,967</u>  | <u>13,641,877</u>                                       | <u>5,508,649</u>        |

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods and services provided by one City department to others, or of other governmental units on a cost-reimbursement basis.

### **Equipment Replacement Fund**

Established to account for all motorized equipment used by City departments.

### **Self Insurance Fund – Workers’ Compensation/General Liability/Unemployment**

Established to account for receipt and disbursement of funds used to pay worker’s compensation, general liability, and unemployment premiums and claims filed against the City.

### **Information Technology Replacement Fund**

Established to provide funds for future replacement and upgrade to the City’s computer equipment, systems and supporting infrastructure.

CITY OF COSTA MESA, CALIFORNIA  
Internal Service Funds  
Combining Statement of Net Position  
June 30, 2015  
(With Comparative Data for Prior Year)

|                                  | Equipment<br>Replacement | Self-Insurance-<br>Workers'<br>Compensation/<br>General<br>Liability/<br>Unemployment | Information<br>Technology<br>Replacement | Totals             |                    |
|----------------------------------|--------------------------|---|--|--------------------|--------------------|
|                                  |                          |   |  | 2015               | 2014               |
| <u>Assets</u>                    |                          |   |  |                    |                    |
| Current assets:                  |                          |   |  |                    |                    |
| Cash and investments             | \$ 5,210,897             | 4,681,243   | 100,243                                  | 9,992,383          | 11,951,659         |
| Accounts receivable              | 18,228                   | -   | -  | 18,228             | 18,586             |
| Interest receivable              | 7,536                    | 6,840   | 145                                      | 14,521             | 16,400             |
| Prepaid items                    | -                        | -   | -  | -                  | 47,978             |
| Inventories                      | 97,976                   | -   | -  | 97,976             | 104,957            |
| Total current assets             | <u>5,334,637</u>         | <u>4,688,083</u>  | <u>100,388</u>                           | <u>10,123,108</u>  | <u>12,139,580</u>  |
| Capital assets:                  |                          |   |  |                    |                    |
| Motorized equipment              | 11,908,702               | -   | -  | 11,908,702         | 12,513,804         |
| Other equipment                  | 224,758                  | -   | -  | 224,758            | 169,648            |
| Accumulated depreciation         | <u>(7,552,669)</u>       | <u>-</u>  | <u>-</u>                                 | <u>(7,552,669)</u> | <u>(7,451,008)</u> |
| Net capital assets               | <u>4,580,791</u>         | <u>-</u>  | <u>-</u>                                 | <u>4,580,791</u>   | <u>5,232,444</u>   |
| Total assets                     | <u>9,915,428</u>         | <u>4,688,083</u>  | <u>100,388</u>                           | <u>14,703,899</u>  | <u>17,372,024</u>  |
| <u>Liabilities</u>               |                          |   |  |                    |                    |
| Current liabilities:             |                          |   |  |                    |                    |
| Accounts payable                 | 69,387                   | 43,832  | -  | 113,219            | 203,254            |
| Accrued liabilities              | 12,010                   | -   | -  | 12,010             | 11,655             |
| Capital lease payable            | -                        | -   | -  | -                  | 203,815            |
| Claims payable                   | -                        | 2,233,348   | -  | 2,233,348          | 3,700,000          |
| Total current liabilities        | <u>81,397</u>            | <u>2,277,180</u>  | <u>-</u>                                 | <u>2,358,577</u>   | <u>4,118,724</u>   |
| Long-term liabilities:           |                          |   |  |                    |                    |
| Capital lease payable            | -                        | -   | -  | -                  | 211,580            |
| Claims payable                   | -                        | 8,646,136   | -  | 8,646,136          | 7,238,366          |
| Total long-term liabilities      | <u>-</u>                 | <u>8,646,136</u>  | <u>-</u>                                 | <u>8,646,136</u>   | <u>7,449,946</u>   |
| Total liabilities                | <u>81,397</u>            | <u>10,923,316</u>   | <u>-</u>                                 | <u>11,004,713</u>  | <u>11,568,670</u>  |
| <u>Net Position</u>              |                          |   |  |                    |                    |
| Net investment in capital assets | 4,580,791                | -   | -  | 4,580,791          | 4,817,049          |
| Unrestricted                     | <u>5,253,240</u>         | <u>(6,235,233)</u>  | <u>100,388</u>                           | <u>(881,605)</u>   | <u>986,305</u>     |
| Total net position               | <u>\$ 9,834,031</u>      | <u>(6,235,233)</u>  | <u>100,388</u>                           | <u>3,699,186</u>   | <u>5,803,354</u>   |

CITY OF COSTA MESA, CALIFORNIA

Internal Service Funds

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the fiscal year ended June 30, 2015

(With Comparative Data for Prior Year)

|  | Equipment<br>Replacement | Self-Insurance-<br>Workers'<br>Compensation/<br>General<br>Liability/<br>Unemployment | Information<br>Technology<br>Replacement | Totals      |           |
|--|--------------------------|---|--|-------------|-----------|
|  |                          |   |  | 2015        | 2014      |
| Operating revenues:                    |                          |   |  |             |           |
| Charges for services                   | \$ 1,390,432             | 4,296,031   | 100,000                                  | 5,786,463   | 6,155,618 |
| Total operating revenues               | 1,390,432                | 4,296,031   | 100,000                                  | 5,786,463   | 6,155,618 |
| Operating expenses:                    |                          |   |  |             |           |
| Allocated administrative costs         | 675,019                  | 734,138   | -  | 1,409,157   | 854,298   |
| Depreciation                           | 661,723                  | -   | -  | 661,723     | 529,434   |
| Fuel and repair parts                  | 1,026,390                | -   | -  | 1,026,390   | 1,147,993 |
| Claims and premiums                    | -                        | 4,699,381   | -  | 4,699,381   | 2,613,440 |
| Total operating expenses               | 2,363,132                | 5,433,519   | -  | 7,796,651   | 5,145,165 |
| Operating income (loss)                | (972,700)                | (1,137,488)   | 100,000                                  | (2,010,188) | 1,010,453 |
| Nonoperating revenues (expenses):      |                          |   |  |             |           |
| Investment income                      | 28,145                   | 25,254  | 388                                      | 53,787      | 60,842    |
| Interest expense                       | (23,889)                 | -   | -  | (23,889)    | (23,307)  |
| Loss on sale of equipment              | (123,878)                | -   | -  | (123,878)   | (14,162)  |
| Total nonoperating revenues (expenses) | (119,622)                | 25,254  | 388                                      | (93,980)    | 23,373    |
| Income (loss) before transfers         | (1,092,322)              | (1,112,234)   | 100,388                                  | (2,104,168) | 1,033,826 |
| Transfers in                           | -                        | -   | -  | -           | 496,504   |
| Transfers out                          | -                        | -   | -  | -           | -         |
| Total transfers                        | -                        | -   | -  | -           | 496,504   |
| Change in net position                 | (1,092,322)              | (1,112,234)   | 100,388                                  | (2,104,168) | 1,530,330 |
| Net position at beginning of year      | 10,926,353               | (5,122,999)   | -  | 5,803,354   | 4,273,024 |
| Net position at end of year            | \$ 9,834,031             | (6,235,233)   | 100,388                                  | 3,699,186   | 5,803,354 |

CITY OF COSTA MESA, CALIFORNIA  
Internal Service Funds  
Combining Statement of Cash Flows  
For the fiscal year ended June 30, 2015  
(With Comparative Data for Prior Year)

|  | Equipment<br>Replacement | Self-Insurance-<br>Workers'<br>Compensation/<br>General<br>Liability/<br>Unemployment | Information<br>Technology<br>Replacement | Totals      |             |
|--|--------------------------|---|--|-------------|-------------|
|  |                          |   |  | 2015        | 2014        |
| Cash flows from operating activities:  |                          |   |  |             |             |
| Cash received from customers and user departments  | \$ 1,390,790             | 4,296,031   | 100,000                                  | 5,786,821   | 6,158,426   |
| Cash payments to suppliers for goods and services  | (1,044,972)              | (5,557,639)   | -  | (6,602,611) | (5,533,280) |
| Cash payments to employees for services  | (625,920)                | -   | -  | (625,920)   | (548,246)   |
| Net cash provided by (used for) operating activities   | (280,102)                | (1,261,608)   | 100,000                                  | (1,441,710) | 76,900      |
| Cash flows from noncapital financing activities:   |                          |   |  |             |             |
| Cash received from other funds   | -                        | -   | -  | -           | 496,504     |
| Net cash provided by noncapital financing activities   | -                        | -   | -  | -           | 496,504     |
| Cash flows from capital and related financing activities:                                      |                          |   |  |             |             |
| Cash received from disposal of assets  | 99,002                   | -   | -  | 99,002      | 11,645      |
| Acquisition of capital assets  | (232,950)                | -   | -  | (232,950)   | (2,112,585) |
| Cash paid for capital related financing  | (439,284)                | -   | -  | (439,284)   | (219,642)   |
| Net cash used for capital and related financing activities                                     | (573,232)                | -   | -  | (573,232)   | (2,320,582) |
| Cash flows from investing activities:  |                          |   |  |             |             |
| Investment income received   | 28,935                   | 26,488  | 243                                      | 55,666      | 64,472      |
| Net cash provided by investing activities  | 28,935                   | 26,488  | 243                                      | 55,666      | 64,472      |
| Net increase (decrease) in cash and cash equivalents   | (824,399)                | (1,235,120)   | 100,243                                  | (1,959,276) | (1,682,706) |
| Cash and cash equivalents at beginning of year   | 6,035,296                | 5,916,363   | -  | 11,951,659  | 13,634,365  |
| Cash and cash equivalents at end of year   | \$ 5,210,897             | 4,681,243   | 100,243                                  | 9,992,383   | 11,951,659  |
| Reconciliation of operating income (loss) to net cash provided by operating activities:        |                          |   |  |             |             |
| Operating income (loss)  | \$ (972,700)             | (1,137,488)   | 100,000                                  | (2,010,188) | 1,010,453   |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                          |   |  |             |             |
| Depreciation   | 661,723                  | -   | -  | 661,723     | 529,434     |
| (Increase) decrease in inventories   | 6,981                    | -   | -  | 6,981       | 31,187      |
| (Increase) decrease in accounts receivable   | -                        | -   | -  | -           | 2,808       |
| (Increase) decrease in prepaid items   | 358                      | 47,978  | -  | 48,336      | 86,107      |
| Increase (decrease) in accounts payable  | 23,181                   | (113,216)   | -  | (90,035)    | (121,818)   |
| Increase (decrease) in accrued liabilities   | 355                      | -   | -  | 355         | 1,902       |
| Increase (decrease) in claims payable  | -                        | (58,882)  | -  | (58,882)    | (1,463,173) |
| Net cash provided by (used for) operating activities   | \$ (280,102)             | (1,261,608)   | 100,000                                  | (1,441,710) | 76,900      |



## **AGENCY FUNDS**

Agency Funds are used to account for assets held by the City in a fiduciary capacity for individuals, government entities, and others. Such funds are operated by carrying out specifications of trust indentures, statutes, ordinances, or other governing regulations.

### **Deposits Fund**

Established to account for various other funds held by the City in an agent or trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

### **Community Facilities District Fund**

Established to account for special taxes received under the Mello-Roos Community Facilities Act of 1982. Bonds were issued to provide for improvements within the District.

### **Costa Mesa Foundation Fund**

Established for the purpose of providing opportunities for donors to contribute assets for the benefit of the Community.

CITY OF COSTA MESA, CALIFORNIA  
 Agency Funds  
 Combining Statement of Fiduciary Assets and Liabilities  
 June 30, 2015  
 (With Comparative Data for Prior Year)

|                      | Deposits            | Community<br>Facilities<br>District | Costa Mesa<br>Foundation | Totals           |                  |
|----------------------|---------------------|-------------------------------------|--------------------------|------------------|------------------|
|                      |                     |                                     |                          | 2015             | 2014             |
| <u>Assets</u>        |                     |                                     |                          |                  |                  |
| Cash and investments | \$ 2,611,603        | -                                   | 94,107                   | 2,705,710        | 3,001,711        |
| Accounts receivable  | 726                 | -                                   | -                        | 726              | 12,806           |
| Interest receivable  | -                   | -                                   | 136                      | 136              | 108              |
| Prepaid items        | 7,685               | -                                   | -                        | 7,685            | 7,586            |
|                      | <u>\$ 2,620,014</u> | <u>-</u>                            | <u>94,243</u>            | <u>2,714,257</u> | <u>3,022,211</u> |
| <u>Liabilities</u>   |                     |                                     |                          |                  |                  |
| Accounts payable     | \$ 263,836          | -                                   | 956                      | 264,792          | 394,845          |
| Deposits payable     | 2,356,178           | -                                   | 93,287                   | 2,449,465        | 2,627,366        |
|                      | <u>\$ 2,620,014</u> | <u>-</u>                            | <u>94,243</u>            | <u>2,714,257</u> | <u>3,022,211</u> |

CITY OF COSTA MESA, CALIFORNIA

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2015

|                                      | <u>Balance at<br/>July 1, 2014</u> | <u>Additions</u>  | <u>Deletions</u>  | <u>Balance at<br/>June 30, 2015</u> |
|--------------------------------------|------------------------------------|-------------------|-------------------|-------------------------------------|
| <u>DEPOSITS</u>                      |                                    |                   |                   |                                     |
| <u>Assets</u>                        |                                    |                   |                   |                                     |
| Cash and investments                 | \$ 2,923,591                       | 42,829,948        | 43,141,936        | 2,611,603                           |
| Accounts receivable                  | 12,806                             | 90,735            | 102,815           | 726                                 |
| Prepaid items                        | 7,586                              | 7,685             | 7,586             | 7,685                               |
| Total assets                         | <u>\$ 2,943,983</u>                | <u>42,928,368</u> | <u>43,252,337</u> | <u>2,620,014</u>                    |
| <u>Liabilities</u>                   |                                    |                   |                   |                                     |
| Accounts payable                     | \$ 390,665                         | 5,218,102         | 5,344,931         | 263,836                             |
| Deposits payable                     | 2,553,318                          | 34,243,500        | 34,440,640        | 2,356,178                           |
| Total liabilities                    | <u>\$ 2,943,983</u>                | <u>39,461,602</u> | <u>39,785,571</u> | <u>2,620,014</u>                    |
| <u>COMMUNITY FACILITIES DISTRICT</u> |                                    |                   |                   |                                     |
| <u>Assets</u>                        |                                    |                   |                   |                                     |
| Cash and investments                 | \$ -                               | 249,214           | 249,214           | -                                   |
| Total assets                         | <u>\$ -</u>                        | <u>249,214</u>    | <u>249,214</u>    | <u>-</u>                            |
| <u>Liabilities</u>                   |                                    |                   |                   |                                     |
| Accounts payable                     | \$ -                               | 244,165           | 244,165           | -                                   |
| Held for bondholders                 | -                                  | 249,214           | 249,214           | -                                   |
| Total liabilities                    | <u>\$ -</u>                        | <u>493,379</u>    | <u>493,379</u>    | <u>-</u>                            |
| <u>COSTA MESA FOUNDATION</u>         |                                    |                   |                   |                                     |
| <u>Assets</u>                        |                                    |                   |                   |                                     |
| Cash and investments                 | \$ 78,120                          | 53,930            | 37,943            | 94,107                              |
| Interest receivable                  | 108                                | 272               | 244               | 136                                 |
| Total assets                         | <u>\$ 78,228</u>                   | <u>54,202</u>     | <u>38,187</u>     | <u>94,243</u>                       |
| <u>Liabilities</u>                   |                                    |                   |                   |                                     |
| Accounts payable                     | \$ 4,180                           | 33,091            | 36,315            | 956                                 |
| Deposits payable                     | 74,048                             | 69,965            | 50,726            | 93,287                              |
| Total liabilities                    | <u>\$ 78,228</u>                   | <u>103,056</u>    | <u>87,041</u>     | <u>94,243</u>                       |

(Continued)

## CITY OF COSTA MESA, CALIFORNIA

(Continued)

## Agency Funds

## Combining Statement of Changes in Fiduciary Assets and Liabilities

For the fiscal year ended June 30, 2015

|   | <u>Balance at<br/>July 1, 2014</u> | <u>Additions</u>  | <u>Deletions</u>  | <u>Balance at<br/>June 30, 2015</u> |
|---|------------------------------------|-------------------|-------------------|-------------------------------------|
| <b><u>TOTALS - ALL AGENCY FUNDS</u></b> |                                    |                   |                   |                                     |
| <u>Assets</u>                           |                                    |                   |                   |                                     |
| Cash and investments                    | \$ 3,001,711                       | 43,133,092        | 43,429,093        | 2,705,710                           |
| Accounts receivable                     | 12,806                             | 90,735            | 102,815           | 726                                 |
| Interest receivable                     | 108                                | 272               | 244               | 136                                 |
| Prepaid items                           | 7,586                              | 7,685             | 7,586             | 7,685                               |
| Total assets                            | <u>\$ 3,022,211</u>                | <u>43,231,784</u> | <u>43,539,738</u> | <u>2,714,257</u>                    |
| <u>Liabilities</u>                      |                                    |                   |                   |                                     |
| Accounts payable                        | \$ 394,845                         | 5,251,193         | 5,381,246         | 264,792                             |
| Deposits payable                        | 2,627,366                          | 34,313,465        | 34,491,366        | 2,449,465                           |
| Held for bondholders                    | -                                  | 244,165           | 244,165           | -                                   |
| Total liabilities                       | <u>\$ 3,022,211</u>                | <u>39,808,823</u> | <u>40,116,777</u> | <u>2,714,257</u>                    |

**CITY OF COSTA MESA  
CALIFORNIA**



**STATISTICAL  
SECTION**

## STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what information the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### **FINANCIAL TRENDS**

**TABLES 1 - 4**

These schedules contain financial trend information to help the reader understand how the government's financial performance and well-being have changed over time.

### **REVENUE CAPACITY**

**TABLES 5 - 12**

These schedules contain revenue information to help the reader assess the government's most significant local revenue source.

### **DEBT CAPACITY**

**TABLES 13 - 15**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

### **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**TABLES 16 - 17**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

### **OPERATING INFORMATION**

**TABLES 18 - 20**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

**TABLE 1**

**CITY OF COSTA MESA, CALIFORNIA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

|  | Fiscal Years       |                    |                    |                    |                    |                    |                    |                    |                    |                   |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
|  | 2006               | 2007               | 2008               | 2009               | 2010               | 2011               | 2012               | 2013               | 2014               | 2015              |
| Governmental Activities                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| Net investment in capital assets           | \$ 207,142,027     | 223,882,753        | 231,078,900        | 238,167,532        | 232,204,195        | 209,554,571        | 207,954,876        | 204,884,524        | 211,291,261        | 211,133,458       |
| Restricted                                 |                    |                    |                    |                    |                    |                    |                    |                    |                    |                   |
| Protection of Persons and Property         | 1,481,296          | 747,564            | 431,303            | 407,718            | 1,040,371          | 1,303,260          | 2,519,015          | 2,329,840          | 1,441,906          | 552,573           |
| Community programs                         | 2,649,931          | 10,166,878         | 10,601,709         | 5,909,972          | 6,475,370          | 2,292,260          | 10,262,006         | 8,713,244          | 9,622,339          | 8,892,751         |
| Public services                            | 27,895,363         | 19,186,443         | 18,781,762         | 18,531,911         | 18,083,105         | 26,299,602         | 28,568,791         | 26,485,938         | 21,642,345         | 17,660,289        |
| Redevelopment                              | 6,348,075          | 8,743,736          | -                  | -                  | -                  | -                  | -                  | -                  | -                  | -                 |
| Unrestricted                               | 66,063,174         | 62,778,909         | 67,546,727         | 50,034,265         | 40,025,930         | 42,251,930         | 44,741,840         | 43,798,620         | 51,403,839         | (170,836,260)     |
| Total governmental activities net position | <u>311,579,866</u> | <u>325,506,283</u> | <u>328,440,401</u> | <u>313,051,398</u> | <u>297,828,971</u> | <u>281,701,623</u> | <u>294,046,528</u> | <u>286,212,166</u> | <u>295,401,690</u> | <u>67,402,811</u> |

Source: Government-Wide Financial Statements

**TABLE 2**

**CITY OF COSTA MESA, CALIFORNIA**

**CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

|   | Fiscal Years        |                     |                     |                      |                     |                     |                     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2006                | 2007                | 2008                | 2009                 | 2010                | 2011                | 2012                | 2013                | 2014                | 2015                |
| <b>Expenses</b>   |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| Governmental Activities:                                  |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| General government  | \$ 21,823,044       | 28,246,216          | 29,508,603          | 29,708,604           | 24,640,217          | 22,942,186          | 19,977,655          | 22,655,452          | 23,396,581          | 25,225,607          |
| Protection of persons and property                        | 58,123,794          | 52,299,944          | 57,655,181          | 64,718,615           | 65,999,456          | 58,600,881          | 61,788,930          | 63,383,715          | 62,634,432          | 64,184,047          |
| Community programs  | 3,770,475           | 5,945,293           | 7,704,374           | 10,953,425           | 6,957,413           | 5,585,317           | 4,310,750           | 6,519,916           | 6,784,867           | 10,189,480          |
| Public services   | 19,371,276          | 24,479,949          | 28,707,820          | 22,068,699           | 20,338,489          | 18,051,024          | 18,873,545          | 20,508,217          | 22,768,197          | 21,549,681          |
| Redevelopment   | 2,509,671           | 885,005             | 1,168,763           | 375,499              | 1,225,993           | 862,541             | 911,704             | -                   | -                   | -                   |
| Interest on long-term debt                                | 2,502,868           | 3,419,566           | 3,651,584           | 3,426,155            | 3,243,198           | 3,043,559           | 2,683,598           | 1,726,008           | 1,273,152           | 1,210,723           |
| Total primary government expenses                         | <u>108,101,128</u>  | <u>115,275,973</u>  | <u>128,396,325</u>  | <u>131,250,997</u>   | <u>122,404,766</u>  | <u>109,085,508</u>  | <u>108,546,182</u>  | <u>114,793,308</u>  | <u>116,857,229</u>  | <u>122,359,538</u>  |
| <b>Program Revenues</b>                                   |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| Governmental Activities:                                  |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| Charges for services:                                     |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| Protection of persons and property                        | 3,199,365           | 3,742,586           | 3,553,680           | 3,236,412            | 3,266,143           | 2,660,989           | 2,635,880           | 2,739,881           | 2,338,910           | 2,299,476           |
| Community programs  | 5,402,789           | 5,423,255           | 5,554,124           | 6,075,951            | 5,617,827           | 5,290,235           | 5,268,839           | 5,856,107           | 6,229,677           | 7,498,348           |
| Public services   | 3,374,546           | 5,680,415           | 2,822,877           | 1,839,433            | 1,974,779           | 2,626,032           | 2,861,971           | 2,646,611           | 2,680,625           | 3,089,801           |
| Redevelopment   | -                   | -                   | -                   | -                    | -                   | -                   | -                   | -                   | -                   | -                   |
| Operating grants and contributions                        | 11,709,774          | 11,459,481          | 8,948,635           | 10,276,030           | 5,699,857           | 6,717,009           | 8,832,089           | 8,443,327           | 8,534,673           | 8,562,955           |
| Capital grants and contributions                          | 4,511,691           | 6,506,495           | 10,594,837          | 8,938,881            | 6,441,397           | 6,233,234           | 4,555,065           | 5,140,960           | 6,148,876           | 5,143,592           |
| Total primary government revenues                         | <u>28,198,165</u>   | <u>32,812,232</u>   | <u>31,474,153</u>   | <u>30,366,707</u>    | <u>23,000,003</u>   | <u>23,527,499</u>   | <u>24,153,844</u>   | <u>24,826,886</u>   | <u>25,932,761</u>   | <u>26,594,172</u>   |
| Total primary government net expense                      | <u>(79,902,963)</u> | <u>(82,463,741)</u> | <u>(96,922,172)</u> | <u>(100,884,290)</u> | <u>(99,404,763)</u> | <u>(85,558,009)</u> | <u>(84,392,338)</u> | <u>(89,966,422)</u> | <u>(90,924,468)</u> | <u>(95,765,366)</u> |
| <b>General Revenues and Other Changes in Net Position</b> |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| Governmental Activities:                                  |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| Taxes:  |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| Property taxes  | 19,752,336          | 22,921,884          | 24,715,336          | 25,327,904           | 23,885,560          | 24,626,634          | 21,564,340          | 23,192,755          | 22,984,093          | 24,139,297          |
| Sales and use taxes                                       | 46,049,080          | 46,489,599          | 46,917,845          | 39,488,414           | 35,267,341          | 40,953,224          | 43,077,849          | 46,743,795          | 50,329,310          | 52,117,128          |
| Transient occupancy tax                                   | 5,465,320           | 5,959,556           | 5,791,004           | 4,719,158            | 4,268,984           | 5,344,968           | 6,524,510           | 7,257,695           | 7,676,090           | 7,995,154           |
| Franchise taxes   | 3,674,652           | 3,911,800           | 4,046,517           | 4,174,172            | 3,945,159           | 4,240,255           | 4,471,326           | 4,818,972           | 4,891,465           | 4,885,925           |
| Business license tax                                      | 912,324             | 897,608             | 932,278             | 860,491              | 858,567             | 866,442             | 888,967             | 917,633             | 916,285             | 954,408             |
| Other intergovernmental, unrestricted                     | 8,108,852           | 8,687,055           | 9,155,864           | 9,215,927            | 9,117,466           | 9,112,000           | 8,594,277           | 8,814,644           | 9,229,059           | 5,660,305           |
| Investment income   | 3,082,011           | 7,433,407           | 6,659,736           | 1,649,319            | 4,016,384           | 2,499,790           | 1,377,209           | 640,159             | 1,772,900           | 1,692,528           |
| Miscellaneous   | 210,302             | 89,249              | 862,648             | 850,080              | 1,784,618           | 860,972             | 978,394             | 181,943             | 495,154             | 949,533             |
| Settlements   | -                   | -                   | -                   | -                    | -                   | -                   | -                   | 1,452,623           | 121,971             | -                   |
| Extraordinary items:                                      |                     |                     |                     |                      |                     |                     |                     |                     |                     |                     |
| Gain on transfer of assets to Successor Agency            | -                   | -                   | -                   | -                    | -                   | -                   | 9,260,371           | -                   | -                   | -                   |
| (Loss) on advance to Successor Agency                     | -                   | -                   | -                   | -                    | -                   | -                   | -                   | (11,888,159)        | -                   | -                   |
| Total primary government                                  | <u>87,254,877</u>   | <u>96,390,158</u>   | <u>99,081,228</u>   | <u>86,285,465</u>    | <u>83,144,079</u>   | <u>88,504,285</u>   | <u>96,737,243</u>   | <u>82,132,060</u>   | <u>98,416,327</u>   | <u>98,394,278</u>   |
| Change in Net Position                                    | <u>7,351,914</u>    | <u>13,926,417</u>   | <u>2,159,056</u>    | <u>(14,598,825)</u>  | <u>(16,260,684)</u> | <u>2,946,276</u>    | <u>12,344,905</u>   | <u>(7,834,362)</u>  | <u>7,491,859</u>    | <u>2,628,912</u>    |

Source: Government-Wide Financial Statements



**TABLE 3**

**CITY OF COSTA MESA, CALIFORNIA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

|                                    | Fiscal Years      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | 2006              | 2007              | 2008              | 2009              | 2010              | 2011 (1)          | 2012              | 2013              | 2014              | 2015              |
| General fund                       |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | \$ 14,744,220     | 18,326,310        | 15,768,661        | 15,140,564        | 14,421,676        | -                 | -                 | -                 | -                 | -                 |
| Unreserved                         | 56,192,948        | 55,057,757        | 50,467,786        | 33,716,155        | 27,098,389        | -                 | -                 | -                 | -                 | -                 |
| Nonspendable                       | -                 | -                 | -                 | -                 | -                 | 13,334,328        | 13,917,262        | 3,137,794         | 3,430,104         | 4,165,795         |
| Restricted                         | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Committed                          | -                 | -                 | -                 | -                 | -                 | 16,125,000        | 16,125,000        | 16,125,000        | 16,125,000        | 16,125,000        |
| Assigned                           | -                 | -                 | -                 | -                 | -                 | 9,900,467         | 10,347,804        | 10,131,615        | 10,016,092        | 11,325,819        |
| Unassigned                         | -                 | -                 | -                 | -                 | -                 | 5,915,735         | 7,419,860         | 16,252,032        | 20,629,130        | 22,199,337        |
| Total general fund                 | <u>70,937,168</u> | <u>73,384,067</u> | <u>66,236,447</u> | <u>48,856,719</u> | <u>41,520,065</u> | <u>45,275,530</u> | <u>47,809,926</u> | <u>45,646,441</u> | <u>50,200,326</u> | <u>53,815,951</u> |
| All other governmental funds       |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | 12,561,311        | 26,378,785        | 23,661,322        | 10,576,691        | 9,357,430         | -                 | -                 | -                 | -                 | -                 |
| Unreserved, reported in:           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Special revenue funds              | 18,233,112        | 20,625,152        | 7,904,617         | 13,042,672        | 14,952,556        | -                 | -                 | -                 | -                 | -                 |
| Capital projects funds             | 8,730,735         | 15,128,023        | 18,759,882        | 15,658,912        | 10,780,360        | -                 | -                 | -                 | -                 | -                 |
| Debt services funds                | (11,783,729)      | (11,002,058)      | (10,400,263)      | (9,579,072)       | (10,136,674)      | -                 | -                 | -                 | -                 | -                 |
| Nonspendable                       | -                 | -                 | -                 | -                 | -                 | 12,849            | -                 | -                 | -                 | -                 |
| Restricted                         | -                 | -                 | -                 | -                 | -                 | 34,165,657        | 31,441,902        | 29,302,059        | 25,097,114        | 20,914,771        |
| Committed                          | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Assigned                           | -                 | -                 | -                 | -                 | -                 | 7,146,775         | 7,095,166         | 9,162,682         | 11,741,220        | 19,147,805        |
| Unassigned                         | -                 | -                 | -                 | -                 | -                 | (12,177,382)      | (2,572,973)       | (2,892,237)       | (2,288,538)       | (368,083)         |
| Total all other governmental funds | <u>27,741,429</u> | <u>51,129,902</u> | <u>39,925,558</u> | <u>29,699,203</u> | <u>24,953,672</u> | <u>29,147,899</u> | <u>35,964,095</u> | <u>35,572,504</u> | <u>34,549,796</u> | <u>39,694,493</u> |

(1) City implemented GASB Statement No. 54 during the fiscal year ended June 30, 2011. This statement eliminated previous reserved and unreserved fund balance categories, and replaced them with five new categories (nonspendable, restricted, committed, assigned, and unassigned). Fund balance amounts as of June 30, 2011 have been restated to present the new categories; however, all previous fiscal years are presented using the old categories.

TABLE 4

**CITY OF COSTA MESA, CALIFORNIA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

|   | Fiscal Years       |                    |                     |                     |                     |                    |                    |                     |                    |                    |
|---|--------------------|--------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------------|--------------------|--------------------|
|   | 2006               | 2007               | 2008                | 2009                | 2010                | 2011               | 2012               | 2013                | 2014               | 2015               |
| <b>Revenues</b>   |                    |                    |                     |                     |                     |                    |                    |                     |                    |                    |
| Taxes   | \$ 75,818,711      | 80,180,448         | 82,402,980          | 74,570,140          | 68,225,614          | 76,031,925         | 76,526,993         | 82,930,849          | 86,797,242         | 90,091,915         |
| Licenses and permits                                    | 2,101,870          | 2,874,124          | 1,876,959           | 1,168,026           | 1,289,600           | 1,557,797          | 1,903,361          | 1,997,057           | 2,085,348          | 2,313,296          |
| Fines and forfeits                                      | 3,157,859          | 2,915,299          | 3,066,355           | 2,965,960           | 2,868,066           | 2,104,816          | 3,508,181          | 4,483,240           | 3,614,144          | 1,367,190          |
| Intergovernmental                                       | 22,199,470         | 22,675,698         | 27,088,736          | 26,359,128          | 21,137,881          | 21,681,418         | 19,838,941         | 19,213,168          | 21,769,293         | 22,010,125         |
| Charges for services                                    | 4,771,803          | 7,789,875          | 4,355,738           | 4,179,547           | 4,156,944           | 4,478,711          | 4,167,896          | 4,320,932           | 4,721,191          | 6,117,030          |
| Rental  | 2,792,016          | 2,909,707          | 3,128,271           | 3,189,975           | 2,838,744           | 2,900,049          | 3,054,100          | 2,987,055           | 3,021,585          | 3,113,662          |
| Investment income                                       | 2,448,400          | 6,843,792          | 5,869,106           | 1,627,547           | 3,537,379           | 2,284,183          | 1,189,168          | 533,469             | 1,712,058          | 1,771,527          |
| Return on equity  | -                  | -                  | -                   | -                   | -                   | -                  | -                  | 2,551,815           | -                  | -                  |
| Settlements   | -                  | -                  | -                   | -                   | -                   | -                  | -                  | 1,452,623           | 121,971            | -                  |
| Miscellaneous   | 841,991.00         | 882,110            | 1,182,749           | 2,342,611           | 2,566,138           | 1,069,225          | 1,376,946          | 892,970             | 1,177,245          | 2,206,428          |
| Total revenues  | <u>114,132,120</u> | <u>127,071,053</u> | <u>128,970,894</u>  | <u>116,402,934</u>  | <u>106,620,366</u>  | <u>112,108,124</u> | <u>111,565,586</u> | <u>121,363,178</u>  | <u>125,020,077</u> | <u>128,991,173</u> |
| <b>Expenditures</b>                                     |                    |                    |                     |                     |                     |                    |                    |                     |                    |                    |
| General government                                      | 25,676,011         | 27,473,794         | 28,723,990          | 29,619,695          | 25,276,998          | 21,739,252         | 20,974,387         | 21,982,783          | 23,893,450         | 24,699,226         |
| Protection of persons and property                      | 58,653,822         | 61,444,097         | 66,889,007          | 68,691,164          | 61,884,416          | 56,207,290         | 59,993,364         | 60,468,091          | 64,047,209         | 61,096,404         |
| Community programs                                      | 7,330,558          | 10,581,225         | 9,622,552           | 11,550,616          | 6,296,711           | 6,259,971          | 6,125,337          | 6,166,791           | 6,442,241          | 8,821,298          |
| Public services   | 15,692,726         | 24,951,597         | 33,343,249          | 27,954,239          | 17,216,338          | 11,849,471         | 13,613,312         | 16,781,751          | 22,863,385         | 21,860,252         |
| Redevelopment   | 2,509,671          | 885,005            | 1,168,763           | 375,499             | 1,225,993           | 862,541            | 911,704            | -                   | -                  | -                  |
| Debt service:   |                    |                    |                     |                     |                     |                    |                    |                     |                    |                    |
| Principal   | 3,238,000          | 3,524,900          | 5,486,427           | 4,393,687           | 4,064,842           | 4,395,904          | 4,525,739          | 3,872,050           | 2,450,000          | 2,540,000          |
| Interest  | 2,448,580          | 2,576,413          | 3,683,198           | 3,460,555           | 3,244,528           | 3,082,508          | 2,734,050          | 1,741,101           | 1,296,111          | 1,213,671          |
| Other charges   | 90,345             | 593,136            | -                   | -                   | -                   | -                  | -                  | -                   | -                  | -                  |
| Total expenditures                                      | <u>115,639,713</u> | <u>132,030,167</u> | <u>148,917,186</u>  | <u>146,045,455</u>  | <u>119,209,826</u>  | <u>104,396,937</u> | <u>108,877,893</u> | <u>111,012,567</u>  | <u>120,992,396</u> | <u>120,230,851</u> |
| Excess of revenues over (under) expenditures            | <u>(1,507,593)</u> | <u>(4,959,114)</u> | <u>(19,946,292)</u> | <u>(29,642,521)</u> | <u>(12,589,460)</u> | <u>7,711,187</u>   | <u>2,687,693</u>   | <u>10,350,611</u>   | <u>4,027,681</u>   | <u>8,760,322</u>   |
| <b>Other financing sources (uses):</b>                  |                    |                    |                     |                     |                     |                    |                    |                     |                    |                    |
| Transfers in  | 5,214,379          | 7,365,984          | 9,014,877           | 7,123,168           | 9,160,286           | 8,460,300          | 5,099,168          | 6,212,460           | 8,597,756          | 14,253,945         |
| Transfers out   | (4,627,108)        | (6,611,691)        | (8,195,611)         | (7,158,081)         | (8,653,011)         | (8,221,795)        | (5,099,168)        | (6,212,460)         | (9,094,260)        | (14,253,945)       |
| Extraordinary Gain (loss)                               | -                  | -                  | -                   | -                   | -                   | -                  | 5,645,371          | (11,888,159)        | -                  | -                  |
| Issuance of long-term debt                              | 7,151,217          | -                  | -                   | -                   | -                   | -                  | -                  | -                   | -                  | -                  |
| Premium on debt issue                                   | -                  | 80,193             | -                   | -                   | -                   | -                  | -                  | -                   | -                  | -                  |
| Payment to bond escrow agent                            | (2,139,205)        | -                  | -                   | -                   | -                   | -                  | -                  | -                   | -                  | -                  |
| Bond proceeds   | -                  | 29,960,000         | -                   | -                   | -                   | -                  | -                  | -                   | -                  | -                  |
| Total other financing sources (uses)                    | <u>5,599,283</u>   | <u>30,794,486</u>  | <u>819,266</u>      | <u>(34,913)</u>     | <u>507,275</u>      | <u>238,505</u>     | <u>5,645,371</u>   | <u>(11,888,159)</u> | <u>(496,504)</u>   | <u>-</u>           |
| Net change in fund balances                             | <u>4,091,690</u>   | <u>25,835,372</u>  | <u>(19,127,026)</u> | <u>(29,677,434)</u> | <u>(12,082,185)</u> | <u>7,949,692</u>   | <u>8,333,064</u>   | <u>(1,537,548)</u>  | <u>3,531,177</u>   | <u>8,760,322</u>   |
| Debt service as a percentage of noncapital expenditures | 5.54%              | 6.15%              | 7.73%               | 6.25%               | 6.43%               | 7.45%              | 7.03%              | 5.40%               | 3.44%              | 3.37%              |

Source: Fund Financial Statements

TABLE 5

**CITY OF COSTA MESA, CALIFORNIA**  
**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

| <u>Fiscal Years</u> | <u>Sales</u>  | <u>Property</u> | <u>Transient<br/>Occupancy</u> | <u>Franchise</u> | <u>Business<br/>License</u> | <u>Proposition<br/>172</u> | <u>Total</u> |
|---------------------|---------------|-----------------|--------------------------------|------------------|-----------------------------|----------------------------|--------------|
| 2006                | \$ 45,116,230 | 19,717,334      | 5,465,320                      | 3,674,652        | 912,324                     | 932,851                    | 75,818,711   |
| 2007                | 45,641,219    | 22,921,885      | 5,959,556                      | 3,911,800        | 897,608                     | 848,380                    | 80,180,448   |
| 2008                | 45,990,428    | 24,715,336      | 5,791,004                      | 4,046,517        | 932,278                     | 927,417                    | 82,402,980   |
| 2009                | 38,659,256    | 25,327,904      | 4,719,158                      | 4,174,172        | 860,491                     | 829,159                    | 74,570,140   |
| 2010                | 34,516,828    | 23,885,560      | 4,268,984                      | 3,945,159        | 858,567                     | 750,513                    | 68,225,611   |
| 2011                | 40,173,714    | 24,626,634      | 5,344,968                      | 4,240,255        | 866,442                     | 779,510                    | 76,031,523   |
| 2012                | 42,234,307    | 21,564,340      | 6,524,510                      | 4,471,326        | 888,967                     | 843,542                    | 76,526,993   |
| 2013                | 45,830,107    | 23,192,755      | 7,257,695                      | 4,818,972        | 917,633                     | 913,688                    | 82,930,850   |
| 2014                | 49,264,634    | 22,984,093      | 7,676,090                      | 4,891,465        | 916,285                     | 1,064,676                  | 86,797,243   |
| 2015                | 51,115,064    | 24,139,297      | 7,995,154                      | 4,885,926        | 954,408                     | 1,002,064                  | 90,091,914   |

Source: Fund Financial Statements

**TABLE 6**

**CITY OF COSTA MESA, CALIFORNIA  
TAXABLE SALES BY CATEGORY  
LAST TEN CALENDAR YEARS  
(in thousands of dollars)**

|                                    | Fiscal Years        |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                    | 2005                | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                | 2013                | 2014                |
| Apparel stores                     | \$ 454,318          | \$ 463,521          | \$ 482,249          | \$ 432,965          | \$ 383,716          | \$ 436,980          | \$ 484,036          | \$ 604,936          | \$ 681,348          | \$ 715,097          |
| General merchandise                | 614,478             | 602,376             | 639,878             | 582,091             | 534,936             | 540,920             | 568,293             | 591,832             | 599,163             | 615,702             |
| Food stores                        | 95,332              | 100,243             | 101,762             | 102,519             | 96,251              | 92,575              | 93,721              | 94,377              | 87,225              | 88,872              |
| Eating and drinking establishments | 330,384             | 360,331             | 379,604             | 358,069             | 325,087             | 337,684             | 371,523             | 387,667             | 421,830             | 443,384             |
| Building materials                 | 233,108             | 237,727             | 222,523             | 192,021             | 143,602             | 145,342             | 142,575             | 150,604             | 180,198             | 193,248             |
| Auto dealers and supplies          | 767,922             | 724,664             | 659,095             | 560,317             | 488,122             | 536,390             | 577,755             | 613,669             | 670,976             | 753,804             |
| Service stations                   | 151,650             | 173,583             | 183,362             | 203,309             | 157,149             | 196,497             | 240,892             | 269,067             | 263,352             | 245,432             |
| Other retail stores                | 966,736             | 1,052,096           | 1,030,546           | 918,095             | 797,163             | 853,264             | 924,979             | 961,488             | 972,383             | 1,025,424           |
| All other outlets                  | 917,503             | 905,603             | 928,733             | 822,086             | 697,731             | 758,854             | 778,329             | 839,005             | 914,501             | 1,015,134           |
|                                    | <u>\$ 4,531,431</u> | <u>\$ 4,620,144</u> | <u>\$ 4,627,752</u> | <u>\$ 4,171,472</u> | <u>\$ 3,623,757</u> | <u>\$ 3,898,506</u> | <u>\$ 4,182,103</u> | <u>\$ 4,512,645</u> | <u>\$ 4,790,976</u> | <u>\$ 5,096,097</u> |
| City direct sales tax rate         | 1.00%               | 1.00%               | 1.00%               | 1.00%               | 1.00%               | 1.00%               | 1.00%               | 1.00%               | 1.00%               | 1.00%               |

Sources: State of California Board of Equalization and The HdL Companies

**TABLE 7**

**CITY OF COSTA MESA, CALIFORNIA  
 PRINCIPAL SALES TAX REMITTERS BY CATEGORY  
 CURRENT YEAR AND NINE YEARS AGO**

| <u>Category</u>                    | <u>2015</u>          |             |   | <u>2006</u>          |             |   |
|------------------------------------|----------------------|-------------|---|----------------------|-------------|---|
|                                    | <u>Taxable Sales</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Sales</u> | <u>Taxable Sales</u> | <u>Rank</u> | <u>Percentage of Total City Taxable Sales</u> |
| Other retail stores                | \$ 1,025,424         | 1           | 20.12%  | \$ 943,026           | 1           | 20.69%  |
| All other outlets                  | 1,015,134            | 2           | 19.92%  | 925,873              | 2           | 20.31%  |
| Auto dealers and supplies          | 753,804              | 3           | 14.79%  | 772,077              | 3           | 16.94%  |
| Apparel stores                     | 715,097              | 4           | 14.03%  | 518,994              | 5           | 11.38%  |
| General merchandise                | 615,702              | 5           | 12.08%  | 612,048              | 4           | 13.43%  |
| Eating and drinking establishments | 443,384              | 6           | 8.70%   | 335,257              | 6           | 7.35%   |
| Service stations                   | 245,432              | 7           | 4.82%   | 160,648              | 8           | 3.52%   |
| Building materials                 | 193,248              | 8           | 3.79%   | 212,498              | 7           | 4.66%   |
| Food stores                        | 88,872               | 9           | 1.74%   | 78,186               | 9           | 1.72%   |

Sources: State of California Board of Equalization and The HdL Companies

**TABLE 8**

**CITY OF COSTA MESA, CALIFORNIA  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS**

| <u>Fiscal Years</u> | <u>City<br/>Direct<br/>Rate</u> | <u>Orange<br/>County<br/>Rate</u> | <u>State of<br/>California<br/>Rate</u> | <u>Total<br/>Sales Tax<br/>Rate</u> |
|---------------------|---------------------------------|-----------------------------------|---|-------------------------------------|
| 2006                | 1.00                            | 0.50                              | 6.25                                    | 7.75                                |
| 2007                | 1.00                            | 0.50                              | 6.25                                    | 7.75                                |
| 2008                | 1.00                            | 0.50                              | 6.25                                    | 7.75                                |
| 2009                | 1.00                            | 0.50                              | 7.25                                    | 8.75                                |
| 2010                | 1.00                            | 0.50                              | 7.25                                    | 8.75                                |
| 2011                | 1.00                            | 0.50                              | 7.25                                    | 8.75                                |
| 2012                | 1.00                            | 0.50                              | 6.25                                    | 7.75                                |
| 2013                | 1.00                            | 0.50                              | 6.50                                    | 8.00                                |
| 2014                | 1.00                            | 0.50                              | 6.50                                    | 8.00                                |
| 2015                | 1.00                            | 0.50                              | 6.50                                    | 8.00                                |

Source: State of California Board of Equalization

**CITY OF COSTA MESA, CALIFORNIA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

| Fiscal Year<br>Ended<br>June 30, | Taxes Levied<br>for the<br>Fiscal Year | Collected within the              |                       | Collected for<br>Subsequent<br>Years (2) | Total Collections to Date |                           |
|----------------------------------|--|-----------------------------------|-----------------------|--|---------------------------|---------------------------|
|                                  |  | Fiscal Year of the Levy<br>Amount | Percentage<br>of Levy |  | Amount                    | Percentage<br>of Levy (1) |
| 2006                             | \$ 18,134,611                          | \$ 17,586,064                     | 96.98%                | \$ 239,872                               | \$ 17,825,936             | 98.30%                    |
| 2007                             | 19,560,699                             | 18,685,762                        | 95.53%                | 312,318                                  | 18,998,080                | 97.12%                    |
| 2008                             | 20,888,474                             | 19,998,097                        | 95.74%                | 532,478                                  | 20,530,575                | 98.29%                    |
| 2009                             | 21,276,710                             | 20,363,004                        | 95.71%                | 920,531                                  | 21,283,534                | 100.03%                   |
| 2010                             | 21,092,684                             | 17,122,170                        | 81.18%                | 911,902                                  | 18,034,072                | 85.50%                    |
| 2011                             | 20,670,091                             | 20,059,681                        | 97.05%                | 594,003                                  | 20,653,684                | 99.92%                    |
| 2012                             | 20,574,309                             | 19,958,891                        | 97.01%                | 408,220                                  | 20,367,111                | 98.99%                    |
| 2013                             | 21,112,082                             | 20,599,679                        | 97.57%                | 382,281                                  | 20,981,960                | 99.38%                    |
| 2014                             | 22,178,464                             | 21,732,926                        | 97.99%                | 285,325                                  | 22,018,251                | 99.28%                    |
| 2015                             | 23,405,838                             | 22,897,171                        | 97.83%                | 242,634                                  | 23,139,805                | 98.86%                    |

(1) The Percentage of Levy may exceed 100% if the amounts collected for subsequent years exceed the delinquency.

(2) The County of Orange only makes this data available by collection year. Data by levy year is not available.

**TABLE 10**

**CITY OF COSTA MESA, CALIFORNIA  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (modified accrual basis of accounting)**

| <u>Fiscal Years</u> | <u>Residential Property</u> | <u>Commerical Property</u> | <u>Industial Property</u> | <u>Miscellaneous Property</u> | <u>Less: Tax-Exempt Property</u> | <u>Total Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> | <u>Estimated Actual Taxable Value <sup>(1)</sup></u> | <u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u> |
|---------------------|-----------------------------|----------------------------|---------------------------|-------------------------------|----------------------------------|-------------------------------------|------------------------------|--|---|
| 2006                | \$ 6,687,872,490            | \$ 1,786,332,922           | \$ 955,171,755            | \$ 2,215,398,310              | \$ -                             | \$ 11,644,775,477                   | 0.17471%                     | \$ 11,644,775,477                                    | 100.00%   |
| 2007                | 7,358,784,736               | 2,216,054,436              | 1,009,929,135             | 2,149,934,744                 | -                                | 12,734,703,051                      | 0.17165%                     | 12,734,703,051                                       | 100.00%   |
| 2008                | 8,012,690,802               | 2,358,236,884              | 1,049,297,119             | 2,404,008,712                 | -                                | 13,824,233,517                      | 0.17276%                     | 13,824,233,517                                       | 100.00%   |
| 2009                | 8,164,306,671               | 2,553,080,097              | 1,129,832,358             | 2,518,888,713                 | -                                | 14,366,107,839                      | 0.17342%                     | 14,366,107,839                                       | 100.00%   |
| 2010                | 8,171,208,423               | 3,383,235,481              | 1,196,215,357             | 1,682,015,788                 | -                                | 14,432,675,049                      | 0.17241%                     | 14,432,675,049                                       | 100.00%   |
| 2011                | 8,347,650,226               | 3,466,364,532              | 1,138,864,468             | 1,163,583,656                 | -                                | 14,116,462,882                      | 0.17154%                     | 14,116,462,882                                       | 100.00%   |
| 2012                | 8,557,101,277               | 3,394,223,104              | 1,100,996,492             | 1,065,596,839                 | -                                | 14,117,917,712                      | 0.17226%                     | 14,117,917,712                                       | 100.00%   |
| 2013                | 8,704,306,093               | 3,479,681,880              | 1,122,815,201             | 1,070,250,329                 | -                                | 14,377,053,503                      | 0.17288%                     | 14,377,053,503                                       | 100.00%   |
| 2014                | 9,101,889,466               | 3,566,114,710              | 1,117,794,289             | 1,140,508,581                 | -                                | 14,926,307,046                      | 0.15040%                     | 14,926,307,046                                       | 100.00%   |
| 2015                | 9,745,389,688               | 3,633,678,888              | 1,126,437,386             | 1,206,217,946                 | -                                | 15,711,723,908                      | 0.15035%                     | 15,711,723,908                                       | 100.00%   |

<sup>(1)</sup> In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed vaule of the property being taxed. Each year, the assessed value of property may be increased by an inflation factor (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction or at the purchase price (market value) or economic value of he 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. Therefore, the estimated actual taxable value equals the total taxable assessed value.



**CITY OF COSTA MESA, CALIFORNIA**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**

| Fiscal Year | City Direct Rates |                                 |   |                       |                                  | Overlapping Rates     |                      |                        |
|-------------|-------------------|---------------------------------|---|-----------------------|----------------------------------|-----------------------|----------------------|------------------------|
|             | Basic Rate        | General Obligation Debt Service | Redevelopment Debt Service <sup>(2)</sup> | Redevelopment Program | Total Direct Rate <sup>(1)</sup> | County of Orange Debt | School District Debt | Special Districts Debt |
| 2006        | 0.14879           | -                               | 0.00800                                   | 1.00000               | 0.17471                          | 0.36657               | 0.51732              | 0.00685                |
| 2007        | 0.14879           | -                               | 0.00470                                   | 1.00000               | 0.17165                          | 0.36657               | 0.51786              | 0.00635                |
| 2008        | 0.14879           | -                               | 0.00450                                   | 1.00000               | 0.17276                          | 0.36657               | 0.51452              | 0.00615                |
| 2009        | 0.14879           | -                               | 0.00430                                   | 1.00000               | 0.17342                          | 0.36649               | 0.67550              | 0.00615                |
| 2010        | 0.14879           | -                               | 0.00430                                   | 1.00000               | 0.17241                          | 0.36649               | 0.48300              | 0.00595                |
| 2011        | 0.14879           | -                               | 0.00370                                   | 1.00000               | 0.17154                          | 0.36649               | 0.48300              | 0.00535                |
| 2012        | 0.14879           | -                               | 0.00370                                   | 1.00000               | 0.17226                          | 0.36649               | 0.48300              | 0.00535                |
| 2013        | 0.14879           | -                               | 0.00370                                   | 1.00000               | 0.17288                          | 0.36649               | 0.48300              | 0.00535                |
| 2014        | 0.14879           | -                               | 0.00370                                   | 1.00000               | 0.15040                          | 0.36649               | 0.48300              | 0.00535                |
| 2015        | 0.14879           | -                               | 0.00370                                   | 1.00000               | 0.15035                          | 0.36649               | 0.48300              | 0.00515                |

<sup>(1)</sup> Per the Government Finance Officers Association the definition of "total direct rate" is as follows:  
"The weighted average of all individual rates applied by the government preparing the statistical section"  
The "total direct rate" for the City of Costa Mesa is a weighted average derived by dividing total City revenue by taxable assessed value.

<sup>(2)</sup> As of February 1, 2012, the Successor Agency to the former Costa Mesa Redevelopment Agency is responsible for the outstanding Redevelopment debt.

TABLE 12

**CITY OF COSTA MESA, CALIFORNIA  
 PRINCIPAL PROPERTY TAX PAYERS  
 CURRENT YEAR AND NINE YEARS AGO**

| <u>Taxpayer</u>                        | <u>2014-2015</u>            |             |  | <u>2005-2006</u>            |             |  |
|--|-----------------------------|-------------|--|-----------------------------|-------------|--|
|  | <u>Property Tax Revenue</u> | <u>Rank</u> | <u>Percentage of Total City Property Tax Revenue</u> | <u>Property Tax Revenue</u> | <u>Rank</u> | <u>Percentage of Total City Property Tax Revenue</u> |
| Irvine Company LLC                     | \$ 427,803                  | 1           | 1.58%  |                             |             |  |
| Trust Costa Mesa Courtyards LLC        | 409,936                     | 2           | 1.51%  |                             |             |  |
| South Coast Plaza                      | 402,977                     | 3           | 1.49%  | \$ 353,832                  | 2           | 1.78%  |
| Reef America Reit II Corportation      | 391,154                     | 4           | 1.44%  |                             |             |  |
| 1901 Newport LLC Royal Street          | 321,505                     | 5           | 1.19%  |                             |             |  |
| WWG TSQ Owner LLC                      | 262,780                     | 6           | 0.97%  |                             |             |  |
| United Dominion Realty LP              | 256,811                     | 7           | 0.95%  | \$ 137,397                  | 10          | 0.69%  |
| Marjack LLC Irvine Compnay             | 222,438                     | 8           | 0.82%  |                             |             |  |
| Advanced Group                         | 216,461                     | 9           | 0.80%  |                             |             |  |
| Casden Lakes LP                        | 184,607                     | 10          | 0.68%  |                             |             |  |
| Triangle Square Investment LLC         |                             |             |  | 394,473                     | 1           | 1.98%  |
| Teachers Retirement System             |                             |             |  | 269,961                     | 3           | 1.36%  |
| KWI 1901 Newport Plaza LP              |                             |             |  | 252,118                     | 4           | 1.27%  |
| FSP Two Town Center LLC                |                             |             |  | 235,178                     | 5           | 1.18%  |
| Sakioka Farms Inc                      |                             |             |  | 195,754                     | 6           | 0.98%  |
| Automobile Club of Southern California |                             |             |  | 191,590                     | 7           | 0.96%  |
| Los Angeles Times Communications LLC   |                             |             |  | 174,103                     | 8           | 0.88%  |
| Orange Couty Performing Arts Center    |                             |             |  | 171,741                     | 9           | 0.86%  |
| <b>Total</b>                           | <b>\$ 3,096,472</b>         |             | <b>11.42%</b>  | <b>\$ 2,376,147</b>         |             | <b>11.94%</b>  |

Sources: HdL Coren & Cone, Orange County Assessor 2014/2015 & 2005/2006 Combined Tax Rolls

**TABLE 13**

**CITY OF COSTA MESA, CALIFORNIA  
RATIO OF GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS**

|  | Fiscal Years |             |             |             |             |             |             |             |             |             |
|--|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | 2006         | 2007        | 2008        | 2009        | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        |
| General bonded debt outstanding                        |              |             |             |             |             |             |             |             |             |             |
| General obligation bonds                               | -            | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Redevelopment bonds (1)                                | 6,565,000    | 6,105,000   | 5,630,000   | 5,145,000   | 4,650,000   | 4,140,000   | 3,615,000   | 3,070,000   | 2,505,000   | 1,915,000   |
| Total  | 6,565,000    | 6,105,000   | 5,630,000   | 5,145,000   | 4,650,000   | 4,140,000   | 3,615,000   | 3,070,000   | 2,505,000   | 1,915,000   |
| Percentage of taxable assessed value                   | 0.0516%      | 0.0442%     | 0.0392%     | 0.0356%     | 0.0329%     | 0.0293%     | 0.0256%     | 0.0206%     | 0.0168%     | 0.0128%     |
| Per capita   | \$ 14.09     | \$ 12.07    | \$ 7.18     | \$ 6.53     | \$ 9.90     | \$ 8.85     | \$ 8.43     | \$ 6.85     | \$ 5.48     | \$ 4.34     |
| Less: Amounts set aside to repay<br>general debt       | 710,981      | 711,982     | 706,045     | 704,300     | 704,300     | 704,300     | 704,300     | 704,300     | 704,300     | 704,300     |
| Total net debt applicable to<br>debt limit             | 5,854,019    | 5,393,018   | 4,923,955   | 4,440,700   | 3,945,700   | 3,435,700   | 2,910,700   | 2,365,700   | 1,800,700   | 1,210,700   |
| Legal debt limit<br>(3.75% of Assessed Value)          | 465,925,448  | 515,894,487 | 556,242,642 | 583,264,697 | 585,910,407 | 574,243,802 | 575,152,015 | 585,780,638 | 607,508,126 | 637,377,201 |
| Legal debt margin                                      | 460,071,429  | 510,501,469 | 551,318,687 | 578,823,997 | 581,964,707 | 570,808,102 | 572,241,315 | 583,414,938 | 605,707,426 | 636,166,501 |
| Legal debt margin as a percentage<br>of the debt limit | 98.74%       | 98.95%      | 99.11%      | 99.24%      | 99.33%      | 99.40%      | 99.49%      | 99.60%      | 99.70%      | 99.81%      |

(1) As of February 1, 2012, the Successor Agency to the former Costa Mesa Redevelopment Agency is responsible for the outstanding Redevelopment debt.

**TABLE 14**

**CITY OF COSTA MESA, CALIFORNIA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

| Fiscal Year<br>Ended<br>June 30, | General Bonded Debt            |                                      | Percentage<br>of Total<br>Taxable<br>Assessed Value | Per<br>Capita | Other Governmental Activities Debt |                                     |                             | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Per<br>Capita |
|----------------------------------|--------------------------------|--------------------------------------|---|---------------|------------------------------------|-------------------------------------|-----------------------------|--------------------------------|-------------------------------------|---------------|
|                                  | General<br>Obligation<br>Bonds | Redevelopment<br>Bond <sup>(1)</sup> |   |               | Revenue<br>Bonds                   | Certificates<br>of<br>Participation | Lease Purchase<br>Financing |                                |                                     |               |
| 2006                             | -                              | \$ 6,565,000                         | 0.0516%   | \$ 14.09      | 22,695,000                         | -                                   | \$ 6,725,536                | \$ 35,985,536                  | 1.16%                               | \$ 1,316.78   |
| 2007                             | -                              | 6,105,000                            | 0.0442%   | 12.07         | 20,935,000                         | 29,960,000                          | 5,368,649                   | 62,368,649                     | 2.00%                               | 2,282.18      |
| 2008                             | -                              | 5,630,000                            | 0.0392%   | 7.18          | 19,000,000                         | 29,215,000                          | 3,037,222                   | 56,882,222                     | 2.73%                               | 3,105.81      |
| 2009                             | -                              | 5,145,000                            | 0.0356%   | 10.72         | 16,980,000                         | 28,465,000                          | 1,898,535                   | 52,488,535                     | 1.50%                               | 1,745.60      |
| 2010                             | -                              | 4,650,000                            | 0.0329%   | 9.94          | 14,890,000                         | 27,525,000                          | 2,341,737                   | 49,406,737                     | 1.40%                               | 1,636.85      |
| 2011                             | -                              | 4,140,000                            | 0.0293%   | 8.85          | 12,735,000                         | 26,355,000                          | 1,780,834                   | 45,010,834                     | 1.27%                               | 1,491.22      |
| 2012                             | -                              | 3,615,000                            | 0.0256%   | 8.43          | 10,490,000                         | 25,140,000                          | 1,057,907                   | 40,302,907                     | 1.11%                               | 1,224.86      |
| 2013                             | -                              | 3,070,000                            | 0.0206%   | 6.85          | 8,140,000                          | 23,875,000                          | 611,729                     | 35,696,729                     | 0.96%                               | 1,071.14      |
| 2014                             | -                              | 2,505,000                            | 0.0168%   | 5.48          | 7,005,000                          | 22,560,000                          | 415,395                     | 32,485,395                     | 0.89%                               | 995.20        |
| 2015                             | -                              | 1,915,000                            | 0.0122%   | 4.12          | 5,830,000                          | 21,195,000                          | -                           | 28,940,000                     | 0.77%                               | 856.06        |

<sup>(1)</sup> As of February 1, 2012, the Successor Agency to the former Costa Mesa Redevelopment Agency is responsible for the outstanding Redevelopment debt.

**TABLE 15**

**CITY OF COSTA MESA, CALIFORNIA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2015**

| <u>Governmental Unit</u>  | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated<br/>Share of<br/>Direct and<br/>Overlapping<br/>Debt</u> |
|---|-----------------------------|--|---|
| <b>Overlapping Tax and Assessment debt repaid with property taxes</b>   |                             |  |   |
| City of Costa Mesa Community Facilities District No. 91-1               | 1,285,000                   | 100%   | 1,285,000   |
| Newport Mesa Unified School District                                    | 231,244,150                 | 26.681%  | 61,698,252  |
| Coast Community College District  | 471,788,867                 | 13.181%  | 62,186,491  |
| Santa Ana Unified School District                                       | 282,043,547                 | 3.031%   | 8,548,740   |
| Rancho Santiago Community College District                              | 277,290,443                 | 1.280%   | 3,549,318   |
| Rancho Santiago Community College District SFID No. 1                   | 70,585,000                  | 2.469%   | 1,742,744   |
| Metropolitan Water District   | 110,420,000                 | 0.679%   | 749,752   |
| Subtotal overlapping Tax and Assessment debt repaid with property taxes |                             |  | <u>139,760,294</u>  |
| <b>Overlapping general fund debt repaid with property taxes</b>         |                             |  |   |
| Municipal Water District of Orange County Water Facilities Corporation  | 5,360,000                   | 3.989%   | 213,810   |
| Santa Ana Unified School District Certificates of Participation         | 73,662,130                  | 3.031%   | 2,232,699   |
| Orange County General Fund Obligations                                  | 98,906,000                  | 3.336%   | 3,299,504   |
| Orange County Pension Obligations                                       | 366,854,623                 | 3.336%   | 12,238,270  |
| Orange County Board of Education Certificates of Participation          | 15,190,000                  | 3.336%   | 506,738   |
| Subtotal overlapping general fund debt repaid with property taxes       |                             |  | <u>18,491,022</u>   |
| City direct debt  |                             |  |   |
| City of Costa Mesa General Fund Obligations <sup>(1)</sup>              | 27,025,000                  | 100%   | <u>27,025,000</u>   |
| <b>Total direct and overlapping debt</b>                                |                             |  | <u><u>185,276,317</u></u>   |

<sup>(1)</sup> See Note 7 in Finance Statement for more information about the City's direct debt.

**CITY OF COSTA MESA, CALIFORNIA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN CALENDAR YEARS**

| Calendar<br>Year | Population <sup>(2)</sup> | Personal<br>Income<br>(thousands<br>of dollars) | Per Capita<br>Personal<br>Income <sup>(1)</sup> | Median<br>Age <sup>(1)</sup> | School<br>Enrollment <sup>(3)</sup> | Orange County<br>Unemployment<br>Rate <sup>(4)</sup> |
|------------------|---------------------------|---|---|------------------------------|-------------------------------------|--|
| 2006             | 113,134                   | 3,091,785                                       | 27,329  | 32                           | 21,253                              | 3.70%  |
| 2007             | 113,805                   | 3,110,122                                       | 27,329  | 32                           | 20,877                              | 3.90%  |
| 2008             | 113,955                   | 3,114,221                                       | 27,329  | 32                           | 20,920                              | 5.30%  |
| 2009             | 113,955                   | 2,087,063                                       | 18,315  | 32                           | 21,178                              | 9.30%  |
| 2010             | 116,341                   | 3,498,258                                       | 30,069  | 33                           | 21,353                              | 8.50%  |
| 2011             | 117,178                   | 3,536,901                                       | 30,184  | 33                           | 21,444                              | 9.20%  |
| 2012             | 110,757                   | 3,644,348                                       | 32,904  | 33                           | 21,619                              | 7.90%  |
| 2013             | 111,358                   | 3,711,117                                       | 33,326  | 33                           | 21,944                              | 6.10%  |
| 2014             | 111,846                   | 3,650,877                                       | 32,642  | 34                           | 21,683                              | 5.20%  |
| 2015             | 111,835                   | 3,780,694                                       | 33,806  | 34                           | 21,540                              | 4.30%  |

Sources: (1) - City of Costa Mesa Finance Department / and The HdL Companies

(2) - California State Department of Finance.

(3) - Newport-Mesa Unified School District.

(4) - State of California Employment Development Department as of June 30th each year.

**CITY OF COSTA MESA, CALIFORNIA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

| <u>Employer</u>                             | <u>2014-2015</u> |             |  | <u>2005-2006 (1)</u> |             |  |
|---|------------------|-------------|--|----------------------|-------------|--|
|   | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees</u>     | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Epl Intermediate, Inc.                      | 3,998            | 1           | 6.19%                                      |                      |             |  |
| Experian Information Solution               | 3,700            | 2           | 5.73%                                      |                      |             |  |
| Coast Community College District Foundation | 2,900            | 3           | 4.49%                                      |                      |             |  |
| Orange Coast Community College              | 1,900            | 4           | 2.94%                                      |                      |             |  |
| Automobile Club of Southern California      | 1,200            | 5           | 1.86%                                      |                      |             |  |
| Dynamic Cooking Systems, Inc                | 700              | 6           | 1.08%                                      |                      |             |  |
| Filenet Corporation                         | 600              | 7           | 0.93%                                      |                      |             |  |
| SURE HAVEN                                  | 550              | 8           | 0.85%                                      |                      |             |  |
| TTM Technologies, Inc.                      | 500              | 9           | 0.77%                                      |                      |             |  |
| SHURFLO, LLC                                | 430              | 10          | 0.67%                                      |                      |             |  |

(1) Data not available for fiscal year 2005-2006.

TABLE 18

**CITY OF COSTA MESA, CALIFORNIA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

| Function/Program   | Fiscal Years |           |           |           |           |           |           |           |           |           |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  | 2006         | 2007      | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      | 2015      |
| General Government   |              |           |           |           |           |           |           |           |           |           |
| Number of residents served via public services programs            | 3,500        | 3,250     | 3,250     | 2,800     | 3,250     | 3,000     | 2,023     | 1,500     | 1,000     | 1,500     |
| Accounts payable checks issued                                     | 12,075       | 12,250    | 12,000    | 12,500    | 12,500    | 10,187    | 9,634     | 9,561     | 9,506     | 9,764     |
| Total printshop photocopies produced                               | 5,010,580    | 5,200,000 | 5,250,000 | 4,965,000 | 2,260,000 | 2,528,476 | 2,746,559 | 1,554,927 | 1,691,606 | 1,806,965 |
| Protection of persons and property                                 |              |           |           |           |           |           |           |           |           |           |
| Police protection  |              |           |           |           |           |           |           |           |           |           |
| Emergency calls  | 1,390        | 1,400     | 1,450     | 1,350     | 1,350     | 1,230     | 1,128     | 1,160     | 1,180     | 1,330     |
| Calls responded to within 5 minutes                                | 81%          | 80%       | 80%       | 82%       | 82%       | 82%       | 76%       | 80%       | 82%       | 77%       |
| Assigned theft cases   | 2,000        | 1,000     | 1,000     | 2,055     | 2,000     | 2,055     | 1,951     | 1,900     | 1,000     | 400       |
| Percentage of theft cases cleared                                  | 25%          | 25%       | 25%       | 25%       | 25%       | 25%       | 34%       | 25%       | 40%       | 40%       |
| Assigned burglary cases  | 1,600        | 1,600     | 1,600     | 1,425     | 1,600     | 1,425     | 1,452     | 1,460     | 800       | 350       |
| Percentage of burglary cases cleared                               | 25%          | 25%       | 25%       | 25%       | 25%       | 25%       | 21%       | 25%       | 40%       | 40%       |
| Case and arrest reports processed                                  | 46,300       | 24,180    | 24,603    | 24,603    | 24,603    | 19,814    | 15,324    | 21,921    | 18,133    | 15,128    |
| Fire protection  |              |           |           |           |           |           |           |           |           |           |
| Number of calls for service  | 8,704        | 9,000     | 9,400     | 9,450     | 9,500     | 9,500     | 9,800     | 10,000    | 11,300    | 11,100    |
| Fire related responses   | 261          | 180       | 188       | 283       | 285       | 238       | 110       | 200       | 218       | 214       |
| Emergency medical aid responses                                    | 6,267        | 6,840     | 6,700     | 6,700     | 6,700     | 7,200     | 6,400     | 7,000     | 7,818     | 7,250     |
| Community Programs   |              |           |           |           |           |           |           |           |           |           |
| Number of program participants at the Downtown Recreation Center   | 25,000       | 32,799    | 67,134    | 33,843    | 33,357    | 30,903    | 32,404    | 42,411    | 31,018    | 31,521    |
| Over-the-counter plan checks reviewed within five (5) working days | 482          | 600       | 650       | 600       | 450       | 270       | 319       | 338       | 337       | 225       |
| Inspection requests with 24 hours                                  | 19,478       | 16,500    | 28,000    | 14,850    | 14,850    | 14,250    | 14,345    | 14,345    | 17,460    | 22,560    |
| Complaint response within two (2) working days                     | 22,742       | 22,000    | 12,000    | 19,800    | 19,000    | 13,500    | 13,590    | 13,590    | 13,590    | 12,750    |
| Public services  |              |           |           |           |           |           |           |           |           |           |
| Number of trees trimmed annually                                   | 5,400        | 5,065     | 6,435     | 8,007     | 7,980     | 4,504     | 7,206     | 7,882     | 8,140     | 7,700     |
| Number of catch basins cleaned annually                            | 1,300        | 1,275     | 1,200     | 1,260     | 1,165     | 1,165     | 1,165     | 1,165     | 1,165     | 1,165     |

Source: City of Costa Mesa Finance Department



**CITY OF COSTA MESA, CALIFORNIA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

| <u>Function/Program</u>            | <u>Fiscal Years</u> |               |               |               |               |               |               |                 |               |                 |
|------------------------------------|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|-----------------|
|                                    | <u>2006</u>         | <u>2007</u>   | <u>2008</u>   | <u>2009</u>   | <u>2010</u>   | <u>2011</u>   | <u>2012</u>   | <u>2013 (1)</u> | <u>2014</u>   | <u>2015 (2)</u> |
| General Government                 |                     |               |               |               |               |               |               |                 |               |                 |
| City council                       | 5.5                 | 5.5           | 5.5           | 5.5           | 5.5           | 5.0           | 5.0           | 6.0             | 6.0           | 6.0             |
| Chief Executive Officer's Office   | 16.27               | 16.56         | 16.56         | 16.56         | 16.00         | 13.00         | 15.75         | 22.00           | 29.75         | 38.41           |
| City attorney                      | -                   | -             | -             | -             | -             | -             | -             | -               | -             | -               |
| Financial services                 | 23.67               | 23.67         | 24.42         | 24.42         | 24.42         | 17.75         | 17.75         | 27.21           | 27.21         | 20.21           |
| Information Technology             | -                   | -             | -             | -             | -             | -             | -             | -               | -             | 10.50           |
| Administrative services            | 130.28              | 125.19        | 124.66        | 126.21        | 119.86        | 103.05        | 96.47         | -               | -             | -               |
| Development services               | 44.50               | 45.00         | 45.00         | 45.00         | 44.50         | 30.00         | 26.50         | 27.59           | 27.00         | 37.25           |
| Protection of persons and property |                     |               |               |               |               |               |               |                 |               |                 |
| Police protection                  | 254.75              | 258.73        | 262.73        | 266.75        | 254.63        | 213.88        | 220.68        | 235.60          | 237.68        | 236.41          |
| Fire protection                    | 112.92              | 113.40        | 112.92        | 112.92        | 112.92        | 98.44         | 96.44         | 95.44           | 95.75         | 84.75           |
| Public services                    | 101.00              | 107.90        | 109           | 108.90        | 108.96        | 76.50         | 79.25         | 114.99          | 124.43        | 83.37           |
|                                    | <u>688.89</u>       | <u>695.95</u> | <u>700.69</u> | <u>706.26</u> | <u>686.79</u> | <u>557.62</u> | <u>557.84</u> | <u>528.83</u>   | <u>547.82</u> | <u>516.90</u>   |

(1) City's Administrative Services Department was reorganized. Divisions previously allocated to that department such as Human Resources, Central Services, and Risk Management were combined with the Chief Executive Officer's Department and the Information Technology Division was combined with the Finance Department. In addition, the Recreation division was combined with Public Service Department.

(2) The Information Technology was separated from Financial Service Department.

**TABLE 20**

**CITY OF COSTA MESA, CALIFORNIA  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

| <u>Function/Program</u>    | <u>Fiscal Years</u> |             |             |             |             |             |             |             |             |             |
|----------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                            | <u>2006</u>         | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| Police                     |                     |             |             |             |             |             |             |             |             |             |
| Stations/Substations       | 2                   | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Fire                       |                     |             |             |             |             |             |             |             |             |             |
| Fire stations              | 6                   | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           |
| Other public works         |                     |             |             |             |             |             |             |             |             |             |
| Streets (lane miles)       | 525.0               | 525.0       | 525.0       | 525.0       | 525.0       | 525.0       | 525.0       | 525.0       | 529.0       | 529.0       |
| Streetlights               | 6,661               | 6,676       | 6,669       | 6,669       | 6,669       | 6,669       | 6,674       | 6,674       | 6,674       | 6,674       |
| Traffic signals            | 116                 | 116         | 122         | 122         | 122         | 124         | 124         | 123         | 123         | 124         |
| Parks and recreation       |                     |             |             |             |             |             |             |             |             |             |
| Acres of open space        | 1,957               | 1,957       | 1,957       | 1,957       | 1,957       | 1,957       | 1,957       | 1,957       | 1,957       | 1,957       |
| Park sites                 | 30                  | 30          | 30          | 30          | 30          | 30          | 30          | 30          | 30          | 31          |
| Baseball/softball diamonds | 6                   | 6           | 6           | 6           | 6           | 6           | 6           | 5           | 5           | 6           |
| Soccer/football fields     | 8                   | 8           | 8           | 8           | 8           | 8           | 8           | 10          | 10          | 10          |
| Community centers          | 3                   | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 3           | 4           |
| Wastewater (miles)         |                     |             |             |             |             |             |             |             |             |             |
| Sanitary sewers            | 325.7               | 325.7       | 325.7       | 325.7       | 325.7       | 325.7       | 325.7       | 325.7       | 325.7       | 325.7       |
| Storm sewers               | 45.5                | 45.5        | 45.5        | 45.5        | 45.5        | 45.5        | 45.5        | 45.5        | 45.5        | 45.5        |



