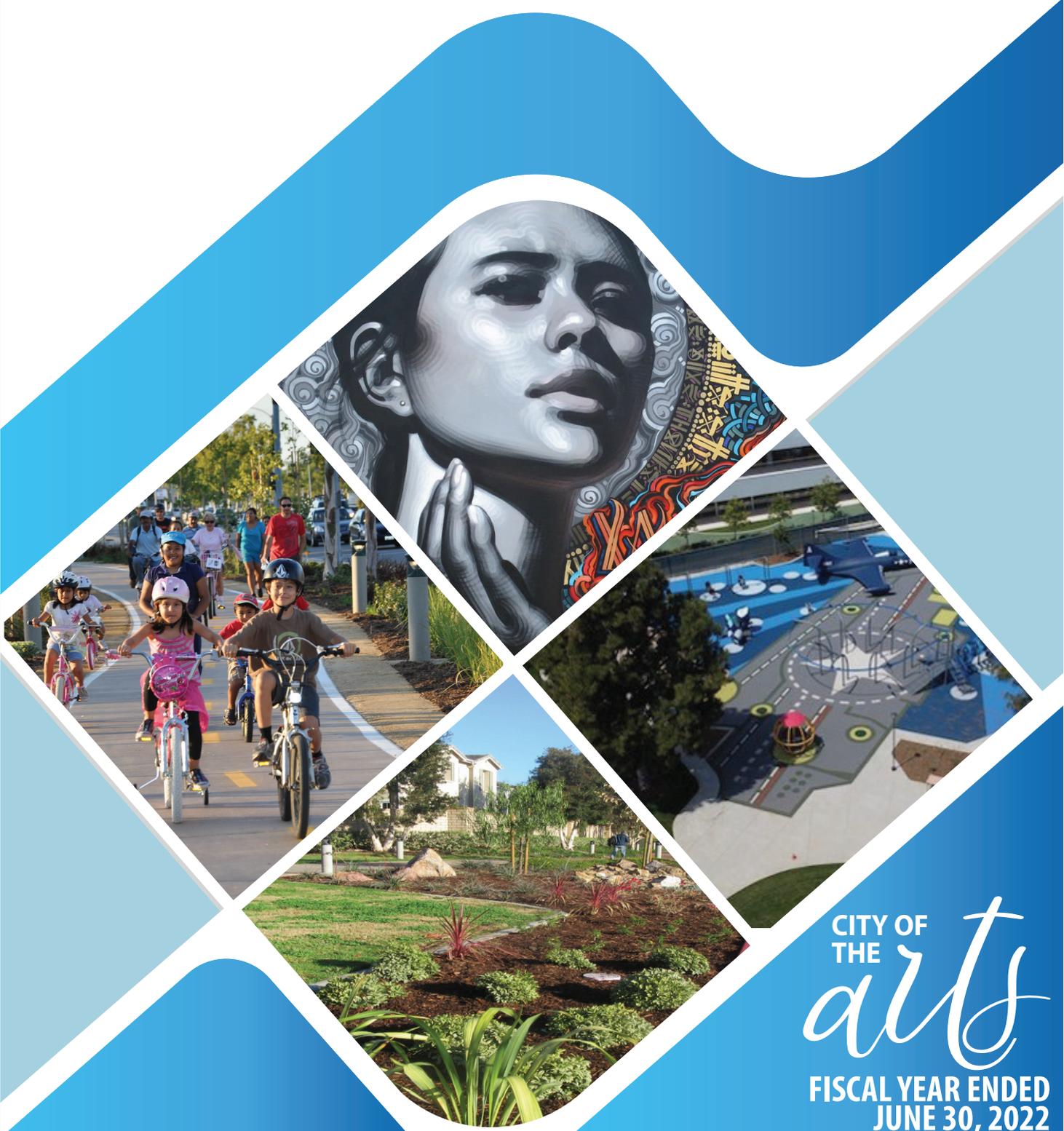




# CITY OF COSTA MESA, CALIFORNIA ANNUAL COMPREHENSIVE FINANCIAL REPORT



CITY OF  
THE  
*arts*  
FISCAL YEAR ENDED  
JUNE 30, 2022

**CITY OF COSTA MESA, CALIFORNIA**  
**Annual Comprehensive Financial Report**  
**Year ended June 30, 2022**

Prepared by: Finance  
Department

[www.costamesaca.gov](http://www.costamesaca.gov)



CITY OF COSTA MESA, CALIFORNIA  
Annual Comprehensive Financial Report  
Year ended June 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
List of Principal Officials	vii
Organizational Chart	viii
GFOA Certificate of Achievement for Excellence in Financial Reporting	ix
FINANCIAL SECTION:	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	19
Reconciliation of the Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Proprietary Funds:	
Statement of Net Position	25
Statement of Revenues, Expenses and Changes in Net Position	26
Statement of Cash Flows	27
Fiduciary Funds:	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Notes to the Basic Financial Statements	30

CITY OF COSTA MESA, CALIFORNIA  
 Annual Comprehensive Financial Report  
 Year ended June 30, 2022

TABLE OF CONTENTS, (CONTINUED)

	<u>Page</u>
Required Supplementary Information:	
Miscellaneous Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	76
Schedule of Contributions	78
Police Safety Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	80
Schedule of Contributions	82
Fire Safety Plan:	
Schedule of Proportionate Share of the Net Pension Liability	84
Schedule of Contributions	86
Police 1% Supplemental Retirement Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios	88
Other Post-Employment Benefit Plan:	
Schedule of Changes in OPEB Liability and Related Ratios	90
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	92
Government Grants Fund	94
American Rescue Plan Act Fund	95
Notes to Required Supplementary Information	96
Supplementary Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	100
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	104
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Nonmajor Special Revenue Funds:	
Gas Tax Fund	108
HOME Program Fund	109
Air Quality Improvement Fund	110
Community Development Fund	111
Supplemental Law Enforcement Services Fund	112
Rental Rehabilitation Fund	113
Narcotics Forfeiture Fund	114
Local Law Enforcement Block Grant Fund	115
Office of Traffic Safety Fund	116
Housing Authority Fund	117
Major and Nonmajor Capital Projects Funds:	
Capital Improvements	118
Measure “M2” Fund	119
Parking Districts Fund	120
Golf Course Improvements Fund	121

CITY OF COSTA MESA, CALIFORNIA  
Annual Comprehensive Financial Report  
Year ended June 30, 2022

TABLE OF CONTENTS, (CONTINUED)

		<u>Page</u>
Park Development Fund		122
Drainage Fees Fund		123
Traffic Impact Fees Fund		124
Fire System Development Fees Fund		125
Jack Hammett Sports Complex Fund		126
Lions Park Capital Improvements Fund		127
 Internal Service Funds:		
Combining Statement of Net Position		129
Combining Statement of Revenues, Expenses and Changes in Net Position		130
Combining Statement of Cash Flows		131
 STATISTICAL SECTION:		
	Table	
Net Position by Component – Last Ten Fiscal Years	1	133
Changes in Net Position – Last Ten Fiscal Years	2	134
Fund Balances of Governmental Funds – Last Ten Fiscal Years	3	135
Changes in Fund Balance of Governmental Funds – Last Ten Fiscal Years	4	136
Tax Revenues by Source, Governmental Funds – Last Ten Fiscal Years	5	137
Taxable Sales by Category – Last Ten Calendar Years	6	138
Principal Sales Tax Remitters by Category – Current Year and Nine Years Ago		139
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	8	140
Property Tax Levies and Collections – Last Ten Fiscal Years	9	141
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	10	142
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	11	143
Principal Property Taxpayers – Current Year and Nine Years Ago	12	144
Ratio of General Bonded Debt Outstanding and Legal Debt Margin – Last Ten Fiscal Years	13	145
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	14	146
Direct and Overlapping Governmental Activities Debt	15	147

CITY OF COSTA MESA, CALIFORNIA  
Annual Comprehensive Financial Report  
Year ended June 30, 2022

TABLE OF CONTENTS, (CONTINUED)

	<u>Table</u>	<u>Page</u>
Demographic and Economic Statistics – Last Ten Calendar Years	16	148
Principal Employers - Current Year and Nine Years Ago	17	149
Operating Indicators by Function/Program – Last Ten Fiscal Years	18	150
Full Time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years	19	151
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	20	152

ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
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 30, 2022

Honorable Mayor and Councilmembers:

The Annual Comprehensive Financial Report (ACFR) of the City of Costa Mesa (the City) for the fiscal year ended June 30, 2022, 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.

Management asserts that to the best of its knowledge and belief, the enclosed data is accurate in all material respects, and 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 fiscal year ended June 30, 2022, have been audited by Davis Farr LLP, an independent public accounting firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2022, 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.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit 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 112,780 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, the Orange County Fairgrounds, and the new state-of-the-art of the Orange County Museum of the Arts (OCMA).

The City has operated under the council-manager form of government since incorporation. Policy making and legislative authority are vested in the Mayor and City Council. The City Manager is responsible for implementing policies and ordinances approved by the City Council, overseeing the day-to-day operations of the City, and appointing department heads.

In November 2016, voters approved Measure EE regarding Voting District Formation and six voting districts were formed. Beginning in December 2018, the City Council transitioned from five Council Members elected at-large to seven Council Members. Each of the six districts elects one Council Member and the Mayor is elected at-large every two years. Council members are elected to four-year staggered terms.

The City is a "full service city" and provides a wide range of services including: police and fire protection; emergency medical aid; building safety regulation and inspection; land use planning and zoning; housing and community development; maintenance and improvement of streets and related structures; traffic safety, maintenance, and improvement; homeless street outreach and shelter services; 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, public works, 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 GAAP, 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 City Council.

The City Manager 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 and interfund budgetary amendments are approved by the City Manager subject to the total amount authorized by City Council.

## ECONOMIC CONDITION

During fiscal year 2021-22, the City continued to demonstrate resilience despite two years of challenges from the COVID-19 pandemic. The City's local economy has fared better than both the nation and State of California based primarily on the strength of a strong retail base, local businesses, and the diverse types of industries located within the City. A strong tax base along with fiscal prudence resulted in a year-end surplus for FY 2021-22.

Fiscal year 2021-22 marked the second full year of the economic impacts of the worldwide pandemic, COVID-19. The pandemic reshaped the consumer's purchasing interests towards more "experiences" such as an increase in dining out, rise in tourism, and entertainment venues. Commuters returning to offices combined with foreign conflicts abroad put upward pressure on oil prices and left Californians facing the highest average price per gallon on record resulting in fuel and service station receipts 42% higher than last year.

Further, higher priced consumer goods through periods of consistent demand have led to economic inflation. The Federal Reserve Board's actions to aggressively raise interest rates to curb inflation coupled with supply shortages are anticipated to put downward pressure on building materials and financed general consumer goods, resulting in slower growth expectations into 2023.

In fiscal year 2021-22, General Fund revenue, not including transfers, increased by \$24.7 million or 17.5 percent restoring General Fund revenue to essentially pre-pandemic levels. This is primarily due to a strong rebound in the retail sector and online purchases resulting in a sales tax revenue increase of \$13.5 million, or 21.1 percent, over the prior fiscal year which was artificially depressed due to the pandemic. Costa Mesa is home to the renowned luxury retail center South Coast Plaza, Metro Pointe, and a variety of brick and mortar stores. Pent up demand for in person retail and restaurant visits and high inflation passed along in the cost of goods resulted in a significant increase to sales tax revenue. Sales tax revenue has recovered to pre-pandemic levels and exceeded fiscal year 2018-19 revenue, the last full fiscal year prior to the pandemic, by \$12.4 million, or 19.1 percent.

Prior to the economic impacts of the pandemic, transient occupancy tax (TOT) revenue showed signs of a slight slowdown. In March 2020, the pandemic spread globally. Costa Mesa hotels experienced a significant reduction in visitors. Increased tourism and travel, as travel restrictions were lifted, led to an increase in this revenue stream. TOT revenue increased by \$4.1 million, or 95.4 percent, over the prior fiscal year. While occupancy levels have not returned to pre-pandemic levels, they are increasing. TOT revenue has not fully recovered to pre-pandemic levels.

General Fund expenditures increased by \$16.5 million or 2.6 percent compared to the prior year. This increase essentially reflects a return to pre-pandemic levels of spending and the restoration of staffing and serious cuts during the pandemic. For fiscal year 2021-22, the General Fund ended with a net operating positive of \$25.6 million before other financing uses of \$21.4 million, comprised of transfers to the Internal Services Funds for the City's Capital, Technology, and Equipment Funds; Financing Authority Debt Service Fund for debt service payments; and the Housing Authority for homeless services programs costs. Operating transfers out decreased by \$5.3 million, however net financing uses increased by \$3.9 million compared to the prior fiscal year. This was due to offsetting operating transfers in to the General Fund during FY 2020-21 for eligible American Rescue Plan Act (ARPA) expenses incurred. The City did not incur any eligible ARPA expenses in FY 2021-22. The City received its second installment of ARPA funds in June 2022. After the net of other financing uses, the General Fund ended with an increase of \$4.3 million to fund balance for fiscal year 2021-22.

The City is cautiously expecting a stable outlook for the local economy. The City enjoys a strong, diverse local economy, well-funded emergency reserves, and a solid commitment to delivering top quality services to the community.

## MAJOR AND FUTURE DEVELOPMENT INITIATIVES

### **Major Developments (completed):**

*Orange County Museum of Art (3333 Avenue of the Arts)* – The City approved construction of a 53,875-square-foot structure which is the new home to the Orange County Museum of Art located within Costa Mesa’s Theater Arts District. Construction was completed and the grand opening was held in October 2022.

*Vans Headquarters Expansion (1588 South Coast Drive)* – The Vans Headquarters Expansion Project included the construction of a three-story, 91,032-square-foot office building on the Vans Headquarters Campus located at 1588 South Coast Drive. The project also included a three-story parking structure, and an outdoor seating area and half pipe skate ramp just west of the proposed office building. The project also included a traffic signal on Hyland Avenue at the Vans north driveway. Construction was completed in 2022.

*Newport & Ford (1957 Newport Blvd.)* – This 38-unit condominium project was approved by the City in October 2018. The project was constructed in phases and was completed in 2022.

*Harbor/Hamilton (2095 Harbor Blvd. and Hamilton Street)* – This 1.53-acre site was approved for construction of a 28-unit detached single-family condominium development including seven units with ground level work spaces. Construction of all homes was completed and occupied as of 2022.

### **Major Developments (approved/under construction):**

*Anduril Headquarters (1375 Sunflower Street- former LA Times site/The Press)* – The Master Plan for this 665,000-square-foot office project was approved in August 2017 and became the new Orange County headquarters for Anduril Technologies in 2021. Phased construction is underway. Buildout of the entire Campus is projected to be completed in mid-2023.

*Vanguard University (55 Fair Drive)* – The City approved a Master Plan for Vanguard University in 2019. The Master Plan includes a 20-year investment and facilities plan for updating and replacing existing buildings with more modern facilities, providing additional onsite student housing, and replacing surface parking lots with new parking structures. Buildout of the Master Plan will accommodate 2,700 students and will take several years to complete. In 2020, the University opened its new 42,687-square-foot Student Center. Perimeter improvements along Fair Drive and Newport Boulevard include new fencing, landscaping and University signage which was also completed in 2022. In addition, the new 61,006-square-foot multi-purpose gymnasium, athletic facility, and events center are currently under construction and are projected to be completed by 2024.

*Halcyon House (former Symphony Apartments located at 595 Anton Blvd.)* – This project consists of 393 apartment units and retail shops at the corner of Anton Boulevard and Avenue of the Arts and was approved in 2015. Construction of Building A was completed in 2022 and Building B is nearing completion and is anticipated to open for leasing in early 2023.

*LUX Apartments (2277 Harbor Boulevard)* – This project consists of 200 apartment units located on Harbor Boulevard, including 9 very low-income units. The project is under construction and is projected to be completed and open for leasing in 2023.

*Avenue of the Arts Hotel Expansion (3350 Avenue of the Arts)* – The project is a hotel expansion of an existing 4-diamond hotel in North Costa Mesa. The Master Plan includes an expanded parking structure, a new restaurant and hotel lobby, and 150 new hotel rooms on six levels. Minor changes to the design were submitted in 2022 with construction anticipated in 2023.

*The Plant (765-767 Baker Street and 2972 Century Place)* – The City approved a Master Plan for the renovation of three existing commercial buildings, totaling 19,100 square feet, for retail and restaurant uses surrounding a central courtyard area located in Costa Mesa's SoBECA neighborhood. New food stalls and a four-story mixed use building are planned, with 48 residential units, 14 live/work units, and 2,570 square feet of workshop/maker office space above a two-level parking structure.

*One Metro West (1683 Sunflower Avenue)* – The project is a mixed-use development that includes up to 1,057 residential units, 25,000 square feet of commercial creative office, 6,000 square feet of specialty retail, 1.5-acres of public open space, streetscape improvements, and a Class-I bike trail on Sunflower Avenue providing access to the Santa Ana River Trail. The project was approved by the City Council in 2021, subject to Article 22, Chapter IX of Title 13 of the Costa Mesa Municipal Code.

### **Future Development (under review):**

*Project Homekey (Motel 6 site – 2274 Newport Boulevard)* – The project consists of a two-phase adaptive re-use of an 88-unit motel for permanent affordable housing. All units will be converted to 300-square-foot studio apartments with new kitchenettes, countertops, flooring, paint, fixtures, appliances, and furniture. Additional common areas for residents will include a new outdoor patio, smoking area, dog run, and community garden. Exterior improvements will include building façade enhancements, public art, and substantial upgrades to existing landscaped areas. Construction is expected to commence in early 2023.

*Senior Housing Project at City Senior Center (695 West 19th Street)* – An application for a Master Plan Screening for a 60-unit housing project on a 0.90-acre portion of the parking lot at the City's Senior Center property has been submitted and is under review.

### **DEBT ADMINISTRATION**

The City accounts for general debt service under the following funds in the financial statements: the Public Financing Authority (PFA) Debt Service Fund and the Financing Authority (FA) Debt Service Fund. Sources of revenues for retirement of outstanding bonded indebtedness include general property and sales taxes.

In October 2017, the FA issued the 2017 Lease Revenue Bonds that refinanced the PFA Series 2007 Certificates of Participation (COP) and provided partial funding for the Lion's Park, Donald Dungan Library and Norma Hertzog Neighborhood Community Center projects. Standard & Poor's (S&P) rated the 2017 bonds AA+ upon initial issuance. On November 3, 2020, in the height of the pandemic, Standard & Poor's reaffirmed the 2017 bonds' AA+ long-term rating with a stable outlook. According to the final report, S&P "reviewed governance risks and consider them better than the sector standard because of the City's very strong management profile with strong financial policies and practices, and successful economic development efforts."

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 excellent credit standing.

### **FINANCIAL REPORTING AWARDS**

The Government Finance Officers Association (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the 24th 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 must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must also satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our June 30, 2022 Annual Comprehensive Financial Report continues to meet the Certificate of Achievement program requirements and it will be submitted to the GFOA to determine its eligibility for another award.

#### ACKNOWLEDGMENTS

Special recognition is extended to the entire Finance Department for their ongoing dedication and support 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 Annual Comprehensive Financial Report. In addition, our deepest appreciation is also extended to the Central Services Division staff for their assistance in the design of the report cover and printing of this document. Further, thanks are also extended to our independent auditors, Davis Farr LLP, for their continued oversight, expertise, and advice.

Respectfully submitted,



---

LORI ANN FARRELL HARRISON  
City Manager



---

CAROL MOLINA  
Finance Director



## City of Costa Mesa List of Principal Officials

**June 30, 2022**

### **Mayor**

John Stephens

### **City Council**

Andrea Marr

Manuel Chavez

Loren Gameros

Jeff Harlan

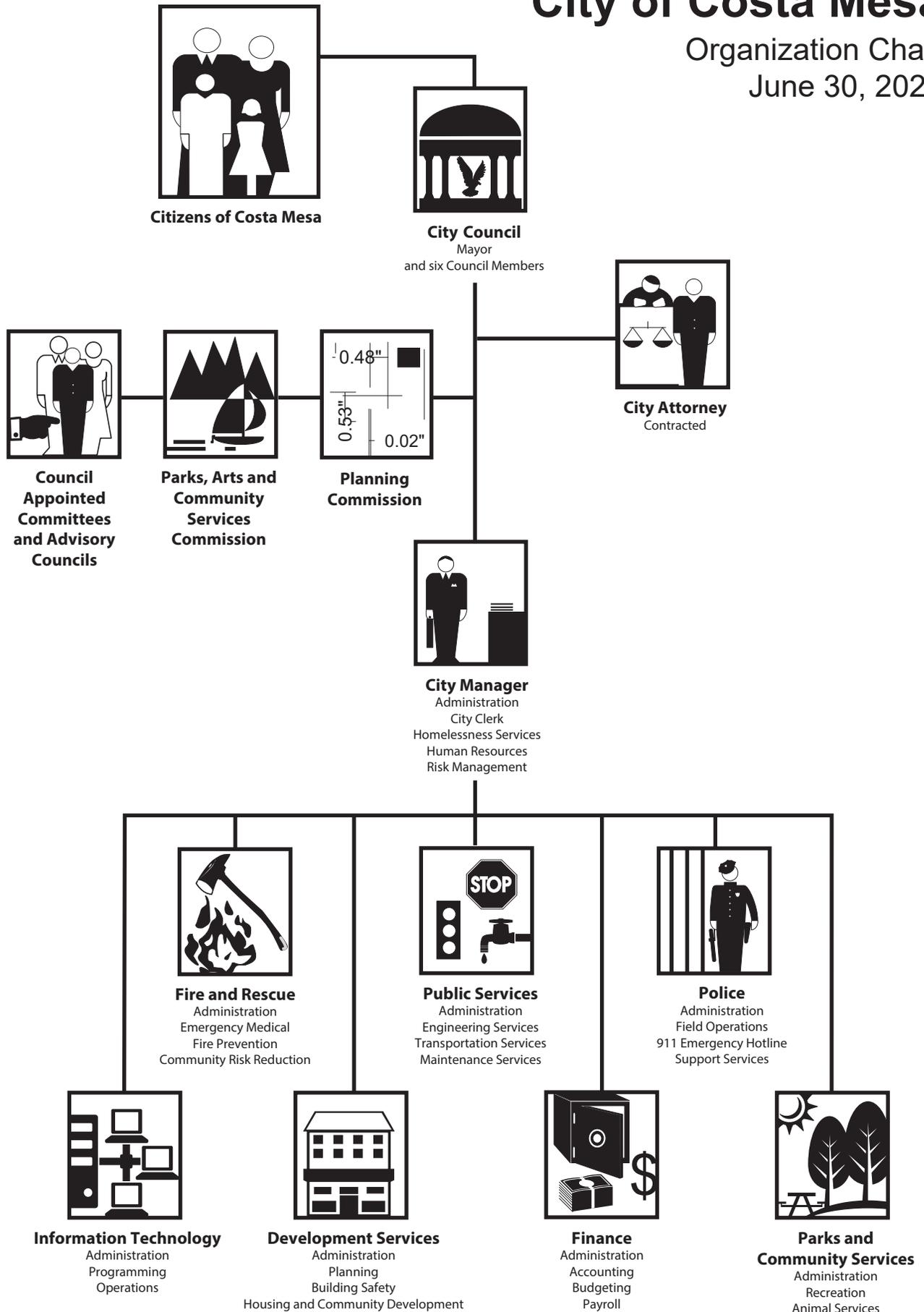
Don Harper

Arlis Reynolds

City Manager ----- --Lori Ann Farrell Harrison  
Assistant City Manager----- --Susan Price  
City Attorney (Contract) ----- Kimberly Barlow  
Development Services Director ----- Jennifer Le  
Finance Director -----Carol Molina  
Information Technology Director ----- Steve Ely  
Parks and Community Services Director ----- Jason Minter  
Public Services Director ----- Raja Sethuraman  
Fire Chief ----- Dan Stefano  
Police Chief ----- Ronald Lawrence

# City of Costa Mesa

Organization Chart  
June 30, 2022



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 Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO



ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
INDEPENDENT AUDITOR'S REPORT



## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the 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 June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of June 30, 2022, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

During the year ended June 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87: Leases. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and OPEB schedules, and the 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 is the responsibility of management and, 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 required supplementary information 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

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

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

**Other Information**

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the *introductory section* and *statistical section* but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Report on Summarized Comparative Information**

We have previously audited the City’s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results

of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan UP". The signature is written in a cursive, flowing style.

Irvine, California  
December 30, 2022

ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
MANAGEMENT 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, 2022. 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-vi 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 2022 by \$51.6 million (*net position*). Of this amount, \$225.7 million (*unrestricted net position deficit*) primarily resulted from implementations of Governmental Accounting Standards Board (GASB) Statement Nos. 68, 71 and 73 for pensions, and GASB Statement No. 75 for Postemployment Benefit Other than Pensions (OPEB). These statements established standards for measuring and recognizing liabilities for defined benefit plans.
- In the government-wide financial statements, total net position increased by \$14.6 million from the prior fiscal year total of \$37.1 million primarily due to an increase federal funding from the American Rescue Plan Act (ARPA).
- In the fund financial statements, the governmental funds reported a combined ending fund balance of \$117.5 million, an increase of \$8.1 million in comparison with the prior year total of \$109.4 million.
- At the end of fiscal year 2022, the General Fund's unassigned fund balance was \$16.5 million or 11.8 percent of general fund expenditures of \$140.1 million. Unassigned fund balance may be used to meet the government's ongoing obligations.
- At June 30, 2022, the City reported \$229.6 million in pension liabilities and \$66.3 million in OPEB liabilities.

### 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 difference between 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 16-17 of this report.

## **Fund Financial Statements**

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 26 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, Capital Improvements and Gas Tax funds, all of which are considered to be major funds. Data from the other 23 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 operating and capital budget for its General, Special Revenue, and Capital Projects funds. Budgetary comparison statements have been provided for these fund types to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 19-24 of this report.

## **Proprietary Funds**

The City maintains one type of proprietary fund, *internal service funds*. 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 replacement, self-insurance (workers' compensation, general liability, unemployment), and information technology replacement functions. Because there are no 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, and Information Technology Replacement funds, all of which are considered to be nonmajor funds. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each nonmajor internal service funds is provided in the form of *combining statements* in the supplementary schedules section of this report.

The basic proprietary fund financial statements can be found on pages 25-27 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 28-29 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 30-75 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 76-96 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. Combined and individual fund statements and schedules can be found on pages 100-131 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$51.6 million at June 30, 2022, an increase of \$14.6 million from 2021.

As in previous years, the City's net position continued to reflect the impact from implementations of GASB Statements No. 68, 71 and 73 for pension and GASB 75 for OPEB, all of which account for the City's defined benefit liabilities. The City's total defined benefit liability is estimated at \$297.7 million on the Statement of Net Position, a decrease of \$79.8 million as compared to the prior year.

Another 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.

**CONDENSED STATEMENT OF NET POSITION**

	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>Increase/ (Decrease)</b>	<b>Percent Increase/ (Decrease)</b>
<b>ASSETS:</b>				
Current and other assets	\$192,540,139	\$155,763,694	\$ 36,776,445	23.61%
Capital assets, net of accumulated depreciation	279,567,632	282,879,937	(3,312,305)	-1.17%
Total assets	<u>472,107,771</u>	<u>438,643,631</u>	<u>33,464,140</u>	<u>7.63%</u>
Deferred outflows of resources	56,137,273	52,911,235	3,226,038	6.10%
<b>LIABILITIES:</b>				
Current and other liabilities	33,026,449	15,215,718	17,810,731	117.05%
Long-term liabilities	348,415,949	430,748,965	(82,333,016)	-19.11%
Total liabilities	<u>381,442,398</u>	<u>445,964,683</u>	<u>(64,522,285)</u>	<u>-14.47%</u>
Deferred inflows of resources	95,175,548	8,529,449	86,646,099	1015.85%
<b>NET POSITION:</b>				
Net investment in capital assets	249,096,798	255,443,158	(6,346,360)	-2.48%
Restricted	28,232,693	25,552,401	2,680,292	10.49%
Unrestricted	(225,702,393)	(243,934,825)	18,232,432	-7.47%
Total net position	<u><b>\$ 51,627,098</b></u>	<u><b>\$ 37,060,734</b></u>	<u><b>\$ 14,566,364</b></u>	<u><b>39.30%</b></u>

At the end of fiscal year 2021-22, the City continued to report positive balances in two out of three categories of net position for the government as a whole, as well as for its separate governmental activities. The unrestricted net position improved by \$18.2 million, ending the fiscal year with a balance of \$225.7 million primarily due to implementations of pension and OPEB accounting standards.

During the fiscal year 2021-22, the City's total net position increased by \$14.6 million.

<b>CHANGES IN NET POSITION</b>		
	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
<b>REVENUES:</b>		
Program Revenues:		
Charges for services	\$ 21,962,861	\$ 17,113,465
Operating contributions and grants	14,404,940	32,519,129
Capital contributions and grants	5,528,637	8,267,623
General Revenues:		
Taxes:		
Property taxes	49,706,079	47,891,698
Sales and use taxes	77,165,533	63,738,411
Transient occupancy tax	8,366,278	4,282,802
Franchise taxes	5,318,541	4,895,574
Business tax	1,468,202	1,227,843
Other intergovernmental, unrestricted	130,289	84,182
Investment income	(3,609,117)	(80,831)
Miscellaneous	1,718,804	1,420,418
Total revenues	<u>182,161,047</u>	<u>181,360,314</u>
<b>EXPENSES:</b>		
General Government	31,808,370	36,763,868
Protection of persons and property	98,324,072	88,643,852
Community programs	14,887,015	22,007,275
Public services	21,645,247	17,663,842
Interest on long-term debt	929,979	986,593
Total expenses	<u>167,594,683</u>	<u>166,065,430</u>
Change in net position	<u>14,566,364</u>	<u>15,294,884</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	37,060,734	21,765,850
<b>NET POSITION, END OF YEAR</b>	<u><b>\$ 51,627,098</b></u>	<u><b>\$ 37,060,734</b></u>

## Governmental Activities

Governmental activities increased the City's net position by \$14.6 million. The Coronavirus (COVID-19) pandemic that started at the beginning of 2020 forced government agencies worldwide to issue business closure and shelter-at-home orders to protect life and safety. In fiscal year 2021-22, the City took a conservative approach as the effects of the pandemic started to subside, increasing staffing levels and returning local services to pre-pandemic levels in a strategic, yet controlled measure. This approach contributed to the increase of the net position. Key factors in the City's net position included:

- Sales tax increased by \$13.4 million or 21.1 percent. Costa Mesa is primarily based on retail commercial business, sales tax from which is the City's largest revenue source. Sales tax revenues have recovered to pre-pandemic levels. Increased revenues are due to an increase in consumer demand and increased prices as a result of inflation.
- Operating contributions and grants decreased \$18.1 million or 55.7 percent primarily due to the one-time CARES ACT federal stimulus funding received in the prior fiscal year; the second tranche of funding, although received in FY 2021-22, is not recognized until it is committed or spent.
- Transient occupancy tax increased by \$4.1 million or 95.4 percent due to a significant increase in tourism and travel, as travel restrictions put in place during the pandemic were lifted.
- Investment income decreased by \$3.5 million due to the GASB 31 adjustment.
- Overall expenses increased by \$1.5 million or 0.92 percent from fiscal year 2020-21 as the City resumes its normal operating expenses after the global shut down experienced in the prior year due to the pandemic.

## 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.

### Governmental 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 2021-22, the City's governmental funds reported combined ending fund balance of \$117.5 million, an increase of \$8.1 million in comparison with the prior fiscal year fund balance of \$109.4 million. Of this total amount:

- \$0.5 million represents *nonspendable fund balance* which includes amounts that cannot be used because they are either not spendable in form or legally or contractually required to remain intact.
- \$29.7 million represents *restricted fund balance* which includes amounts that can be spent only for specific purposes stipulated by external sources or through enabling legislation.

- \$25.1 million represents *committed fund balance* which includes amounts that can be used only for specific purposes determined by a formal action of the City Council. It includes legislation (City Council action) that can only be overturned by a subsequent council action requiring a voting consensus.
- \$47.4 million represents *assigned fund balance* which includes amounts that are designated or expressed by the City Council for certain purposes but do not require formal actions like resolutions or ordinances. City Council, via resolution, delegated the authority to establish, modify, or rescind a fund balance assignment to the Finance Director.
- The remaining \$14.7 million constitutes *unassigned fund balance*.

The General Fund is the primary operating fund of the City. At the end of fiscal year 2021-22, the General Fund's fund balance increased by \$4.3 million. While the total fund balance amounted to \$57.8 million, the unassigned fund balance was \$16.5 million. Key factors attributable to the increase in net position include:

- Sales tax revenues increased by \$13.4 million or 21.1 percent from fiscal year 2020-21. This is due to increased consumer spending and prices as a result of inflation.
- Transient occupancy tax increased by \$4.1 million or 95.4 percent due to increased travel and tourism.
- Property tax increased by \$1.6 million or 3.3 percent.
- Overall, total revenues in the General Fund increased by \$24.6 million or 17.4 percent.
- Community programs and public services expenditures increased by \$3.9 million, or 27.0 percent, in total, as the City implemented measures to resume its normal operations after the shutdown impacts of COVID.
- Overall, total expenditures in the General Fund increased by \$16.5 million or 13.4 percent over prior fiscal year.

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

The Capital Improvements Fund had \$21.9 million in fund balance at the end of the fiscal year which represents a net increase of \$4.7 million or 27.2 percent from the prior fiscal year. The increase in fund balance is mainly attributed to Transfers in for various capital improvement projects as well as the true up of 5 percent of General Fund revenues towards capital projects per the City's Capital Asset Needs Ordinance requirement.

The Government Grants Fund had a deficit fund balance of \$1.1 million at the end of the fiscal year which represents a net decrease of \$0.7 million or 154.1 percent from the prior fiscal year. The deficit and decrease in fund balance is due to grant expenditures not yet reimbursed.

The American Rescue Plan Act (ARPA) Fund had \$50,329 in fund balance at the end of the fiscal year which had a fund balance of \$0 in the prior fiscal year. The City expended all funding received in the prior fiscal year. Although the City received its second tranche of ARPA funds, the City has not expended or committed funds received in the current fiscal year; as per Generally Accepted Accounting Principles (GAAP) revenues cannot be recognized at this time. As a result, revenues recognized were due to interest earnings.

### **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 also utilizes Internal Service Funds, which are a propriety fund type.

The unrestricted net position of the Internal Service Funds at the end of the fiscal year was \$20.2 million. Total net position increased by \$6.9 million from the prior fiscal year. This was primarily due to a decrease in payables and increase in current assets for prepaid equipment and fleet purchases.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2021-22 the actual revenues were \$4.8 million or 2.8 percent lower than the final adjusted budget, however, actual revenues were higher than pre-pandemic levels. Year over year, sales tax revenue was \$13.4 million higher than prior fiscal year. Charges for services revenue received increased by \$2.1 million compared to prior fiscal year.

Actual expenditures were \$3.1 million or 2.2 percent lower than originally estimated and final adjusted budget. The variance was due to a deferral of debt service payments for Fire and Rescue Department vehicles and citywide vacancies.

## **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, 2022, amounted to \$279.6 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 \$3.3 million. Major infrastructure asset additions during fiscal year 2021-22 were citywide street rehabilitation for Hamilton Street and Santa Ana Avenue, Fairview Road Improvements, citywide alley improvements, and other ongoing capital projects. Other assets capitalized included vehicle replacements and a variety of equipment purchases. During the fiscal year, capital assets not being depreciated increased by \$3.0 million and capital assets being depreciated increased by \$3.4 million.

**CAPITAL ASSETS**  
(NET OF DEPRECIATION)

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Land	\$ 34,579,306	\$ 34,579,306
Land rights related to streets	29,821,224	29,821,224
Construction in progress	11,423,851	8,437,088
Building improvements and structures	72,060,015	75,902,623
Machinery and equipment	11,358,371	12,037,596
Intangibles	334,106	466,741
Right-to-use-lease assets	1,169,092	-
Park system and facilities	6,704,889	7,399,467
Infrastructure- roads	99,147,982	99,900,537
Infrastructure- storm drains	12,968,796	14,335,355
<b>TOTALS</b>	<b>\$ 279,567,632</b>	<b>\$ 282,879,937</b>

Construction in progress as of June 30, 2022 totaled \$11.4 million, \$3.0 million higher than the previous fiscal year, and included some of the following projects with significant commitment balances:

**CONSTRUCTION COMMITMENTS**

<b>CONSTRUCTION PROJECT</b>	<b>TOTAL BUDGET</b>	<b>SPEND TO DATE</b>	<b>REMAINING COMMITMENT</b>
Land Management System	\$ 1,976,759	\$ 836,575	\$ 1,140,184
Fairview Road Improvement 405/Adams	1,176,150	60,298	1,115,852
SB Newport Blvd Improvements Mesa Victoria	1,965,652	34,765	1,930,887
Newport NB 22th Bristol SB Bristol Mesa	2,131,786	58,525	2,073,261
Adams Ave Improvement	2,278,862	-	2,278,862
Citywide Street Maintenance	11,026,508	9,077,780	1,948,728
Jack Hammett Field Upgrade	2,710,274	2,205,228	505,046
<b>TOTALS</b>	<b>\$ 23,265,991</b>	<b>\$ 12,273,171</b>	<b>\$ 10,992,820</b>

Additional information on capital assets can be found in note 7 on pages 50-51 of this report.

**Long-Term Debt**

At year-end, the City had one outstanding bond issues: the Financing Authority 2017 Lease Revenue Bonds with an outstanding balance of \$23.1 million. Additionally, the City had \$24.6 million in other outstanding liabilities related to leases, loans, claims, and employee benefits.

Long-term liabilities had a net decrease of \$2.5 million, primarily due to a decrease in the City's outstanding liability claims.

**OUTSTANDING DEBT**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Bonds Payable	\$ 26,102,279	\$ 28,200,046
Other Liabilities	24,565,203	24,960,460
<b>TOTALS</b>	<b>\$ 50,667,482</b>	<b>\$ 53,160,506</b>

Additional information on the City’s long-term debt can be found in notes 8 through 9 on pages 51-56 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

During fiscal year 2021-22, the local economy continued to recover from the pandemic. The City took a conservative approach as the fiscal impacts of the pandemic started to subside. The City of Costa Mesa is experiencing an increase in its financial situation, attesting that the City is well positioned to continue to weather the fiscal impacts of the pandemic. For fiscal year 2022-23 the City is carefully restoring staffing and service levels cut at the height of the pandemic, while continuing to utilize federal stimulus funds.

**REQUESTS 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 funding streams and overall fiscal conditions. 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: [financeadmin@costamesaca.gov](mailto:financeadmin@costamesaca.gov)
- by phone: (714) 754-5243

ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
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 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 City'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, 2022  
(With Comparative Data for Prior Year)

	Governmental Activities	
	2022	2021
<b>Assets:</b>		
Cash and investments (note 2)	\$ 157,463,831	\$ 127,921,427
Cash and investments with fiscal agent (note 2)	460,281	978,262
Due from other governments	20,103,936	20,450,671
Accounts receivable	4,183,311	2,351,222
Interest receivable	382,959	312,024
Loans receivable, net (note 5)	608,294	650,674
Rent receivable	355,664	346,702
Leases receivable (note 6)	4,419,068	-
Inventories	339,236	202,311
Prepaid items	4,223,559	2,550,401
Capital assets (note 6):		
Nondepreciable	75,824,381	72,837,618
Depreciable, net of accumulated depreciation	203,743,251	210,042,319
Total assets	472,107,771	438,643,631
<b>Deferred outflows of resources:</b>		
Deferred outflows related to pensions (note 11)	42,824,533	41,380,794
Deferred outflows related to OPEB (note 14)	13,312,740	11,530,441
Total deferred outflows of resources	56,137,273	52,911,235
<b>Liabilities:</b>		
Accounts payable	9,418,820	7,898,300
Accrued liabilities	3,721,368	3,876,294
Accrued interest payable	262,935	280,975
Retentions payable	517,407	474,229
Deposits payable	2,952,644	2,381,365
Unearned revenue	16,153,275	304,555
Long-term liabilities:		
Portion due within one year (note 8)	7,258,181	9,234,500
Portion due beyond one year (note 8)	43,409,301	43,926,006
OPEB liability (note 14)	66,254,495	62,882,272
Police retirement 1% supplemental liability (note 12)	1,884,759	2,274,765
Net pension liability (note 11)	229,609,213	312,431,422
Total liabilities	381,442,398	445,964,683
<b>Deferred inflows of resources:</b>		
Deferred inflows related to leases (note 6)	4,338,750	-
Deferred inflows related to pensions (note 11)	87,708,150	5,792,266
Deferred inflows related to OPEB (note 14)	3,128,648	2,737,183
Total deferred inflows of resources	95,175,548	8,529,449
<b>Net position:</b>		
Net investment in capital assets	249,096,798	255,443,158
Restricted for:		
Protection of persons and property	1,333,365	1,329,350
Community programs	6,796,140	6,176,036
Public services	20,103,188	18,047,015
Unrestricted	(225,702,393)	(243,934,825)
Total net position	\$ 51,627,098	\$ 37,060,734

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Statement of Activities  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

Functions/programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	2022	2021
Governmental activities:						
General government	\$ 31,808,370	\$ -	\$ 903,430	\$ -	\$ (30,904,940)	\$ (21,270,525)
Protection of persons and property	98,324,072	6,846,240	3,720,169	-	(87,757,663)	(76,375,978)
Community programs	14,887,015	6,220,199	3,863,039	503,000	(4,300,777)	(11,906,571)
Public services	21,645,247	8,896,422	5,918,302	5,025,637	(1,804,886)	2,374,454
Interest on long-term debt	929,979	-	-	-	(929,979)	(986,593)
Total governmental activities	<u>\$ 167,594,683</u>	<u>\$ 21,962,861</u>	<u>\$ 14,404,940</u>	<u>\$ 5,528,637</u>	<u>(125,698,245)</u>	<u>(108,165,213)</u>
		General revenues:				
		Taxes:				
		Property taxes			49,706,079	47,891,698
		Sales and use taxes			77,165,533	63,738,411
		Transient occupancy tax			8,366,278	4,282,802
		Franchise taxes			5,318,541	4,895,574
		Business tax			1,468,202	1,227,843
		Other intergovernmental, unrestricted			130,289	84,182
		Investment income (loss)			(3,609,117)	(80,831)
		Miscellaneous			1,718,804	1,420,418
		Total general revenues			<u>140,264,609</u>	<u>123,460,097</u>
		Change in net position			14,566,364	15,294,884
		Net position - beginning of year			<u>37,060,734</u>	<u>21,765,850</u>
		Net position - end of year			<u>\$ 51,627,098</u>	<u>\$ 37,060,734</u>

See notes to financial statements



ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
FUND FINANCIAL STATEMENTS



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

##### **Government Grants**

Established to account for receipt and disbursement of grant monies provided by Federal, State, and County governmental agencies for various programs.

##### **American Rescue Plan Act (ARPA)**

Established to account for the receipt and disbursement of grant monies under the American Rescue Plan Act.

#### CAPITAL PROJECTS FUNDS

##### **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 which include eleven Special Revenue Funds, two Debt Service Funds and nine Capital Projects Funds.

CITY OF COSTA MESA, CALIFORNIA  
Balance Sheet  
Governmental Funds  
June 30, 2022  
(With Comparative Data for Prior Year)

	General	Special Revenue	
		Government Grants	American Rescue Plan Act
<u>Assets:</u>			
Cash and investments	\$ 49,277,928	\$ 2,346,624	\$ 13,404,673
Cash and investments with fiscal agents	-	-	-
Due from other governments	15,152,189	1,064,881	-
Accounts receivable, net	3,958,185	-	-
Interest receivable	183,295	10	13,706
Loans receivable, net	-	-	-
Leases receivables	2,906,238	-	-
Rent receivable	355,664	-	-
Due from other funds (note 3)	716,536	-	-
Inventories	99,047	-	-
Prepaid items	504,500	-	-
Total assets	<u>\$ 73,153,582</u>	<u>\$ 3,411,515</u>	<u>\$ 13,418,379</u>
<u>Liabilities:</u>			
Accounts payable	\$ 4,756,254	\$ 728,930	\$ -
Accrued liabilities	3,574,209	5,834	-
Retentions payable	-	184	-
Deposits payable	2,915,429	-	-
Due to other funds (note 3)	43,770	-	-
Unearned revenue	-	2,785,225	13,368,050
Total liabilities	<u>11,289,662</u>	<u>3,520,173</u>	<u>13,368,050</u>
<u>Deferred inflows of resources:</u>			
Lease related	2,832,645	-	-
Unavailable revenue	1,255,428	1,037,107	-
Total deferred inflows of resources	<u>4,088,073</u>	<u>1,037,107</u>	<u>-</u>
<u>Fund balances (note 10):</u>			
Non-spendable:			
Prepaid items	504,500	-	-
Inventories	99,047	-	-
Restricted:			
Pension and OPEB	3,061,154	-	-
Protection of persons and property	-	-	-
Community programs	-	-	-
Public services	-	-	-
Debt service	-	-	-
Committed	25,125,000	-	-
Assigned	12,469,067	-	50,329
Unassigned	16,517,079	(1,145,765)	-
Total fund balances	<u>57,775,847</u>	<u>(1,145,765)</u>	<u>50,329</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 73,153,582</u>	<u>\$ 3,411,515</u>	<u>\$ 13,418,379</u>

See notes to financial statements

Capital Projects Capital Improvements	Nonmajor Governmental Funds	Totals	
		2022	2021
\$ 22,593,035	\$ 38,548,506	\$ 126,170,766	\$ 99,758,343
-	460,281	460,281	978,262
35,624	3,851,242	20,103,936	20,450,671
-	225,126	4,183,311	2,351,222
44,092	81,886	322,989	269,589
-	608,294	608,294	650,674
-	1,512,830	4,419,068	-
-	-	355,664	346,702
-	-	716,536	590,847
-	-	99,047	70,717
-	-	504,500	894,129
<u>\$ 22,672,751</u>	<u>\$ 45,288,165</u>	<u>\$ 157,944,392</u>	<u>\$ 126,361,156</u>
\$ 680,464	\$ 2,452,001	\$ 8,617,649	\$ 7,250,120
71	96,336	3,676,450	3,844,877
122,825	394,398	517,407	474,229
-	37,215	2,952,644	2,381,365
-	672,766	716,536	590,847
-	-	16,153,275	304,555
<u>803,360</u>	<u>3,652,716</u>	<u>32,633,961</u>	<u>14,845,993</u>
-	1,506,105	4,338,750	-
-	1,177,888	3,470,423	2,100,305
-	<u>2,683,993</u>	<u>7,809,173</u>	<u>2,100,305</u>
-	-	504,500	894,129
-	-	99,047	70,717
-	-	3,061,154	1,778,220
-	1,293,762	1,293,762	1,329,138
-	5,480,097	5,480,097	5,655,880
-	19,863,022	19,863,022	17,651,961
-	4	4	563,401
-	-	25,125,000	25,125,000
21,869,391	13,019,593	47,408,380	39,368,714
-	(705,022)	14,666,292	16,977,698
<u>21,869,391</u>	<u>38,951,456</u>	<u>117,501,258</u>	<u>109,414,858</u>
<u>\$ 22,672,751</u>	<u>\$ 45,288,165</u>	<u>\$ 157,944,392</u>	<u>\$ 126,361,156</u>

See notes to financial statements



CITY OF COSTA MESA, CALIFORNIA  
Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2022

Fund balances of governmental funds \$ 117,501,258

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

Capital Related Items

When capital assets (property, plant, equipment) for governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in the 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	650,508,570
Accumulated depreciation/amortization	(378,895,606)

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	(23,109,999)
Premium on bonds	(2,992,279)
Loan payable	(97,479)
Lease payable	(1,197,414)
Employee benefits leave payable	(5,584,307)

Accrued Interest

Accrued liabilities in the Statement of Net Position differ from the amount reported in governmental funds are due to accrued interest on outstanding debt payable.	(262,935)
---	-----------

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.	24,734,858
---	------------

Deferred Inflows of Resources

Certain unavailable revenues that do not provide current financial resources are reported as deferred inflows of resources in the funds.	3,470,423
--	-----------

Pension and OPEB

Amounts regarding the pension plans and OPEB are as follows:

Deferred outflows of resources related to pensions	42,824,533
Deferred outflows of resources related to OPEB	13,312,740
Deferred inflows of resources related to pensions	(87,708,150)
Deferred inflows of resources related to OPEB	(3,128,648)
CalPERS pension liability	(229,609,213)
OPEB liability	(66,254,495)
Police 1% supplemental retirement liability	(1,884,759)

Net position of governmental activities	\$ 51,627,098
---	---------------

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	General	Special Revenue	
		Government Grants	American Rescue Plan Act
Revenues:			
Taxes	\$ 141,553,034	\$ -	\$ -
Licenses and permits	7,331,252	-	-
Charges for services	6,964,934	-	-
Fines and forfeitures	1,170,795	-	-
Intergovernmental	4,529,091	897,489	-
Investment income (loss)	(1,246,827)	10	50,329
Rental income	4,042,324	-	-
Miscellaneous	1,374,266	-	-
Total revenues	<u>165,718,869</u>	<u>897,499</u>	<u>50,329</u>
Expenditures:			
Current:			
General government	32,980,352	-	-
Protection of persons and property	88,414,231	1,426,724	-
Community programs	11,092,336	116,405	-
Public services	7,338,883	115,699	-
Debt service:			
Principal	217,231	-	-
Interest and fiscal charges	27,137	-	-
Total expenditures	<u>140,070,170</u>	<u>1,658,828</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,648,699</u>	<u>(761,329)</u>	<u>50,329</u>
Other financing sources (uses):			
Transfer in (note 4)	-	66,419	-
Transfer out (note 4)	(21,365,113)	-	-
Total other financing sources (uses)	<u>(21,365,113)</u>	<u>66,419</u>	<u>-</u>
Net change in fund balances	4,283,586	(694,910)	50,329
Fund balances (deficit) at beginning of year	<u>53,492,261</u>	<u>(450,855)</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ 57,775,847</u>	<u>(1,145,765)</u>	<u>\$ 50,329</u>

See notes to financial statements

Capital Projects Capital Improvements	Nonmajor Governmental Funds	Totals	
		2022	2021
\$ -	\$ 366,844	\$ 141,919,878	\$ 122,138,588
-	-	7,331,252	4,368,740
-	2,065,622	9,030,556	7,309,872
-	5,562	1,176,357	1,061,346
546,129	12,104,743	18,077,452	39,855,634
(603,855)	(967,460)	(2,767,803)	(37,016)
-	773,253	4,815,577	4,773,662
59,431	112,273	1,545,970	1,410,996
<u>1,705</u>	<u>14,460,837</u>	<u>181,129,239</u>	<u>180,881,822</u>
-	587,233	33,567,585	31,851,632
74,688	782,720	90,698,363	84,027,648
84,589	4,974,070	16,267,400	18,578,311
3,693,683	9,814,027	20,962,292	27,033,542
-	1,985,332	2,202,563	1,890,391
-	1,068,649	1,095,786	1,155,360
<u>3,852,960</u>	<u>19,212,031</u>	<u>164,793,989</u>	<u>164,536,884</u>
<u>(3,851,255)</u>	<u>(4,751,194)</u>	<u>16,335,250</u>	<u>16,344,938</u>
8,533,467	4,516,377	13,116,263	26,619,517
-	-	(21,365,113)	(35,851,711)
<u>8,533,467</u>	<u>4,516,377</u>	<u>(8,248,850)</u>	<u>(9,232,194)</u>
4,682,212	(234,817)	8,086,400	7,112,744
<u>17,187,179</u>	<u>39,186,273</u>	<u>109,414,858</u>	<u>102,302,114</u>
<u>\$ 21,869,391</u>	<u>\$ 38,951,456</u>	<u>\$ 117,501,258</u>	<u>\$ 109,414,858</u>

See notes to financial statements



CITY OF COSTA MESA, CALIFORNIA  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Statement of Activities  
Year ended June 30, 2022

Net changes in fund balances - total governmental funds	\$ 8,086,400
Amounts reported for governmental activities in the Statement of Activities are different because:	
<u>Capital Related Items</u>	
When capital assets for governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources used, whereas net position decreases by the amount of depreciation expense charged for the year.	
Capital outlay	9,632,422
Depreciation expense	(14,919,773)
<u>Long-Term Debt Transactions</u>	
Some expenses 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	336,357
Principal payments - bonds	1,950,000
Principal payments - loans payable	15,392
Principal payments - lease payable	237,171
Amortization of bond premium	147,767
<u>Pension and OPEB</u>	
Pension and OPEB expense reported in the governmental funds include the actual contributions. In the Statement of Activities, pension and OPEB expenses include the change in net pension and opeb liabilities and the related changes in pension and OPEB amounts for deferred outflows of resources and deferred inflows of resources.	
Net change in pension liability	2,740,070
Net change in OPEB liability	(1,981,389)
<u>Accrued Interest</u>	
Recording of the current year change of accrued interest on outstanding debt payable.	18,040
<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.	
	6,933,789
<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.	
	1,370,118
Change in net position of governmental activities	\$ 14,566,364

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Proprietary Funds  
Statement of Net Position  
June 30, 2022  
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2022	2021
<u>Assets:</u>		
Current assets:		
Cash and investments	\$ 31,293,065	\$ 28,163,084
Interest receivable	59,970	42,435
Prepaid items	3,719,059	1,656,272
Inventories	240,189	131,594
Total current assets	35,312,283	29,993,385
Capital Assets:		
Construction in progress	1,412,635	693,456
Motorized equipment	14,777,717	14,512,571
Other equipment	3,645,870	3,349,326
Accumulated depreciation	(11,881,554)	(11,141,146)
Net capital assets	7,954,668	7,414,207
Total assets	43,266,951	37,407,592
<u>Liabilities:</u>		
Current liabilities:		
Accounts payable	801,171	648,180
Accrued liabilities	44,918	31,417
Notes payable	325,037	135,493
Claims payable	1,379,844	3,754,328
Total current liabilities	2,550,970	4,569,418
Long-term liabilities:		
Notes payable	3,061,525	1,336,909
Claims payable	12,919,598	13,700,196
Total long-term liabilities	15,981,123	15,037,105
Total liabilities	18,532,093	19,606,523
<u>Net Position:</u>		
Net investment in capital assets	4,568,106	7,414,207
Unrestricted	20,166,752	10,386,862
Total net position	\$ 24,734,858	\$ 17,801,069

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2022	2021
Operating revenues:		
Charges for services	\$ 7,472,134	\$ 7,525,179
Total operating revenues	<u>7,472,134</u>	<u>7,525,179</u>
Operating expenses:		
Allocated administrative costs	2,880,789	2,006,201
Depreciation	1,248,411	1,216,665
Fuel and repair parts	1,230,211	1,015,493
Materials and supplies	65,073	-
Claims and premiums	3,023,082	5,716,404
Total operating expenses	<u>8,447,566</u>	<u>9,954,763</u>
Operating income (loss)	<u>(975,432)</u>	<u>(2,429,584)</u>
Nonoperating revenues (expenses):		
Investment income (loss)	(841,310)	(42,398)
Intergovernmental	-	25,670
Other nonoperating revenue	503,000	186,238
Gain/(loss) on disposal of equipment	(1,319)	(163,258)
Total nonoperating revenues (expenses)	<u>(339,629)</u>	<u>6,252</u>
Income (loss) before transfers	(1,315,061)	(2,423,332)
Transfers in (note 4)	<u>8,248,850</u>	<u>9,232,194</u>
Change in net position	6,933,789	6,808,862
Net position at beginning of year	<u>17,801,069</u>	<u>10,992,207</u>
Net position at end of year	<u>\$ 24,734,858</u>	<u>\$ 17,801,069</u>

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Proprietary Funds  
Statement of Cash Flows  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Governmental Activities - Internal Service Funds	
	2022	2021
Cash flows from operating activities:		
Cash received from customers and user departments	\$ 7,472,134	\$ 7,531,206
Cash payments to suppliers for goods and services	(11,023,399)	(5,437,822)
Cash payments to employees for services	(1,685,505)	(1,597,124)
Net cash provided by (used for) operating activities	(5,236,770)	496,260
Cash flows from noncapital financing activities:		
Cash received from other funds	8,248,850	9,232,194
Intergovernmental revenue received	-	26,355
Net cash provided by (used for) noncapital financing activities	8,248,850	9,258,549
Cash flows from capital and related financing activities:		
Principal paid on capital debt	(135,493)	-
Proceeds from note payable	2,049,653	-
Proceeds from insurance settlement	503,000	-
Acquisition of capital assets	(1,440,414)	(1,216,361)
Net cash provided by (used for) capital and related financing activities	976,746	(1,216,361)
Cash flows from investing activities:		
Investment income (loss)	(858,845)	(9,952)
Net cash provided by (used for) investing activities	(858,845)	(9,952)
Net increase (decrease) in cash and cash equivalents	3,129,981	8,528,496
Cash and cash equivalents at beginning of year	28,163,084	19,634,588
Cash and cash equivalents at end of year	\$ 31,293,065	\$ 28,163,084
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (975,432)	\$ (2,429,584)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,248,411	1,216,665
(Increase) decrease in inventories	(108,595)	(35,612)
(Increase) decrease in accounts receivable	-	6,027
(Increase) decrease in prepaid items	(2,062,787)	(183,870)
Increase (decrease) in accounts payable	(196,786)	304,264
Increase (decrease) in accrued liabilities	13,501	18,842
Increase (decrease) in claims payable	(3,155,082)	1,599,528
Net cash provided by (used for) operating activities	\$ (5,236,770)	\$ 496,260

There were no noncash investing, capital and financing activities during fiscal years ended June 30, 2022.

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2022  
(With Comparative Data for Prior Year)

	Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	Custodial Fund
<u>Assets:</u>		
Cash and cash investments (note 2)	\$ 1,399,669	\$ 1,169,918
Total assets	1,399,669	1,169,918
<u>Liabilities:</u>		
Accounts payable	-	12,108
Loan from City (note 18)	3,102,031	-
Total liabilities	3,102,031	12,108
<u>Net Position:</u>		
Restricted for:		
Held in trust for Successor Agency	(1,702,362)	-
Individuals, organizations and other governments	-	1,157,810
Total net position	\$ (1,702,362)	\$ 1,157,810

See notes to financial statements

CITY OF COSTA MESA, CALIFORNIA  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	Custodial Fund
Additions:		
Property tax	\$ 1,749,586	\$ -
Assessments and fees	-	541,038
Donations	-	113,252
	<u>1,749,586</u>	<u>654,290</u>
Deductions:		
Interest expense	60,183	-
Remittance to others	-	139,852
	<u>60,183</u>	<u>139,852</u>
Net increase (decrease) in fiduciary net position	1,689,403	514,438
Net position at beginning of year	<u>(3,391,765)</u>	<u>643,372</u>
Net position at end of year	<u>\$ (1,702,362)</u>	<u>\$ 1,157,810</u>

See notes to financial statements

ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
NOTES TO FINANCIAL STATEMENTS



CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(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. 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 appropriately presented as funds of the primary government. The following organizations are considered to be component units of the City:

Costa Mesa Public Financing Authority

The Costa Mesa Public Financing Authority (Public Financing 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 Public Financing Authority are reported in the Debt Service Fund. Separate financial statements of the Public Financing Authority can be obtained at City Hall.

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 Housing Authority promotes affordable housing for low and moderate income households within the City, administers the homeless outreach program and operates the bridge shelter for homeless individuals.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

The Housing Authority is a separate entity primarily funded by housing loan repayments and transfers from the City.

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. Separate financial statements of the Housing Authority can be obtained at City Hall.

Costa Mesa Financing Authority

The Costa Mesa Financing Authority (Financing Authority) was created by a joint powers agreement between the City of Costa Mesa (the City) and the Costa Mesa Housing Authority (the Housing Authority), dated August 1, 2017. It was created pursuant to Article 1 of Chapter 5 of Division 7 of Title of the Government Code of the State of California (the "JPA Act"). Transactions of the Financing Authority are reported in the Debt Service Fund. Separate financial statements of the Financing 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

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.

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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

The City uses an availability period of 60 days for all governmental fund revenue, except for grant revenue which uses an availability period of 90 days.

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 when 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, 2022

**(1) Summary of Significant Accounting Policies (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 all fiduciary 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 all fiduciary 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 custodial funds are fiduciary funds and use the accrual basis of accounting.

**(c) Property Tax Calendar**

Property tax revenues 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

**(d) Fund Classifications**

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 Fund

*Government Grants* – Established to account for receipt and disbursement of grant monies provided by Federal, State, and County governmental agencies for various programs.

*American Rescue Plan Act* – Established to account for receipt and disbursement of ARPA monies received under the American Rescue Plan Act.

Capital Projects Fund

*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* – The 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* – The 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 and construction of major capital facilities (other than those financed by the proprietary funds).

*Internal Service Funds* – The 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, equipment, and services used are accumulated in these funds and charged to the user departments as such goods are delivered or services rendered.

*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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

*Custodial Funds* – The custodial funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments. The custodial funds are used to account for fees, assessments, seizures and donations for which the City is acting in an agent capacity.

**(e) Cash and Investments**

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

**(f) 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 and cash equivalents include all investments with original purchase maturities of three months or less. Cash equivalents also represent the proprietary funds share in the cash and investment pool of the City.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

The City pools idle cash from all funds in order to maximize income from investment activities. Investments are recorded on the City's books at fair value (quoted market price or best available estimate thereof). Interest income on investments is allocated to individual funds on the basis of monthly cash and investment balances.

**(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) Prepaids**

The City uses the consumption method to record prepaid items.

**(i) Leases**

The City is a lessor and lessee for leases as detailed in notes 6 and 9. The City recognizes a lease receivable, a deferred inflow of resources, and a lease payable in the financial statements.

At the commencement of the lease, the City initially measures the lease receivable at the present value of payments expected to be received and paid during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received and the lease payable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines the discount rate it uses to discount the expected lease receipts and payments to present value, lease term and lease receipts.

- The City uses the estimated cost of capital rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**(j) New Accounting Pronouncements**

Current Year Standards

GASB 87 - Leases. The implementation of this statement resulted in a recognition of a lease receivable, deferred inflow of resources, and a lease payable in the financial statements.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

GASB 91 – Conduit Debt Obligations – The implementation of this statement did not result in financial impact to the City.

GASB 92 – Omnibus 2020 – Related to the implementation of GASB 87. The implementation of this statement resulted in a recognition of a lease receivable, deferred inflow of resources, and a lease payable in the financial statements.

GASB 93 – Replacement of Interbank Offered Rates - The implementation of this statement did not result in financial impact to the City.

Pending Accounting Standards

GASB has issued the following pronouncements that have an effective date subsequent to June 30, 2022, which may impact the City's financial reporting requirements in the future. Unless otherwise noted, management has not determined what, if any, impact implementation of the following Statements may have on future financial statements.

*GASB 94 – Public-Private and Private-Public Partnerships and Availability Payment Arrangements:* Effective for the City's fiscal year ending June 30, 2023.

*GASB 96 – Subscription-Based Information Technology Arrangement:* Effective for the year ending June 30, 2023.

*GASB 99 – Omnibus 2022:* Effective for the year ending June 30, 2023.

*GASB 100 – Accounting Changes and Error Corrections:* Effective for the year ending June 30, 2023.

*GASB 101 – Compensated Absences:* Effective for the year ending June 30, 2024.

**(k) 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 acquisition 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

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
Right-to-use assets	2-7	years
Park system and facilities	10-25	years
Infrastructure – roads	10-50	years
Infrastructure – storm drains	50-100	years

**(I) 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 assets 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 items are deferred outflows related to pensions and OPEB.

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 assets that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has four types of items which qualify for reporting in this category. Three of the items are deferred inflows related to pensions, OPEB, and leases which are presented on the government-wide statement of net position. The fourth item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from accounts, taxes, grant and leases receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

**(m) 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.

Committed Fund Balance – This includes amounts that can be used only for specific purposes determined by formal action of a city ordinance by 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 to 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 amounts that are the residual balance for the City's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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.

**(n) Employee Leave Benefits**

Eligible employees accumulate up to 26.5 days of vacation each year, depending on

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

the employee's bargaining unit and length of service, but may not carry over from one year to the next more than the equivalent of one to two (depends on Memorandum of Understanding or Salary Resolution) year's vacation without prior approval of the respective department head and/or City Manager.

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, confidential and Costa Mesa Police Association (CMPA) employee groups. The liability is recorded only to the extent that it is probable that the unused balances will result in termination payments. Unused sick leave is converted to CalPERS service credit at the time of retirement. The ability to liquidate leave balances is available to all employee groups with the exception of miscellaneous, confidential and CMPA employee groups, separations from which result in the forfeiture of the accrued sick leave benefit. 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.

**(o) 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.

**(p) Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis. For the purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

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

information within certain defined timeframe. For this report, the following timeframes are used:

	<u>CalPERS Plans</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

	<u>Supplemental Plan</u>
Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

**(q) Other Post Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense and information about the plan (OPEB Plan), have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**(r) Use of Estimates**

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

**(s) 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(2) Cash and Investments**

Cash and investments are reported as follows:

Statement of Net Position:	
Cash and Investments	\$ 157,463,831
Cash and Investments with Fiscal Agent	460,281
Statement of Fiduciary Net Position:	
Cash and Investments	2,569,587
Total cash and investments	\$ 160,493,699

Cash and investments at June 30, 2022 consisted of the following:

Petty cash on hand	\$ 58,046
Demand deposits	24,598,864
Investments	135,836,789
Total cash and investments	\$ 160,493,699

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. 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>Authorized Investments</u>	<u>Maximum Maturity*</u>	<u>Percentage of Portfolio*</u>	<u>Investment In One Issuer*</u>
U.S. Treasury Securities	5 years	None	None
Federal Agency Securities	5 years	None	35%
Municipal Securities	5 years	None	5%
Banker's Acceptances	180 days	40%	5%
Commercial Paper	270 days	25%	5%
Federally Insured Time Deposit	5 Years	None	None
Non-Negotiable Certificates of Deposit	5 years	20%	5%
Certificate of Deposit Placement Service	5 years	30%	None
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	30%	None
Medium-Term Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Asset Backed Securities	5 years	20%	5%
County Pooled Investment Funds	N/A	35%	None
Local Agency Investment Fund	N/A	None	None

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(2) Cash and Investments (Continued)**

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

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 the City's debt agreements:

<u>Authorized Investments</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	1 year	None	None
Banker's Acceptances	30 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
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-funded Municipal Obligations	None	None	None

Disclosures Relating to Interest Rate Risk

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

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

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(2) Cash and Investments (Continued)**

<u>Investment Type</u>	12 Months Or Less	13 to 24 Months	25 to 60 Months	Total
Federal Agency Securities	\$ 6,486,699	\$ 10,996,616	\$ 5,111,604	\$ 22,594,919
State Investment Pool (LAIF)	74,017,208	-	-	74,017,208
U.S. Treasury Securities	-	8,081,009	10,515,230	18,596,239
Medium-Term Corporate Notes	2,250,715	5,720,861	5,357,183	13,328,759
Asset Backed Securities	-	1,496,553	2,877,542	4,374,095
Money Market Mutual Funds	1,031,511	-	-	1,031,511
PARS Section 115 Trust:				
Pooled Balanced Index Plus	1,561,154	-	-	1,561,154
Held by Trustee:				
Money Market Mutual Funds	312,904	-	-	312,904
Lehman Brothers Holdings				
Inc. Bankruptcy	20,000	-	-	20,000
Total	<u>\$ 85,680,191</u>	<u>\$ 26,295,039</u>	<u>\$ 23,861,559</u>	<u>\$ 135,836,789</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

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:

<u>Investment Type</u>	Minimum Legal					Total
	Rating	AAA	AA	A	Not Rated	
Federal Agency Securities	N/A	\$ -	\$ 22,594,919	\$ -	\$ -	\$ 22,594,919
U.S. Treasury Securities*	N/A	-	-	-	-	18,596,239
Medium-Term Corporate Notes	A	-	3,154,822	10,173,937	-	13,328,759
State Investment Pool (LAIF)	N/A	-	-	-	74,017,208	74,017,208
Asset Backed Securities	AA	4,374,095	-	-	-	4,374,095
Money Market Mutual Funds	AAA	1,031,511	-	-	-	1,031,511
PARS Section 115 Trust:						
Pooled Balanced Index Plus	N/A	-	-	-	1,561,154	1,561,154
Held by Trustee:						
Money Market Mutual Funds	AAA	312,904	-	-	-	312,904
Lehman Brothers Holdings						
Inc. Bankruptcy	N/A	-	-	-	20,000	20,000
Total		<u>\$ 5,718,510</u>	<u>\$ 25,749,741</u>	<u>\$ 10,173,937</u>	<u>\$ 75,598,362</u>	<u>\$ 135,836,789</u>

\* not required to be rated

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(2) Cash and Investments (Continued)**

GASB requires the disclosure of more than 5% total investments with a single issuer. At June 30, 2022, the City's investment in the following single issuers exceeded 5%:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percentage</u>
FNMA	Federal Agency Securities	\$ 9,988,826	7%
FHLMC	Federal Agency Securities	7,417,294	5%

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.

Investment in Public Agency Retirement Services

The City is a voluntary participant in the Public Agency Retirement Services (PARS). In 2021, the City funded an Internal Revenue Services Section 115 irrevocable trust with PARS for pension and OPEB benefits. The trust account allows more control and flexibility in investment allocations compared to the City's portfolio which is restricted by State regulations to fixed income instruments. OPEB and Pension trust fund assets are held on behalf of the City by PARS. The City provides investment direction and determines the amount and timing of disbursements of PARS trust fund assets.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(2) Cash and Investments (Continued)**

Fair Value Measurements

The City's investments in the Costa Mesa Community Facilities District Bonds and Lehman Brothers Holdings, Inc. Bankruptcy are valued based on cost and the City's assumptions originated from market participant input, respectively. These investments are not traded on, and therefore, are categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

Fair value measurements for the year ended June 30, 2022 are as follows:

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
Federal Agency Securities	\$ -	\$ 22,594,919	\$ -	\$ 22,594,919
U.S. Treasury Securities	-	18,596,239	-	18,596,239
Medium Term Corporate Notes	-	13,328,759	-	13,328,759
Asset Backed Securities	-	4,374,095	-	4,374,095
Held by Trustee:				
Lehman Brothers Holdings Inc. Bankruptcy	-	-	20,000	20,000
Investments measured at Fair Value	<u>\$ -</u>	<u>\$ 58,894,012</u>	<u>\$ 20,000</u>	58,914,012
State Investment Pool (LAIF)*				74,017,208
Money Market Mutual Funds*				1,031,511
PARS Section 115 Trust:				
Pooled Balanced Index Plus*				1,561,154
Held By Trustee:				
Money Market Mutual Funds*				<u>312,904</u>
Total Investment Portfolio				<u>\$ 135,836,789</u>

\* Not subject to fair value categorization

**(3) Interfund Receivables and Payables**

Interfund receivable and payable balances at June 30, 2022 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 716,536

All receivables resulted from short term borrowing to cover negative cash balances.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(4) Transfers In and Out**

Transfers in and out for the year ended June 30, 2022 are as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Total</u>
General Fund	Government Grants Fund	\$ 66,419 (a1)
General Fund	Capital Improvements Fund	8,533,467 (a2)
General Fund	Nonmajor Governmental Funds	4,516,377 (a3 to a4)
General Fund	Internal Service Funds	<u>8,248,850 (a5 to a6)</u>
		<u>\$ 21,365,113</u>

**(a)** The General Fund transferred the following:

1. \$66,419 to Government Grants for the Firefighter Grant;
2. \$8,533,467 to the Capital Improvements Capital Projects Fund for capital improvement projects and transfer for 5% CAN Ordinance;
3. \$2,802,549 to the Financing Authority Debt Service Fund for debt service payments;
4. \$1,713,828 to the Housing Authority for subsidy of homeless program costs;
5. \$1,800,000 to the Self-Insurance Fund for pending litigations; and
6. \$6,448,850 to the Internal Service Funds for various equipment and vehicle purchases as well as true up 5% per CAN Ordinance.

**(5) Loans Receivable**

The City's loans receivable at June 30, 2022 by loan programs are as follows:

HOME Program	\$ 1,192,446
Community Development Loan Program	183,695
Rental Rehabilitation Program	231,539
First Time Home Buyer Program	1,477,168
Single Family Rehabilitation Program	142,500
Neighborhood Stabilization Program	181,250
Other Programs	<u>508,542</u>
 Total	 3,917,140
Less allowance for uncollectible loans	<u>(3,308,846)</u>
 Loans receivable, net	 <u>\$ 608,294</u>

Allowance for uncollectible accounts are established for various loans.

**General Fund Loan to the Successor Agency**

In years prior to 2013, the General Fund made loans in the amount of \$9,278,545 to the Successor Agency (formerly the Redevelopment Agency of the City of Costa Mesa). Loan repayments are subject to approved annually by the State. As a result, an allowance for doubtful accounts has been recorded for the outstanding loan balance.

Loan receivable	\$ 3,102,031
Less allowance for doubtful accounts	<u>(3,102,031)</u>
Loans receivable, net	<u>\$ -</u>

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(6) Leases Receivable**

Land

On July 1, 1985, the City entered into a 55-year ground lease agreement with Costa Mesa Family Village for use of three parcels of City-owned land. The lease began in July 1985 and will end in October 2039. The lessee is required to make annual fixed payments ranging from \$6,750 to \$13,500 with an interest rate of 2.015%. As of June 30, 2022, the lease receivable is \$1,512,830, and deferred inflows of resources is \$1,506,105. The City recognized \$84,555 of lease revenue and interest revenue of \$23,445 during the fiscal year.

Buildings & Infrastructure

The City entered into 3 leases for use of building and infrastructure assets with lease terms of five years with the option to extend. The lessee is required to make annual fixed payments ranging from \$27,376 to \$42,083 with interest rates of 2.015%. As of June 30, 2022, the lease receivable is \$2,906,238, and deferred inflows of resources is \$2,832,645. The City recognized \$362,276 of lease revenue and interest revenue of \$64,710 during the fiscal year.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(7) Capital Assets**

A summary of changes in capital assets is as follows:

	Balance at July 1, 2021*	Additions	Deletions	Balance at June 30, 2022
Capital assets not being depreciated:				
Land	\$ 34,579,306	\$ -	\$ -	\$ 34,579,306
Land rights related to streets	29,821,224	-	-	29,821,224
Construction in progress	8,437,088	9,777,904	(6,791,141)	11,423,851
Total capital assets not being depreciated	<u>72,837,618</u>	<u>9,777,904</u>	<u>(6,791,141)</u>	<u>75,824,381</u>
Capital assets being depreciated/amortized:				
Building improvements and structures	122,932,653	889,424	-	123,822,077
Landscaping and sprinklers	10,076,675	-	-	10,076,675
Automotive equipment	14,810,433	840,049	(574,903)	15,075,579
Office furniture	941,352	13,234	-	954,586
Office machines	8,511,377	205,331	-	8,716,708
Other equipment	13,695,464	521,513	(8,006)	14,208,971
Intangible assets	1,646,881	22,462	-	1,669,343
Right-to-use lease assets	1,434,585	-	-	1,434,585
Park system and facilities	19,634,609	225,904	-	19,860,513
Infrastructure - roads	296,554,610	5,783,514	(4,488,199)	297,849,925
Infrastructure - storm drains	100,851,449	-	-	100,851,449
Total capital assets being depreciated/amortized	<u>591,090,088</u>	<u>8,501,431</u>	<u>(5,071,108)</u>	<u>594,520,411</u>
Less accumulated depreciation/amortization:				
Building improvements and structures	(47,030,030)	(4,732,032)	-	(51,762,062)
Landscaping and sprinklers	(9,442,977)	(76,445)	-	(9,519,422)
Automotive equipment	(9,962,190)	(875,906)	508,003	(10,330,093)
Office furniture	(608,301)	(49,692)	-	(657,993)
Office machines	(7,641,131)	(234,007)	-	(7,875,138)
Other equipment	(8,343,106)	(956,402)	8,006	(9,291,502)
Intangible assets	(1,180,140)	(155,097)	-	(1,335,237)
Right-to-use lease assets	-	(265,493)	-	(265,493)
Park system and facilities	(12,235,142)	(920,482)	-	(13,155,624)
Infrastructure - roads	(196,654,073)	(6,536,069)	4,488,199	(198,701,943)
Infrastructure - storm drains	(86,516,094)	(1,366,559)	-	(87,882,653)
Total accumulated depreciation/amortization	<u>(379,613,184)</u>	<u>(16,168,184)</u>	<u>5,004,208</u>	<u>(390,777,160)</u>
Total capital assets being depreciated/amortized, net	<u>211,476,904</u>	<u>(7,666,753)</u>	<u>(66,900)</u>	<u>203,743,251</u>
Capital assets, net	<u>\$ 284,314,522</u>	<u>\$ 2,111,151</u>	<u>\$ (6,858,041)</u>	<u>\$ 279,567,632</u>

Depreciation expense is charged to the following functions for the year ended June 30, 2022:

Governmental activities:

General government	\$ 1,445,486
Protection of persons and property	3,253,363
Community programs	2,485,949
Public services	<u>8,983,386</u>

Total depreciation expense-governmental activities \$16,168,184

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(7) Capital Assets (Continued)**

The City has active construction projects as of June 30, 2022. The significant projects include the following:

Construction Project	Total Budget	Spent to Date	Remaining Commitment
Land Management System	\$ 1,976,759	\$ 836,575	\$ 1,140,184
Fairview Road Improvement			
405/Adam	1,176,150	60,298	1,115,852
SB Newport Blvd Improvements (Mesa/Victoria)	1,965,652	34,765	1,930,887
Newport Blvd NB 22th Bristol SB			
Bristol Mesa	2,131,786	58,525	2,073,261
Adams Ave Improvement	2,278,862	-	2,278,862
Citywide Street Maintenance	11,026,508	9,077,780	1,948,728
Jack Hammett Sports Complex	2,710,274	2,205,228	505,046
Total	<u>\$ 23,265,991</u>	<u>\$ 12,273,171</u>	<u>\$ 10,992,820</u>

**(8) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities in primary government for the year ended June 30, 2022 is as follows:

	Balance at July 1, 2021*	Additions	Reductions	Balance at June 30, 2022	Due Within One Year
Bonds payable:					
Public Financing Authority					
2006 Revenue					
Refunding Bonds	\$ 210,000	\$ -	\$ (210,000)	\$ -	\$ -
Financing Authority					
2017 Lease Revenue					
Bonds	24,850,000	-	(1,740,000)	23,110,000	1,830,000
Unamortized premium	3,140,046	-	(147,767)	2,992,279	147,767
Total bonds payable	<u>28,200,046</u>	<u>-</u>	<u>(2,097,767)</u>	<u>26,102,279</u>	<u>1,977,767</u>
Other liabilities:					
Lease payable - Facility	309,105	-	(72,176)	236,929	75,501
Lease payable - Warehouse	1,068,577	-	(129,663)	938,914	136,839
Lease payable - Office Trailer	56,903	-	(35,332)	21,571	21,571
Loans payable	112,870	-	(15,392)	97,478	15,391
Claims payable	17,454,524	100,282	(3,255,364)	14,299,442	1,379,844
Fire Truck Note payable	1,472,402	-	(135,493)	1,336,909	137,978
Mobile Command Note payable	-	2,049,652	-	2,049,652	187,059
Employee leave benefits payable	5,920,664	3,491,555	(3,827,911)	5,584,308	3,326,231
Total other liabilities	<u>26,395,045</u>	<u>5,641,489</u>	<u>(7,471,331)</u>	<u>24,565,203</u>	<u>5,280,414</u>
Total	<u>\$ 54,595,091</u>	<u>\$ 5,641,489</u>	<u>\$ (9,569,098)</u>	<u>\$ 50,667,482</u>	<u>\$ 7,258,181</u>

\*Balance at July 1, 2021 has been restated to include leases payable due to the implementation of GASB 87.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(9) Long-Term Liabilities**

Costa Mesa Financing Authority Bonds - 2017 Lease Revenue Bonds

On October 1, 2017, the Costa Mesa Financing Authority issued \$29,735,000 of 2017 Lease Revenue Bonds to finance certain capital improvements of the City of Costa Mesa and to advance refund \$16,765,000 of outstanding Costa Mesa Public Financing Authority 2007 Certificates of Participation (2007 Certificates). The bond issue also included a bond premium of \$3,694,172. The bonds mature from October 1, 2018 through October 1, 2042 in annual installments ranging from \$570,000 to \$2,220,000. Interest is payable semi-annually on April 1 and October 1 of each year, commencing on April 1, 2018 at a rate ranging from 2% to 5%. As of June 30, 2022, the principal outstanding is \$23,110,000 and the unamortized bond premium balance is \$2,992,279.

Bond proceeds of \$14,530,520 along with \$2,302,225 of 2007 Certificates sinking fund monies, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 Certificates. As a result, the 2007 Certificates are considered to be defeased and the liability for those certificates have been removed from the government-wide Statement of Net Position.

The annual debt service requirements for the bonds as of June 30, 2022 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,830,000	\$ 973,300	\$ 2,803,300
2024	1,920,000	879,550	2,799,550
2025	2,015,000	781,175	2,796,175
2026	2,115,000	677,925	2,792,925
2027	2,220,000	569,550	2,789,550
2028 - 2032	3,160,000	2,191,000	5,351,000
2033 - 2037	4,015,000	1,329,881	5,344,881
2038 - 2042	4,785,000	568,593	5,353,593
2043	<u>1,050,000</u>	<u>17,063</u>	<u>1,067,063</u>
Total	<u>\$ 23,110,000</u>	<u>\$ 7,988,037</u>	<u>\$ 31,098,037</u>

Leases Payable

Community Service Facility

On July 1, 2012, the City entered into a 13-year lease agreement for the use of a community service facility. The total lease liability is \$309,105 at 2.20% interest. As of June 30, 2022, the value of the lease liability is \$236,929. The City is required to make annual payments ranging from \$78,976 to \$84,304. The value of the right-to-use asset is \$309,105 and had an accumulated amortization of \$77,276 as of June 30, 2022.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(9) Long-Term Liabilities (Continued)**

The future principal and interest payments as of June 30, 2022, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 75,501	\$ 5,212	\$ 80,713
2024	78,938	3,551	82,489
2025	<u>82,490</u>	<u>1,815</u>	<u>84,305</u>
Total	<u>\$ 236,929</u>	<u>\$ 10,578</u>	<u>\$ 247,507</u>

Warehouse

On May 17, 2021, the City entered into a seven year lease agreement for the use of a warehouse. The total lease liability is \$1,068,577 at 2.015% interest. As of June 30, 2022, the value of the lease liability is \$938,914. The City is required to make monthly principal and interest payments of \$12,500. The value of the right-to-use asset is \$1,068,577 and had an accumulated amortization of \$152,652 as of June 30, 2022.

The future principal and interest payments as of June 30, 2022, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 136,839	\$ 17,661	\$ 154,500
2024	144,297	14,835	159,132
2025	152,052	11,856	163,908
2026	160,099	8,717	168,816
2027	168,466	5,414	173,880
2028	<u>177,161</u>	<u>1,939</u>	<u>179,100</u>
Total	<u>\$ 938,914</u>	<u>\$ 60,422</u>	<u>\$ 999,336</u>

Office Trailer

The City entered into a two year non-cancellable lease agreement for the use of a modular unit. The total lease liability is \$56,903 at 2.015% interest. As of June 30, 2022, the value of the lease liability is \$21,571. The City is required to make monthly principal and interest payments of \$2,371. The value of the right-to-use asset is \$56,903 and had an accumulated amortization of \$35,565 as of June 30, 2022.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(9) Long-Term Liabilities (Continued)**

The future principal and interest payments as of June 30, 2022, are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 21,571	\$ 180	\$ 21,751
Total	<u>\$ 21,571</u>	<u>\$ 180</u>	<u>\$ 21,751</u>

Loans Payable – SCE On-Bill Financing (OBF) Loans

During the year ended June 30, 2019, the City entered into loan agreements with Southern California Edison to finance certain street lighting projects. The total amount of the loans was \$153,914. The loan's term is ten years with monthly payments of \$1,282. The loans bears no interest.

The annual debt service requirements for loans payable as of June 30, 2022 are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Total</u>
2023	\$ 15,391	\$ 15,391
2024	15,391	15,391
2025	15,391	15,391
2026	15,391	15,391
2027	15,391	15,391
2028 - 2029	<u>20,523</u>	<u>20,523</u>
Total	<u>\$ 97,478</u>	<u>\$ 97,478</u>

Firetruck Note Payable

On February 25, 2021, the City entered into a Master Lease – Purchase Agreement and financed the purchase of a Pierce Arrow XT Firetruck for \$1,472,402. The note matures annually on March 5<sup>th</sup> of each year with annual payments of \$162,497. The note bears an interest rate of 1.8340% per annum.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(9) Long-Term Liabilities (Continued)**

The annual debt service requirements for the note as of June 30, 2022 is as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 137,978	\$ 24,519	\$ 162,497
2024	140,509	21,988	162,497
2025	143,086	19,411	162,497
2026	145,710	16,787	162,497
2027	148,382	14,115	162,497
2028 - 2031	<u>621,244</u>	<u>28,743</u>	<u>649,987</u>
Total	<u>\$ 1,336,909</u>	<u>\$ 125,563</u>	<u>\$ 1,462,472</u>

Mobile Command Center Note Payable

On January 7, 2022, the City entered into a Master Lease – Purchase Agreement and financed the purchase of a Mobile Command Center and a Pumping Engine for \$2,049,652. The note matures annually on March 7<sup>th</sup> of each year with annual payments of \$228,360. The note bears an interest rate of 2.0150% per annum.

The annual debt service requirements for the note as of June 30, 2022 is as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 187,059	\$ 41,301	\$ 228,360
2024	190,829	37,531	228,360
2025	194,674	33,686	228,360
2026	198,596	29,763	228,359
2027	202,598	25,762	228,360
2028 - 2032	<u>1,075,896</u>	<u>65,903</u>	<u>1,141,799</u>
Total	<u>\$ 2,049,652</u>	<u>\$ 233,946</u>	<u>\$ 2,283,598</u>

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(10) Fund Balances**

Fund balance consisted of the following at June 30, 2022:

	Major Funds				
	General	Government Grants	American Rescue Plan Act Fund	Capital Improvements	Non-Major Funds
Nonspendable:					
Prepaid items	\$ 504,500	\$ -	\$ -	\$ -	\$ -
Inventories	99,047	-	-	-	-
Restricted for:					
Pension and OPEB	3,061,154	-	-	-	-
Protection of persons and property	-	-	-	-	1,293,762
Community programs	-	-	-	-	5,480,097
Public services (1)	-	-	-	-	19,863,022
Debt service	-	-	-	-	4
Committed for:					
Declared disasters (2)	14,125,000	-	-	-	-
Self insurance (3)	2,000,000	-	-	-	-
Economic reserves (4)	9,000,000	-	-	-	-
Assigned for:					
Compensated absences	5,584,308	-	-	-	-
Police Retirement 1% Supplemental	1,884,759	-	-	-	-
Workers compensation	1,000,000	-	-	-	-
Facilities reserve	2,000,000	-	-	-	-
Strategic plan projects	2,000,000	-	-	-	-
Protection of persons and property	-	-	-	-	635,684
Public services	-	-	50,329	21,869,391	12,383,909
Unassigned	16,517,079	(1,145,765)	-	-	(705,022)
<b>Total Fund Balance</b>	<b>\$ 57,775,847</b>	<b>\$ (1,145,765)</b>	<b>\$ 50,329</b>	<b>\$ 21,869,391</b>	<b>\$ 38,951,456</b>

1. Restricted fund balances in the Public Services category consist of fund balances in the Gas Tax, Air Quality Improvement, Lions Park Capital Improvements, and Measure "M2" Construction funds. Revenues received in these funds are legally restricted for specific purposes, such as transportation and facility related capital projects.
2. The fund balance committed for declared disasters was adopted by Ordinance No. 91-20 and Municipal Code Section 2-206 to provide required funding as a result of a declared emergency by the City Council for an unanticipated but urgent event threatening the public health, safety and welfare of the City. Any fund balance utilized has to be replenished.
3. The fund balance committed for self-insurance was codified in the Ordinance No. 96-14 and City Municipal Code Section 2-154 to provide a self-insurance reserve to be used to pay actual losses not covered by insurance policies or insurance pools. Any fund balance utilized has to be replenished.
4. The fund balance committed for economic reserves was adopted by the City Council on March 3, 2015 as a part of the reserve goal plan. The City commits \$1,500,000 each year toward economic reserve.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(10) Fund Balances (Continued)**

The following funds had deficits at June 30, 2022:

Major Governmental Funds:	
Special Revenue Funds:	
Government Grants	\$(1,145,765)
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Office of Traffic Safety	(40,708)
Disaster Fund	(664,963)
Arts Cultural Master Plan	(66,848)
Fiduciary Fund:	
Successor Agency to the City of Costa Mesa Redevelopment Agency Private Purpose Trust Fund	(1,702,362)

**(11) Defined Benefit Pension Plans**

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

Employees of the City are members of the California Public Employees' Retirement System (CalPERS), the cost of which is paid by the City. The information below includes the aggregate total pension plan related items:

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>	<u>1% supplemental</u>	<u>Total</u>
Net pension liability	\$ (70,556,028)	\$ (97,290,121)	\$ (61,763,064)	\$ -	\$ (229,609,213)
1% supplemental liability	-	-	-	(1,884,759)	(1,884,759)
Deferred outflows of resources - pension	11,072,097	12,048,233	19,704,203	-	42,824,533
Deferred inflows of resources - pension	(23,141,473)	(23,625,352)	(40,941,325)	-	(87,708,150)
Pension expense (credit)	2,320,280	3,636,601	22,001,613	(185,561)	27,772,933

Below are descriptions of the retirement plans along with selected information regarding benefits, contributions, liabilities and actuarial assumptions.

**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. The plans are administered by 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of service.

PEPRA miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 5 years of service.

The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit.

Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous (Agent Multiple-Employer)		
	Prior to March 11, 2012	On or After March 11, 2012	On or After January 1, 2013
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	10.469%	7%	7.50%
Required employer contribution rates	7.41%	9.88%	9.88%

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

	<u>Police Safety (Agent Multiple-Employer)</u>	
	<u>On or After March 11, 2012</u>	<u>On or After 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	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%
Required employee contribution rates	14%	12.75%
Required employer contribution rates	15.51%	20.51%

	<u>Fire Safety (Cost Sharing Multiple-Employer)</u>		
	<u>Prior to December 30, 2012</u>	<u>On or After December 30, 2012</u>	<u>On or After 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	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	14%	9%	13%
Required employer contribution rates	20.59%	18.19%	13.13%

**Employees Covered**

At the June 30, 2021 measurement date, the following employees were covered by each plan's benefit terms:

	<u>Miscellaneous</u>	<u>Police Safety</u>	<u>Fire Safety</u>
Inactive employees or beneficiaries currently receiving benefits	577	206	161
Inactive employees entitled to but not yet receiving benefits	781	71	-
Active employees	340	128	80
Total	<u>1,698</u>	<u>405</u>	<u>241</u>

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

**Contributions**

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

**(b) Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2021, based on an annual actuarial valuation as of June 30, 2020 and rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the three CalPERS Plans, the June 30, 2020 valuation was rolled forward to determine the June 30, 2021 pension liability, based on the following actuarial methods and assumptions:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry-Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

<sup>1</sup> The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long term expected rate of return on plan on investment was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, except compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

The expected real rate of return by asset class are as followed:

<u>Asset Class<sup>1</sup></u>	<u>Assumed asset allocation</u>	<u>Real Return Years 1-10<sup>2</sup></u>	<u>Real Return Years 11+<sup>3</sup></u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92%)

<sup>1</sup> In the system's ACFR, Fixed Income is included Global Debt Securities; Liquidity is included in Short-term Investment; Inflation Assets are included both Global Equity Securities and Global Debt Securities.

<sup>2</sup> An expected inflation of 2.00% used for this period

<sup>3</sup> An expected inflation of 2.92% used for this period

**Changes in Net Pension Liability**

The changes in the net pension liability for the Miscellaneous (Agent Multiple-Employer) Plan, using the measurement date of June 30, 2021, are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability (Asset)</u>
Balance at June 30, 2020 (Valuation Date)	<u>\$ 301,096,031</u>	<u>\$ 197,576,863</u>	<u>\$ 103,519,168</u>
Changes in the Year:			
Service cost	4,114,686	-	4,114,686
Interest on the total pension liability	20,957,522	-	20,957,522
Differences between actual and expected experience	(1,467,232)	-	(1,467,232)
Net plan to plan resource movement	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	10,097,843	(10,097,843)
Contributions - employees	-	2,062,454	(2,062,454)
Net investment income	-	44,605,186	(44,605,186)
Administrative expenses	-	(197,367)	197,367
Benefit payments, including refunds of employee contributions	(17,147,887)	(17,147,887)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	<u>6,457,089</u>	<u>39,420,229</u>	<u>(32,963,140)</u>
Balance at June 30, 2021 (Measurement Date)	<u>\$ 307,553,120</u>	<u>\$ 236,997,092</u>	<u>\$ 70,556,028</u>

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

The changes in the net pension liability for the Police Safety (Agent-Multiple-Employer) Plan, using the measurement date of June 30, 2021, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability (Asset)
Balance at June 30, 2020 (Valuation Date)	\$ 322,201,085	\$ 194,850,371	\$ 127,350,714
Changes in the Year:			
Service cost	4,811,521	-	4,811,521
Interest on the total pension liability	22,650,069	-	22,650,069
Differences between actual and expected experience	503,266	-	503,266
Net plan to plan resource movement	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	11,583,086	(11,583,086)
Contributions - employees	-	2,166,528	(2,166,528)
Net investment income	-	44,470,479	(44,470,479)
Administrative expenses	-	(194,644)	194,644
Benefit payments, including refunds of employee contributions	(16,651,882)	(16,651,882)	-
Other Miscellaneous Income/(Expense)	-	-	-
Net Changes	<u>11,312,974</u>	<u>41,373,567</u>	<u>(30,060,593)</u>
Balance at June 30, 2021 (Measurement Date)	<u>\$ 333,514,059</u>	<u>\$ 236,223,938</u>	<u>\$ 97,290,121</u>

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

As of June 30, 2022, the City reported net pension liabilities for its proportionate share of the net pension liability of the Fire Safety Plan as follows:

	Proportionate Share of Net Pension Liability
Balance at: 6/30/2020	\$ 81,561,540
Balance at: 6/30/2021	61,763,064
Net Changes during 2020-2021	(19,798,476)

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 this Plan as of the measurement dates of June 30, 2020 and 2021 was as follows:

	<u>Fire Safety</u>
Proportion - June 30, 2020	1.22422%
Proportion - June 30, 2021	1.75989%
Change - Increase (Decrease)	0.53567%

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

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

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

	Miscellaneous	Police Safety	Fire Safety
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	\$ 109,451,295	\$ 142,290,283	\$ 90,813,408
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	\$ 70,556,028	\$ 97,290,121	\$ 61,763,064
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	\$ 38,459,595	\$ 60,458,777	\$ 37,901,794

**Pension Plans Fiduciary Net Position**

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

**Amortization of Deferred Outflows and Inflows of Resources**

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

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

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,072,097	\$ -
Differences between expected and actual experience	-	(883,435)
Net differences between projected and actual earnings on plan investments	-	(22,258,038)
Total	\$ 11,072,097	\$ (23,141,473)
	Police Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,680,985	\$ -
Differences between expected and actual experience	367,248	(1,306,677)
Net differences between projected and actual earnings on plan investments	-	(22,318,675)
Total	\$ 12,048,233	\$ (23,625,352)
	Fire Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,072,094	\$ -
Differences between expected and actual experience	10,552,166	-
Change in employer's proportion	-	(3,688,065)
Net difference between projected and actual earnings on plan investments	-	(36,760,896)
Differences between employer's contributions and change in employer's proportion	79,943	(492,364)
Total	\$ 19,704,203	\$ (40,941,325)

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(11) Defined Benefit Pension Plans (Continued)**

At June 30, 2022, deferred outflows of resources in the amounts of \$11,072,097, \$11,680,985 and \$9,072,094 were related to contributions subsequent to the measurement date for the Miscellaneous, Police Safety and Fire Safety Plans, respectively. They will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30	Miscellaneous	Police Safety	Fire Safety
2023	\$ (6,341,713)	\$ (6,462,575)	\$ (5,536,777)
2024	(5,299,396)	(5,404,750)	(6,440,112)
2025	(5,355,561)	(5,258,192)	(8,216,241)
2026	(6,144,803)	(6,132,587)	(10,116,086)
Thereafter	-	-	-

**Subsequent Events**

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(12) Police 1% Supplemental Retirement Plan**

**(a) General Information about the Pension Plan**

**Plan Description**

The plan was effective on July 1, 1993 for sworn members of the City of Costa Mesa Police Department. The plan was originally a 1% supplemental plan to the City's 2%@50 benefit. Under the Retirement Plan for Safety Employees of the City of Costa Mesa, the City joined CalPERS with 3%@50 Safety benefit as of December 31, 2000 and transferred active members to CalPERS. Employees who retired prior to July 1, 1999 were not transferred to CalPERS.

The Police 1% Supplemental Retirement Plan is a single employer defined benefit plan. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3%@ 50 benefit plan. The number of participants at June 30, 2021 was 18. The average monthly benefit being paid is \$949.24. The retirement benefit is 1% of the highest 12-month earnings for credited services up to 25 years. Maximum benefit is 75% of the highest 12-month earnings for service retirement including all public plan pension benefits but not including Social Security. The 75% is proportionately reduced for less than 25 years of Costa Mesa Police Department service.

**Contributions**

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

**(b) Pension Liability**

The City's pension liability for the Plan is measured as the total pension liability, as the pension plan has no fiduciary net position. The pension liability of the Plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2022. 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, 2022

**(12) Police 1% Supplemental Retirement Plan**

**Actuarial Methods and Assumptions**

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Measurement Date	June 30, 2022
Actuarial Assumptions:	
Discount Rate	3.75% per annum. This discount rate is the mid-point, rounded to 5 basis points, of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, Fidelity GO AA 20 Year Bond Index.
Payroll Growth	N/A; all participants have retired
Inflation Rate	2.75% per year
Cost Method	Entry Age Normal as a level percentage of payroll
Employer Funding Policy	Pay-as-you-go
Census Data	Census information was provided by the Plan Sponsor as of June 2022.
Retirement Disability/Turnover Rate	N/A; all participants have retired
Mortality	Rates are based on the 2021 CalPERS Experience Study for Public Agency Police as shown below:

Age	Healthy Retirees		Non-Industrial Disabled Retirees	
	Male	Female	Male	Female
50	0.27%	0.20%	1.70%	1.44%
60	0.58%	0.46%	2.71%	1.96%
70	1.33%	1.00%	4.00%	2.91%
80	4.37%	3.40%	7.94%	6.11%
90	14.54%	11.09%	16.61%	14.40%
100	36.20%	31.58%	36.20%	31.58%
110	100.00%	100.00%	100.00%	100.00%

**Discount Rate**

The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgment on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Basted on those assumptions, the pension plan's fiduciary net position was projected to be depleted for current members during the fiscal year. Therefore, the long-term expected rate of return of 3.75%

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(12) Police 1% Supplemental Retirement Plan (Continued)**

was used to discount funded projected benefit payments to determine the total pension liability. The single effective discount rate was 3.75%.

The discount rate changed from 2.10% as of June 30, 2021 to 3.75% as of June 30, 2022 measurement date.

**(c) Changes in the Pension Liability**

Balance at June 30, 2021	\$ 2,274,765
Changes in the year:	
Interest on the total pension liability	45,623
Differences between actual expected and actual experience	101,666
Changes in assumptions	(332,850)
Benefit payments, including refunds of member contributions	<u>(204,445)</u>
Net Changes	<u>(390,006)</u>
Balance at June 30, 2022	<u>\$ 1,884,759</u>

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

The following presents the total pension liability, calculated using the discount rate of 3.75%, as well as what the 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:

1% Decrease	2.75%
Net Pension Liability	\$ 2,012,865
Current Discount Rate	3.75%
Net Pension Liability	\$ 1,884,759
1% Increase	4.75%
Net Pension Liability	\$ 1,770,363

**(d) Pension expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the fiscal year ended June 30, 2022, the City recognized pension expense of \$185,561. At June 30, 2022, the City did not report any deferred outflows/inflows of resources related to the Police 1% Supplemental Retirement Plan.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(13) 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, 2022, there were 143 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, 2022 was \$38,842.

**(14) Other Post Employment Benefits Plan (OPEB)**

**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 or more 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.

**Employees Covered**

As of the June 30, 2021 measurement date, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	561
Inactive employees or beneficiaries currently receiving benefits	427
Inactive employees entitled to but not yet receiving benefits	-
Total	<u>988</u>

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(14) Other Post Employment Benefits Plan (OPEB) (Continued)**

**Contributions**

The contribution requirements of plan members and the City are established and may be amended by the City Council. The contribution required to be made under the City Council and labor agreement requirements is on a pay-as-you-go basis (i.e., as medical insurance premiums become due). For the fiscal year ended June 30, 2022, the City contributed \$1,840,792 to the Plan. The City has not established a trust for the purpose of holding assets accumulated for plan benefits.

The City's total OPEB liability was measured as of June 30, 2021 by an actuarial valuation based on the following actuarial methods and assumptions:

Discount Rate: 2.19% for accounting disclosure purposes. The rate is based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the current valuation, the discount rate was selected from the range of indices as shown in the table below:

	As of 06/30/21
Bond Buyer Go 20 – Municipal Bond Index	2.16%
S&P Municipal Bond 20-year High Grade Rate Index	2.19%
Fidelity 20-year Go Municipal Bond Index	1.94%
Bond Index Range	1.94% - 2.19%
Actual Discount Rate Used	<b>2.19%</b>

Inflation Rate: 2.50% per year

Aggregate Payroll Increases: 2.75% per year. This assumption is used to amortize the unfunded actuarial accrued liability and to determine the Entry Age Normal actuarial liabilities.

Mortality Rate: Based on rates used in the most recent CalPERS pension valuation.

Turnover Rate: Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on those used in the most recent CalPERS pension valuation.

Retirement Rate: Annual retirement rates are based on those used in the most recent CalPERS pension valuation.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(14) Other Post Employment Benefits Plan (OPEB) (Continued)**

**Changes in the Total OPEB Liability**

The changes in the Plan's total OPEB liability is as follows:

Balance at June 30, 2021	\$	62,882,272
Changes recognized for the measurement period:		
Service cost		1,469,582
Interest		1,675,650
Differences between expected and actual experience		(894,275)
Changes of assumptions		3,854,176
Contributions - employer		-
Benefit payments		(2,732,910)
Administrative expense		-
Net Changes		<u>3,372,223</u>
Balance at June 30, 2022 <i>(Measurement Date June 30, 2021)</i>	\$	<u>66,254,495</u>

**Sensitivity of the OPEB Liability to Changes in the Discount Rate**

The following presents the City's OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease (1.19%)	Current Discount Rate (2.19%)	1% Increase (3.19%)
OPEB Liability	\$ 76,947,346	\$ 66,254,495	\$ 57,741,773

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

The following presents the OPEB liability of the City if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2022:

	1% Decrease (5.75% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (6.75% decreasing to 4.50%)	1% Increase (7.75% decreasing to 5.50%)
OPEB Liability	\$60,716,376	\$66,254,495	\$74,451,162

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(14) Other Post Employment Benefits Plan (OPEB) (Continued)**

The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The initial amortization period for deferred inflows and deferred outflows is three years.

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

For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$4,736,147. At June 30, 2022, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 1,840,792	\$ -
Differences between expected and actual differences	1,189,710	(3,128,648)
Changes in assumptions	10,282,238	-
Total	\$ 13,312,740	\$ (3,128,648)

The \$1,840,792 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2023	\$ 1,590,915
2024	1,590,915
2025	1,590,915
2026	1,590,914
2027	804,828
Thereafter	1,174,813

**(15) 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(15) Post Employment Benefits-RHS (Defined 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. For the CMPMA, effective July 2014, a 1% employee contribution is required to the plan, but no employer contribution is required. The City's contribution to the defined contribution post retirement plan for the year ended June 30, 2022 was \$0.

**(16) Expenditures in Excess of Appropriations**

Excess of expenditures over appropriations in individual funds at the function level (level of budgetary control) is as follows at June 30, 2022:

	<u>Function</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Major Fund:				
General Fund	Protection of persons and property	88,413,582	85,792,240	2,621,342
	Debt service	244,368	-	244,368
Special Revenue Funds:				
Supplemental Law Enforcement Services Fund	Protection of persons and property	277,824	277,372	452

**(17) Risk Management**

For the fiscal year ended June 30, 2022, the City participated in the California Municipal Excess Liability ("CAMEL") Program. The membership of CAMEL consists of 21 cities with similar interests and needs regarding liability insurance. 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 \$15,982,611 for lawsuits and other claims arising in the ordinary course of business. The City is also 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 \$25,000,000 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 \$9,746,369 for workers' compensation and \$6,236,242 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, 2022 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.

CITY OF COSTA MESA, CALIFORNIA  
Notes to the Basic Financial Statements  
Year ended June 30, 2022

**(17) Risk Management (Continued)**

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:

Fiscal Year	Beginning Balance	Claims Incurred and Changes in Estimates	Claim Payments	Ending Balance
2020-21	\$ 15,854,996	\$ 3,705,942	\$ (2,106,414)	\$ 17,454,524
2021-22	17,454,524	100,282	(3,255,364)	14,299,442

**(18) Legislation and Litigation Affecting the Successor Agency**

As of February 1, 2012, California redevelopment agencies were dissolved. The Successor Agency to the Costa Mesa Redevelopment Agency (Successor Agency) succeeded to the former Costa Mesa Redevelopment Agency (former Agency) and administers the enforceable obligations, including a \$9,278,545 loan from the City's General Fund to the former agency. The Department of Finance has approved the Successor Agency to reinstate this loan on its Report Obligation Payment Schedule (ROPS).

The City has adjusted the loan for principal/interest additions and principal repayments from the annual ROPS as approved by the Department of Finance. As of June 30, 2022, the Successor Agency's loan payable balance was \$3,102,031.

A summary of changes in long-term liabilities in the Successor Agency for the year ended June 30, 2022 is as follows:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>June 30, 2022</u>	Portion Due Within One <u>Year</u>
Loans Payable	\$ 4,916,327	\$ -	\$ (1,814,296)	\$ 3,102,031	\$ 1,749,586
Total	<u>\$ 4,916,327</u>	<u>\$ -</u>	<u>\$ (1,814,296)</u>	<u>\$ 3,102,031</u>	<u>\$ 1,749,586</u>

ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
REQUIRED SUPPLEMENTARY INFORMATION





CITY OF COSTA MESA, CALIFORNIA  
Schedule of Changes in the Net Pension Liability and Related Ratios  
Miscellaneous Plan  
Last Ten Fiscal Years\*

Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
<b>Total pension liability:</b>				
Service cost	\$ 3,366,560	\$ 3,187,235	\$ 3,269,125	\$ 3,659,618
Interest on total pension liability	17,792,384	18,262,096	18,633,944	18,996,998
Difference between expected and actual experience	-	(2,016,112)	(2,818,846)	(1,038,444)
Changes in assumptions	-	(4,399,842)	-	15,484,252
Benefit payments, including refunds of employee contributions	(12,853,585)	(13,476,175)	(14,145,202)	(14,720,378)
<b>Net Change in Total Pension Liability</b>	<b>8,305,359</b>	<b>1,557,202</b>	<b>4,939,021</b>	<b>22,382,046</b>
Total pension liability - beginning of year	241,975,291	250,280,650	251,837,852	256,776,873
Total pension liability - End of Year (a)	<u>\$ 250,280,650</u>	<u>\$ 251,837,852</u>	<u>\$ 256,776,873</u>	<u>\$ 279,158,919</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - employer	\$ 4,903,142	\$ 5,768,827	\$ 6,226,072	\$ 6,712,045
Contributions - employees	2,137,933	1,978,052	1,966,557	1,936,240
Net investment income	26,075,603	3,881,685	897,287	18,711,484
Benefit payments	(12,853,585)	(13,476,175)	(14,145,205)	(14,720,378)
Plan to plan resource movement	-	13,634	3,064	-
Administrative expense	-	(193,604)	(104,766)	(246,188)
Other miscellaneous income (expense)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>20,263,093</b>	<b>(2,027,581)</b>	<b>(5,156,991)</b>	<b>12,393,203</b>
Plan fiduciary net position - beginning of year	153,666,841	173,929,934	171,902,353	166,745,362
Plan fiduciary net position - end of year (b)	<u>\$ 173,929,934</u>	<u>\$ 171,902,353</u>	<u>\$ 166,745,362</u>	<u>\$ 179,138,565</u>
Net pension liability - ending (a)-(b)	<u>\$ 76,350,716</u>	<u>\$ 79,935,499</u>	<u>\$ 90,031,511</u>	<u>\$ 100,020,354</u>
			Net position - beginning of year	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	68.26%	64.94%	64.17%
Covered payroll	\$ 18,366,435	\$ 17,928,997	\$ 19,890,931	\$ 19,532,886
Net pension liability as a percentage of covered payroll	415.71%	445.84%	452.63%	512.06%

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2021, 2020, or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

\* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
\$ 3,528,896	\$ 3,828,540	\$ 4,081,002	\$ 4,114,686
19,188,563	19,990,625	20,506,212	20,957,522
(3,837,320)	4,152,146	(324,784)	(1,467,232)
(1,071,584)	-	-	-
<u>(15,285,935)</u>	<u>(16,317,568)</u>	<u>(16,501,681)</u>	<u>(17,147,887)</u>
2,522,620	11,653,743	7,760,749	6,457,089
<u>279,158,919</u>	<u>281,681,539</u>	<u>293,335,282</u>	<u>301,096,031</u>
<u>\$ 281,681,539</u>	<u>\$ 293,335,282</u>	<u>\$ 301,096,031</u>	<u>\$ 307,553,120</u>
\$ 7,300,573	\$ 8,320,570	\$ 9,336,852	\$ 10,097,843
1,906,040	2,055,169	2,205,872	2,062,454
15,161,548	11,863,211	9,609,644	44,605,186
(15,285,935)	(16,317,568)	(16,501,681)	(17,147,887)
(1,077)	-	-	-
(279,147)	(133,740)	(272,363)	(197,367)
(530,105)	435	-	-
<u>8,271,897</u>	<u>5,788,077</u>	<u>4,378,324</u>	<u>39,420,229</u>
<u>179,138,565</u>	<u>187,410,462</u>	<u>193,198,539</u>	<u>197,576,863</u>
<u>\$ 187,410,462</u>	<u>\$ 193,198,539</u>	<u>\$ 197,576,863</u>	<u>\$ 236,997,092</u>
<u>\$ 94,271,077</u>	<u>\$ 100,136,743</u>	<u>\$ 103,519,168</u>	<u>\$ 70,556,028</u>
66.53%	65.86%	65.62%	77.06%
\$ 20,067,193	\$ 24,394,495	\$ 24,012,483	\$ 26,206,105
469.78%	410.49%	431.11%	269.24%

CITY OF COSTA MESA, CALIFORNIA  
Schedule of Contributions  
Miscellaneous Plan  
Last Ten Fiscal Years\*

Fiscal year ended	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Actuarially determined contribution	\$ 5,221,083	\$ 6,056,123	\$ 6,522,784	\$ 6,913,866
Contributions in relation to the actuarially determined contributions	<u>(5,221,083)</u>	<u>(6,056,123)</u>	<u>(6,522,784)</u>	<u>(6,913,866)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,928,997	\$ 19,890,931	\$ 19,532,886	\$ 20,067,193
Contributions as a percentage of covered payroll	29.12%	30.45%	33.39%	34.45%

Notes to schedule:

Valuation date for June 30, 2022 6/30/2019

Methods and assumptions used to determine contribution rates:

Single and agent employers	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.75%
Investment rate of return	7.00%, net of pension plan investment and administrative expense; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Other information:

For changes to previous year's information, refer to past GASB 68 reports.

Net position - beginning of year

\* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
\$ 9,256,492	\$ 9,876,401	\$ 10,249,971	\$ 11,072,097
<u>(9,256,492)</u>	<u>(9,876,401)</u>	<u>(10,249,971)</u>	<u>(11,072,097)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,394,495	\$ 24,012,483	\$ 26,206,105	\$ 26,486,277
37.95%	41.13%	39.11%	41.80%

CITY OF COSTA MESA, CALIFORNIA  
Schedule of Changes in the Net Pension Liability and Related Ratios  
Police Safety Plan  
Last Ten Fiscal Years\*

Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
<b>Total pension liability:</b>				
Service cost	\$ 4,675,505	\$ 4,048,034	\$ 4,011,055	\$ 4,475,641
Interest on total pension liability	17,563,332	18,452,568	19,519,447	20,072,034
Difference between expected and actual experience	-	1,744,508	4,436,634	(2,148,051)
Changes in assumptions	-	(4,744,823)	-	17,608,748
Benefit payments, including refunds of employee contributions	(11,159,179)	(12,625,831)	(13,319,431)	(13,984,335)
<b>Net Change in Total Pension Liability</b>	<b>11,079,658</b>	<b>6,874,456</b>	<b>14,647,705</b>	<b>26,024,037</b>
<b>Total pension liability - beginning of year</b>	<b>237,419,600</b>	<b>248,499,258</b>	<b>255,373,714</b>	<b>270,021,419</b>
<b>Total pension liability - end of year (a)</b>	<b>\$ 248,499,258</b>	<b>\$ 255,373,714</b>	<b>\$ 270,021,419</b>	<b>\$ 296,045,456</b>
<b>Plan fiduciary net position:</b>				
Contributions - employer	\$ 5,066,147	\$ 5,228,944	\$ 5,992,098	\$ 7,592,902
Contributions - employees	2,204,590	2,191,295	1,988,684	2,012,546
Net investment income	24,794,991	3,618,253	825,770	17,309,154
Benefit payments	(11,159,179)	(12,625,831)	(13,319,431)	(13,984,335)
Plan to plan resource movement	-	-	72	-
Administrative expense	-	(182,933)	(98,993)	(233,009)
Other miscellaneous income (expense)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>20,906,549</b>	<b>(1,770,272)</b>	<b>(4,611,800)</b>	<b>12,697,258</b>
<b>Plan fiduciary net Position -beginning of year</b>	<b>143,294,304</b>	<b>164,200,853</b>	<b>162,430,581</b>	<b>157,818,781</b>
<b>Plan fiduciary new position - end of year (b)</b>	<b>\$ 164,200,853</b>	<b>\$ 162,430,581</b>	<b>\$ 157,818,781</b>	<b>\$ 170,516,039</b>
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 84,298,405</b>	<b>\$ 92,943,133</b>	<b>\$ 112,202,638</b>	<b>\$ 125,529,417</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>66.08%</b>	<b>63.61%</b>	<b>58.45%</b>	<b>57.60%</b>
<b>Covered payroll</b>	<b>\$ 14,884,359</b>	<b>\$ 13,714,558</b>	<b>\$ 14,161,162</b>	<b>\$ 14,696,132</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>566.36%</b>	<b>677.70%</b>	<b>792.33%</b>	<b>854.17%</b>

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2021, 2020, or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

\* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
\$ 4,653,580	\$ 4,959,915	\$ 4,912,766	\$ 4,811,521
20,611,486	21,235,614	21,872,003	22,650,069
(1,494,789)	(2,112,152)	(1,729,542)	503,266
(1,540,347)	-	-	-
<u>(14,129,155)</u>	<u>(15,024,883)</u>	<u>(16,058,867)</u>	<u>(16,651,882)</u>
8,100,775	9,058,494	8,996,360	11,312,974
296,045,456	304,146,231	313,204,725	322,201,085
<u>\$ 304,146,231</u>	<u>\$ 313,204,725</u>	<u>\$ 322,201,085</u>	<u>\$ 333,514,059</u>
\$ 8,263,652	\$ 9,471,893	\$ 10,608,592	\$ 11,583,086
2,120,029	2,222,313	2,285,323	2,166,528
14,402,562	11,872,172	9,465,284	44,470,479
(14,129,155)	(15,024,883)	(16,058,867)	(16,651,882)
222	-	-	-
(265,711)	(128,739)	(266,185)	(194,644)
(504,590)	420	-	-
9,887,009	8,413,176	6,034,147	41,373,567
170,516,039	180,403,048	188,816,224	194,850,371
<u>\$ 180,403,048</u>	<u>\$ 188,816,224</u>	<u>\$ 194,850,371</u>	<u>\$ 236,223,938</u>
<u>\$ 123,743,183</u>	<u>\$ 124,388,501</u>	<u>\$ 127,350,714</u>	<u>\$ 97,290,121</u>
59.31%	60.29%	60.47%	70.83%
\$ 14,529,255	\$ 17,534,445	\$ 16,175,525	\$ 15,883,165
851.68%	709.40%	787.30%	612.54%

CITY OF COSTA MESA, CALIFORNIA  
Schedule of Contributions  
Police Safety Plan  
Last Ten Fiscal Years\*

Fiscal year ended	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Actuarially determined contribution	\$ 5,237,595	\$ 5,994,277	\$ 7,592,899	\$ 8,098,773
Contributions in relation to the actuarially determined contributions	<u>(5,237,595)</u>	<u>(5,994,277)</u>	<u>(7,592,899)</u>	<u>(8,098,773)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,714,558	\$ 14,161,162	\$ 14,696,132	\$ 14,529,255
Contributions as a percentage of covered payroll	38.19%	42.33%	51.67%	55.74%

Notes to schedule:

Valuation date for June 30, 2022 6/30/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.75%
Investment rate of return	7.00%, net of pension plan investment and administrative expense; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Other information:

For changes to previous year's information, refer to past GASB 68 reports.

\* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
\$ 10,894,754	\$ 11,174,155	\$ 11,803,904	\$ 11,680,985
<u>(10,894,754)</u>	<u>(11,174,155)</u>	<u>(11,803,904)</u>	<u>(11,680,985)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,534,445	\$ 16,175,525	\$ 15,883,165	\$ 17,075,363
62.13%	69.08%	74.32%	68.41%

CITY OF COSTA MESA, CALIFORNIA  
Schedule of Proportionate Share of the Net Pension Liability  
Fire Safety Plan  
Last Ten Fiscal Years\*

Measurement date	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Plan's proportion of the net pension liability	0.86630%	0.85980%	0.78750%
Plan's proportionate share of the net pension liability	\$ 53,906,245	\$ 59,018,969	\$ 68,144,130
Plan's covered payroll	\$ 9,348,967	\$ 8,616,507	\$ 9,235,056
Plan's proportionate share of the net pension liability as a percentage of covered payroll	576.60%	684.95%	737.89%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	70.20%	78.40%	74.06%
Plan's proportionate share of aggregate employer contributions	\$ 4,567,080	\$ 4,600,229	\$ 4,087,020

Notes to schedule:

Benefit changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Credit (a.k.a. Golden Handshakes).

Changes in assumptions:

None in 2021, 2020, or 2019. In 2018, demographic assumptions and inflation were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, The accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.50% discount rate.

\* - Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
0.75976%	0.78122%	0.75901%	0.74962%	0.67861%
\$ 75,347,795	\$ 75,280,246	\$ 77,775,545	\$ 81,561,540	\$ 61,763,064
\$ 9,116,708	\$ 9,057,608	\$ 9,614,585	\$ 9,034,047	\$ 9,203,544
826.48%	831.13%	808.93%	902.82%	671.08%
71.74%	73.39%	73.37%	73.12%	71.38%
\$ 5,040,152	\$ 5,855,909	\$ 6,865,279	\$ 7,555,475	\$ 9,072,094

CITY OF COSTA MESA, CALIFORNIA  
Schedule of Contributions  
Fire Safety Plan  
Last Ten Fiscal Years\*

Fiscal year ended	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Contractually required contribution (actuarially determined)	\$ 3,877,163	\$ 3,286,280	\$ 3,598,782	\$ 5,040,152
Contributions in relation to the actuarially determined contributions	<u>(4,603,714)</u>	<u>(3,786,280)</u>	<u>(3,598,782)</u>	<u>(5,040,152)</u>
Contribution deficiency (excess)	<u>\$ (726,551)</u>	<u>\$ (500,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,616,507	\$ 9,235,056	\$ 9,116,708	\$ 9,057,608
Contributions as a percentage of covered payroll	53.43%	41.00%	39.47%	55.65%

Notes to schedule:

Valuation date for June 30, 2022                      6/30/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization method/period	For details, see June 30, 2019 Funding Valuation Report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	2.75%
Investment rate of return	7.00%, net of pension plan investment and administrative expense; includes inflation.
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Other information:

For changes to previous year's information, refer to past GASB 68 reports.

\* -

Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
\$ 5,855,909	\$ 6,865,279	\$ 7,555,477	\$ 9,072,094
<u>(5,855,909)</u>	<u>(6,865,279)</u>	<u>(7,555,477)</u>	<u>(9,072,094)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,614,585	\$ 9,034,047	\$ 9,203,544	\$ 9,845,473
60.91%	75.99%	82.09%	92.14%

CITY OF COSTA MESA, CALIFORNIA  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
POLICE 1% SUPPLEMENTAL RETIREMENT PLAN  
Last Ten Fiscal Years\*

Measurement date	June 30, 2016	June 30, 2017	June 30, 2018
Total pension liability:			
Interest on total pension liability	\$ 80,950	\$ 77,214	\$ 82,454
Difference between expected and actual experience	(19)	-	(9,704)
Changes in assumptions	-	(107,900)	(18,938)
Benefit payments, including refunds of employee contributions	(211,287)	(208,260)	(205,233)
Net change in Total Pension Liability	(130,356)	(238,946)	(151,421)
Total pension liability - beginning of year	2,897,028	2,766,672	2,527,726
Total pension liability - end of year (a)	<u>\$ 2,766,672</u>	<u>\$ 2,527,726</u>	<u>\$ 2,376,305</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%
Covered - employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A

Notes:

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the pension plan.

The discount rate changed from 3.50% as of June 30, 2018 to 3.15% as of June 30, 2019 measurement date.

The discount rate changed from 3.15% as of June 30, 2019 to 2.45% as of June 30, 2020 measurement date.

The discount rate changed from 2.45% as of June 30, 2020 to 2.10% as of June 30, 2021 measurement date.

The discount rate changed from 2.10% as of June 30, 2021 to 3.75% as of June 30, 2022 measurement date.

\* - Fiscal year 2016 was the first year of implementation, therefore only seven years are shown.

	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
\$	79,579	\$ 69,134	\$ 55,426	\$ 45,623
	-	80,298	-	101,666
	46,602	122,873	59,262	(332,850)
	<u>(205,233)</u>	<u>(205,036)</u>	<u>(204,445)</u>	<u>(204,445)</u>
	(79,052)	67,269	(89,757)	(390,006)
	<u>2,376,305</u>	<u>2,297,253</u>	<u>2,364,522</u>	<u>2,274,765</u>
<u>\$</u>	<u>2,297,253</u>	<u>\$ 2,364,522</u>	<u>\$ 2,274,765</u>	<u>\$ 1,884,759</u>
	0.00%	0.00%	0.00%	0.00%
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A

CITY OF COSTA MESA, CALIFORNIA  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Last Ten Fiscal Years\*

Measurement date	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
<b>Total OPEB liability</b>					
Service cost	\$ 1,229,918	\$ 1,098,145	\$ 1,110,733	\$ 1,145,090	\$ 1,469,582
Interest on the total OPEB liability	1,622,474	1,812,069	1,852,821	2,060,874	1,675,650
Actual and expected experience difference	-	-	2,081,994	(3,128,209)	(894,275)
Changes in assumptions	(3,959,316)	(670,841)	3,420,614	6,606,929	3,854,176
Benefit payments	(2,318,709)	(2,469,425)	(2,751,358)	(2,719,892)	(2,732,910)
Net change in total OPEB liability	(3,425,633)	(230,052)	5,714,804	3,964,792	3,372,223
Total OPEB liability - beginning	56,858,361	53,432,728	53,202,676	58,917,480	62,882,272
Total OPEB liability - ending	\$ 53,432,728	\$ 53,202,676	\$ 58,917,480	\$ 62,882,272	\$ 66,254,495
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll <sup>1</sup>	\$ 41,026,788	\$ 43,392,898	\$ 43,828,141	\$ 45,645,442	\$ 48,101,217
OPEB liability as a percentage of covered-employee payroll <sup>1</sup>	130.24%	122.61%	134.43%	137.76%	137.74%

Notes to schedule:

<sup>1</sup> - OPEB benefits are not based on employee payroll.

In Fiscal Year 2021 the City created a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan. The funds are in a pooled account - balanced index. As of June 30, 2022 the market value of the investments held in the trust was \$1,561,154 and is reflected as a contribution subsequent to the measurement date as of Fiscal Year 2022.

Changes in assumptions. The discount rate as of the June 30, 2016 measurement date was 2.85%. The discount rate as of the June 30, 2017 measurement date was 3.40%. The discount rate as of the June 30, 2018 measurement date was 3.50%. The discount rate as of the June 30, 2019 measurement date was 3.51%. The discount rate as of the June 30, 2020 measurement date was 2.66%. The discount rate as of the June 30, 2021 measurement date was 2.19%.

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

\* - Fiscal year 2018 was the first year of implementation, therefore only five years are shown.

## **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.

## **GOVERNMENT GRANTS FUND**

The Government Grants Fund is used to account for receipt and disbursement of grant monies provided by Federal, State, and County governmental agencies for various programs.

## **AMERICAN RESCUE PLAN ACT Fund (ARPA)**

The ARPA Fund is used to account for the receipt and disbursement of grant monies under the American Rescue Plan Act.

CITY OF COSTA MESA, CALIFORNIA  
 General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2022  
 (With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
<b>Taxes:</b>					
Sales tax	\$ 59,938,452	\$ 79,523,566	\$ 77,312,838	\$ (2,210,728)	\$ 63,834,761
Property tax	49,552,799	49,324,153	49,087,175	(236,978)	47,502,237
Transient occupancy tax	5,569,330	8,323,300	8,366,278	42,978	4,282,802
Franchise tax	5,183,043	5,285,167	5,318,541	33,374	4,895,574
Business license tax	928,160	928,160	919,491	(8,669)	901,604
Marijuana business tax	2,000,000	690,000	548,711	(141,289)	326,239
<b>Total taxes</b>	<b>123,171,784</b>	<b>144,074,346</b>	<b>141,553,034</b>	<b>(2,521,312)</b>	<b>121,743,217</b>
Licenses and permits	5,343,662	7,849,542	7,331,252	(518,290)	4,368,740
Fines and forfeitures	1,401,089	1,200,545	1,170,795	(29,750)	1,055,886
<b>Intergovernmental:</b>					
Motor vehicle in-lieu	85,000	110,000	130,289	20,289	84,182
Prop 172	1,088,281	1,711,000	1,467,173	(243,827)	1,151,953
Advances repayment	1,464,562	1,524,562	1,524,562	-	1,581,124
Grants and other reimbursements	190,523	1,287,358	1,407,067	119,709	1,280,562
<b>Total intergovernmental</b>	<b>2,828,366</b>	<b>4,632,920</b>	<b>4,529,091</b>	<b>(103,829)</b>	<b>4,097,821</b>
Charges for services	6,393,390	8,087,107	6,964,934	(1,122,173)	4,897,671
Rental	4,283,522	4,098,530	4,042,324	(56,206)	4,112,442
Investment income (loss)	600,000	(691,026)	(1,246,827)	(555,801)	(67,681)
Miscellaneous	600,247	1,305,650	1,374,266	68,616	859,000
<b>Total revenues</b>	<b>144,622,060</b>	<b>170,557,614</b>	<b>165,718,869</b>	<b>(4,838,745)</b>	<b>141,067,096</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>General government:</b>					
City council	891,341	891,341	867,913	23,428	644,710
<b>City manager:</b>					
Administration	4,439,899	4,439,899	3,796,264	643,635	3,600,414
City clerk	965,645	1,000,895	936,966	63,929	917,491
Personnel services	1,643,223	1,674,986	1,481,900	193,086	1,252,768
Risk management services	336,948	337,248	362,648	(25,400)	298,024
City attorney	1,000,000	1,000,000	958,775	41,225	968,030
Financial services	4,750,218	4,607,709	3,799,043	808,666	3,578,773
Information technology	4,523,856	4,523,355	4,092,844	430,511	3,760,161
Facilities and equipment maintenance	12,181,731	12,427,833	12,151,003	276,830	10,905,348
Non-departmental	6,489,827	6,318,733	4,532,996	1,785,737	3,183,528
<b>Total general government</b>	<b>37,222,688</b>	<b>37,221,999</b>	<b>32,980,352</b>	<b>4,241,647</b>	<b>29,109,247</b>

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA  
General Fund  
(continued)  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the fiscal year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Protection of persons and property:					
Police protection	51,507,415	51,830,760	53,409,112	(1,578,352)	48,905,954
Fire protection	30,142,203	31,117,622	32,298,528	(1,180,906)	29,042,308
Building and safety	2,891,056	2,843,858	2,706,591	137,267	1,944,663
Total protection of persons and property	<u>84,540,674</u>	<u>85,792,240</u>	<u>88,414,231</u>	<u>(2,621,991)</u>	<u>79,892,925</u>
Community programs:					
Community recreation	7,664,502	7,719,131	6,288,274	1,430,857	4,004,633
Planning	2,225,031	1,986,119	2,135,517	(149,398)	1,750,901
Community improvement	1,670,352	1,823,749	1,592,410	231,339	1,077,268
Development services administration	996,125	1,100,209	1,076,135	24,074	808,778
Total community programs	<u>12,556,010</u>	<u>12,629,208</u>	<u>11,092,336</u>	<u>1,536,872</u>	<u>7,641,580</u>
Public services:					
Administration	2,111,966	2,235,259	2,171,885	63,374	1,967,042
Engineering	2,584,692	2,262,492	2,097,776	164,716	2,151,377
Transportation	3,082,211	3,018,318	3,069,222	(50,904)	2,755,522
Total public services	<u>7,778,869</u>	<u>7,516,069</u>	<u>7,338,883</u>	<u>177,186</u>	<u>6,873,941</u>
Debt Service:					
Principal	-	-	217,231	(217,231)	15,391
Interest and fiscal charges	-	-	27,137	(27,137)	-
Total debt service	<u>-</u>	<u>-</u>	<u>244,368</u>	<u>(244,368)</u>	<u>15,391</u>
Total expenditures	<u>142,098,241</u>	<u>143,159,516</u>	<u>140,070,170</u>	<u>3,089,346</u>	<u>123,533,084</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,523,819</u>	<u>27,398,098</u>	<u>25,648,699</u>	<u>(1,749,399)</u>	<u>17,534,012</u>
Other financing sources (uses):					
Transfers in	6,561,529	8,061,529	-	(8,061,529)	9,173,146
Transfers out	(8,980,936)	(18,436,238)	(21,365,113)	(2,928,875)	(26,678,565)
Total other financing sources (uses)	<u>(2,419,407)</u>	<u>(10,374,709)</u>	<u>(21,365,113)</u>	<u>(10,990,404)</u>	<u>(17,505,419)</u>
Net change in fund balance	104,412	17,023,389	4,283,586	(12,739,803)	28,593
Fund balance at beginning of year	<u>53,492,261</u>	<u>53,492,261</u>	<u>53,492,261</u>	<u>-</u>	<u>53,463,668</u>
Fund balance at end of year	<u>\$ 53,596,673</u>	<u>\$ 70,515,650</u>	<u>\$ 57,775,847</u>	<u>\$ (12,739,803)</u>	<u>\$ 53,492,261</u>

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA  
Government Grants Fund - Major Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>					
Intergovernmental	\$ 329,813	\$ 1,877,059	\$ 897,489	\$ (979,570)	\$ 4,015,354
Investment income (loss)	500	500	10	(490)	5,887
<b>Total revenues</b>	<b>330,313</b>	<b>1,877,559</b>	<b>897,499</b>	<b>(980,060)</b>	<b>4,021,241</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Protection of persons and property	577,333	2,288,692	1,426,724	861,968	619,643
Community programs	-	773,406	116,405	657,001	2,930,251
Public services	-	871,791	115,699	756,092	985,617
<b>Total expenditures</b>	<b>577,333</b>	<b>3,933,889</b>	<b>1,658,828</b>	<b>2,275,061</b>	<b>4,535,511</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(247,020)</b>	<b>(2,056,330)</b>	<b>(761,329)</b>	<b>1,295,001</b>	<b>(514,270)</b>
<b>Other financing sources (uses):</b>					
Transfer in	-	66,419	66,419	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>66,419</b>	<b>66,419</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(247,020)</b>	<b>(1,989,911)</b>	<b>(694,910)</b>	<b>1,295,001</b>	<b>(514,270)</b>
<b>Fund balance (deficit) at beginning of year</b>	<b>(450,855)</b>	<b>(450,855)</b>	<b>(450,855)</b>	<b>-</b>	<b>63,415</b>
<b>Fund balance (deficit) at end of year</b>	<b>\$ (697,875)</b>	<b>\$ (2,440,766)</b>	<b>\$ (1,145,765)</b>	<b>\$ 1,295,001</b>	<b>\$ (450,855)</b>

See notes to required supplementary information

CITY OF COSTA MESA, CALIFORNIA  
American Resuce Plan Act Fund - Major Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:					
Intergovernmental	\$ 13,240,757	\$ 13,240,757	\$ -	\$ (13,240,757)	\$ 13,113,464
Investment income (loss)	-	-	50,329	50,329	381
Total revenues	<u>13,240,757</u>	<u>13,240,757</u>	<u>50,329</u>	<u>(13,190,428)</u>	<u>13,113,845</u>
Expenditures:					
Current:					
General government	-	-	-	-	1,988,022
Protection of persons and property	-	-	-	-	1,735,514
Community programs	-	-	-	-	134,315
Public services	-	-	-	-	82,848
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,940,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,240,757</u>	<u>13,240,757</u>	<u>50,329</u>	<u>(13,190,428)</u>	<u>9,173,146</u>
Other financing sources (uses):					
Transfer out	<u>(860,649)</u>	<u>(860,649)</u>	<u>-</u>	<u>860,649</u>	<u>(9,173,146)</u>
Total other financing sources (uses)	<u>(860,649)</u>	<u>(860,649)</u>	<u>-</u>	<u>860,649</u>	<u>(9,173,146)</u>
Net change in fund balance	12,380,108	12,380,108	50,329	(12,329,779)	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ 12,380,108</u>	<u>\$ 12,380,108</u>	<u>\$ 50,329</u>	<u>\$ (12,329,779)</u>	<u>\$ -</u>

See notes to required supplementary information

**CITY OF COSTA MESA, CALIFORNIA**  
**Notes to Required Supplementary Information**  
**Year ended June 30, 2022**

**(1) Budgetary Data**

Annual budgets are legally adopted or amended 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 or amended:

Special Revenue Funds:

Disaster Fund

Debt Service Funds:

Financing Authority Debt Service Fund

Public Financing Authority Debt Service Fund

The City Council adopts an annual budget submitted by the City Manager 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 City Manager. Expenditures may not legally exceed appropriations at the department functional level. At fiscal year-end all operating budget appropriations lapse.

ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
SUPPLEMENTARY SCHEDULES



## **MAJOR AND NONMAJOR GOVERNMENTAL FUNDS**

### **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:

#### **Gas Tax Fund**

Established to account for the 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, including allocations from the Highway Users Tax Account (HUTA) and the Road Maintenance and Rehabilitation Account (RMRA).

#### **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.

#### **Air Quality Improvement Fund**

Established to account for the receipt and disbursement of 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 the receipt and disbursement of the Department of Housing and Urban Development grants. These revenues must be expended to accomplish one of the following objectives: elimination of slum or blighted areas to benefit 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 the receipt and disbursement of grants 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 the 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 the receipt and disbursement of 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 the receipt and disbursement of 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.

**Housing Authority Fund**

Established pursuant to the California Health and Safety Code, Section 34176(a). The Housing Authority serves two distinct functions: Low and Moderate Income Housing Asset Fund (LMIHAF) and homeless program. The LMIHAF is to promote affordable housing for families of low and moderate income within the City. The homeless program is to provide temporary assistance including housing to homeless individuals.

**Disaster Fund**

Established to account for receipt and disbursement of Federal and State grant monies received for COVID-19 mitigation and relief efforts.

**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 a major fund in the accompanying government-wide financial statements:

**Capital Improvements Fund**

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

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

**Measure "M2" Fund**

Established to account for the receipt and 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. Funding is provided through specific property tax levies.

**Golf Course Improvements Fund**

Established to account the receipt and disbursement of funds for Costa Mesa Country Club capital improvements. Funding is provided by the receipt of two and one-half percent of monthly gross receipts of green and tournament fees.

**Park Development Fund**

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

**Drainage Fees Fund**

Established to account for the receipt and disbursement of funds for construction and maintenance of the City's drainage system. Funding 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. Funding 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.

**Jack Hammett Sports Complex Fund**

Establish to account for receipt and disbursement of funds related to on-going maintenance of Jack Hammett Sports Complex. Funding is provided by the facility's rental income.

**Lions Park Capital Improvements Fund**

Established to account for the receipt and disbursement of funds for construction of a new library and renovation of the existing library into a neighborhood community center. Project funding is partially provided by bond proceeds with the remaining balance provided by the Capital Improvements Fund.

**DEBT SERVICE FUNDS**

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

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

**Public Financing Authority Debt Service Fund**

To accumulate monies for payment of the 2006 Revenue Refunding bonds. The 2006 Revenue Refunding bonds refunded the 1991 Local Agency Revenues Bonds that provided monies for the purchase of the Costa Mesa Community Facilities 1991 Special Tax Bonds.

**Financing Authority Debt Service Fund**

To accumulate monies for the payment of the 2017 Lease Revenue Bonds. The 2017 Lease Revenue bonds refunded the Public Financing Authority 2007 Certificates of Participation and provided partial funding for the Lion's Park Project.

CITY OF COSTA MESA, CALIFORNIA  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2022  
(With Comparative Data for Prior Year)

	Special Revenue					
	Gas Tax	HOME Program	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
<u>Assets:</u>						
Cash and investments	\$ 14,301,555	\$ 1,485,202	\$ 418,601	\$ 41,605	\$ 26,964	\$ 274,070
Cash and investments with fiscal agents	-	-	-	-	-	-
Due from other governments	601,923	27,101	-	104,099	-	-
Accounts receivable, net	-	-	-	-	-	-
Interest receivable	29,684	3,096	923	78	-	573
Loans receivable, net	-	-	-	-	-	-
Leases receivable	-	-	-	-	-	-
Total assets	<u>\$ 14,933,162</u>	<u>\$ 1,515,399</u>	<u>\$ 419,524</u>	<u>\$ 145,782</u>	<u>\$ 26,964</u>	<u>\$ 274,643</u>
<u>Liabilities:</u>						
Accounts payable	\$ 168,955	\$ -	\$ 36,614	\$ 38,100	\$ -	\$ -
Accrued liabilities	15,845	906	-	12,878	9,075	-
Retentions payable	56,268	-	-	-	-	-
Deposits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>241,068</u>	<u>906</u>	<u>36,614</u>	<u>50,978</u>	<u>9,075</u>	<u>-</u>
<u>Deferred Inflows of Resources:</u>						
Lease related	-	-	-	-	-	-
Unavailable revenues	38,340	27,103	-	-	-	-
Total deferred inflows of resources	<u>38,340</u>	<u>27,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances:</u>						
Restricted for:						
Protection of persons or property	-	-	-	-	17,889	-
Community programs	-	1,487,390	-	94,804	-	274,643
Public services	14,653,754	-	382,910	-	-	-
Debt service	-	-	-	-	-	-
Assigned for:						
Protection of persons and property	-	-	-	-	-	-
Public services	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficit)	<u>14,653,754</u>	<u>1,487,390</u>	<u>382,910</u>	<u>94,804</u>	<u>17,889</u>	<u>274,643</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,933,162</u>	<u>\$ 1,515,399</u>	<u>\$ 419,524</u>	<u>\$ 145,782</u>	<u>\$ 26,964</u>	<u>\$ 274,643</u>

Special Revenue

Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Housing Authority	Disaster Fund
\$ 1,681,681	\$ 33,536	\$ -	\$ 3,448,364	\$ -
-	-	-	22,800	-
-	-	39,603	546,140	306,283
-	-	-	58,422	-
3,427	70	-	6,096	-
-	-	-	608,294	-
-	-	-	1,512,830	-
<u>\$ 1,685,108</u>	<u>\$ 33,606</u>	<u>\$ 39,603</u>	<u>\$ 6,202,946</u>	<u>\$ 306,283</u>
\$ 442,841	\$ -	\$ 375	\$ 777,638	\$ 5,635
-	-	5,567	21,895	20,679
-	-	-	-	-
-	-	-	22,215	-
-	-	34,117	-	638,649
<u>442,841</u>	<u>-</u>	<u>40,059</u>	<u>821,748</u>	<u>664,963</u>
-	-	-	1,506,105	-
-	-	39,603	251,833	306,283
-	-	39,603	1,757,938	306,283
1,242,267	33,606	-	-	-
-	-	-	3,623,260	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	(40,059)	-	(664,963)
<u>1,242,267</u>	<u>33,606</u>	<u>(40,059)</u>	<u>3,623,260</u>	<u>(664,963)</u>
<u>\$ 1,685,108</u>	<u>\$ 33,606</u>	<u>\$ 39,603</u>	<u>\$ 6,202,946</u>	<u>\$ 306,283</u>

CITY OF COSTA MESA, CALIFORNIA  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2022  
 (Continued)  
 (With Comparative Data for Prior Year)

	Capital Projects				
	Measure "M2"	Parking Districts	Golf Course Improvements	Park Development	Drainage Fees
<u>Assets:</u>					
Cash and investments	\$ 3,372,000	\$ 135,775	\$ 521,474	\$ 4,145,886	\$ 2,243,503
Cash and investments with fiscal agents	124,577	-	-	-	-
Due from other governments	2,226,082	11	-	-	-
Accounts receivable, net	-	-	15,908	-	-
Interest receivable	9,039	284	1,075	9,344	4,766
Loans receivable, net	-	-	-	-	-
Leases receivable	-	-	-	-	-
Total assets	<u>\$ 5,731,698</u>	<u>\$ 136,070</u>	<u>\$ 538,457</u>	<u>\$ 4,155,230</u>	<u>\$ 2,248,269</u>
<u>Liabilities:</u>					
Accounts payable	\$ 475,356	\$ -	\$ -	\$ 465,654	\$ 6,048
Accrued liabilities	9,491	-	-	-	-
Retentions payable	230,326	-	-	74,139	-
Deposits payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>715,173</u>	<u>-</u>	<u>-</u>	<u>539,793</u>	<u>6,048</u>
<u>Deferred Inflows of Resources:</u>					
Lease related	-	-	-	-	-
Unavailable revenues	514,726	-	-	-	-
Total deferred inflows of resources	<u>514,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances:</u>					
Restricted for:					
Protection of persons or property	-	-	-	-	-
Community programs	-	-	-	-	-
Public services	4,501,799	-	-	-	-
Debt service	-	-	-	-	-
Assigned for:					
Protection of persons and property	-	-	-	-	-
Public services	-	136,070	538,457	3,615,437	2,242,221
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<u>4,501,799</u>	<u>136,070</u>	<u>538,457</u>	<u>3,615,437</u>	<u>2,242,221</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,731,698</u>	<u>\$ 136,070</u>	<u>\$ 538,457</u>	<u>\$ 4,155,230</u>	<u>\$ 2,248,269</u>

Capital Projects				Debt Service		Totals	
Traffic Impact Fees	Fire System Development Fees	Jack Hammett Sports Complex	Lions Park Capital Improvements	Public Financing Authority	Financing Authority	2022	2021
\$ 5,681,131	\$ 634,358	\$ 91,166	\$ 11,635	\$ -	\$ -	\$ 38,548,506	\$ 38,864,324
-	-	-	312,900	-	4	460,281	978,262
-	-	-	-	-	-	3,851,242	2,567,794
46	-	150,750	-	-	-	225,126	133,725
11,890	1,326	191	24	-	-	81,886	75,399
-	-	-	-	-	-	608,294	650,674
-	-	-	-	-	-	1,512,830	-
<u>\$ 5,693,067</u>	<u>\$ 635,684</u>	<u>\$ 242,107</u>	<u>\$ 324,559</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 45,288,165</u>	<u>\$ 43,270,178</u>
\$ 34,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,452,001	\$ 2,789,935
-	-	-	-	-	-	96,336	52,368
515	-	33,150	-	-	-	394,398	369,792
-	-	15,000	-	-	-	37,215	41,592
-	-	-	-	-	-	672,766	122,148
<u>35,300</u>	<u>-</u>	<u>48,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,652,716</u>	<u>3,375,835</u>
-	-	-	-	-	-	1,506,105	-
-	-	-	-	-	-	1,177,888	708,070
-	-	-	-	-	-	2,683,993	708,070
-	-	-	-	-	-	1,293,762	1,329,138
-	-	-	-	-	-	5,480,097	5,655,880
-	-	-	324,559	-	-	19,863,022	17,651,961
-	-	-	-	-	4	4	563,401
-	635,684	-	-	-	-	635,684	651,541
5,657,767	-	193,957	-	-	-	12,383,909	13,334,565
-	-	-	-	-	-	(705,022)	(213)
<u>5,657,767</u>	<u>635,684</u>	<u>193,957</u>	<u>324,559</u>	<u>-</u>	<u>4</u>	<u>38,951,456</u>	<u>39,186,273</u>
<u>\$ 5,693,067</u>	<u>\$ 635,684</u>	<u>\$ 242,107</u>	<u>\$ 324,559</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 45,288,165</u>	<u>\$ 43,270,178</u>

CITY OF COSTA MESA, CALIFORNIA  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Special Revenue					
	Gax Tax	HOME Program	Air Quality Improvement	Community Development	Supplemental Law Enforcement Services	Rental Rehabilitation Program
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Intergovernmental	4,937,524	16,639	108,658	594,255	279,630	-
Investment income (loss)	(363,514)	(37,271)	(9,893)	152	(694)	(6,851)
Rental income	-	-	-	-	-	-
Miscellaneous	32,358	45,009	-	7,500	-	-
Total revenues	<u>4,606,368</u>	<u>24,377</u>	<u>98,765</u>	<u>601,907</u>	<u>278,936</u>	<u>(6,851)</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Protection of persons and property	-	-	-	-	277,824	-
Community programs	-	109,036	-	594,255	-	-
Public services	3,505,880	-	218,184	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>3,505,880</u>	<u>109,036</u>	<u>218,184</u>	<u>594,255</u>	<u>277,824</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,100,488</u>	<u>(84,659)</u>	<u>(119,419)</u>	<u>7,652</u>	<u>1,112</u>	<u>(6,851)</u>
Other financing sources (uses):						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,100,488</u>	<u>(84,659)</u>	<u>(119,419)</u>	<u>7,652</u>	<u>1,112</u>	<u>(6,851)</u>
Fund balances (deficit) at beginning of the year	<u>13,553,266</u>	<u>1,572,049</u>	<u>502,329</u>	<u>87,152</u>	<u>16,777</u>	<u>281,494</u>
Fund balances (deficit) at end of year	<u>\$ 14,653,754</u>	<u>\$ 1,487,390</u>	<u>\$ 382,910</u>	<u>\$ 94,804</u>	<u>\$ 17,889</u>	<u>\$ 274,643</u>

Special Revenue

Narcotics Forfeiture	Local Law Enforcement Block Grant	Office of Traffic Safety	Housing Authority	Disaster Fund
\$ -	\$ -	\$ -	\$ 349,917	\$ -
-	-	-	-	-
5,562	-	-	-	-
(41,213)	(837)	130,022	1,510,066	107,876
-	-	-	(68,124)	-
-	-	-	338,732	-
-	-	-	27,406	-
<u>(35,651)</u>	<u>(837)</u>	<u>130,022</u>	<u>2,157,997</u>	<u>107,876</u>
-	-	-	-	239,182
-	-	169,868	-	335,028
-	-	-	3,963,750	100,214
-	-	-	-	62,339
-	-	-	-	35,332
-	-	-	-	744
<u>-</u>	<u>-</u>	<u>169,868</u>	<u>3,963,750</u>	<u>772,839</u>
<u>(35,651)</u>	<u>(837)</u>	<u>(39,846)</u>	<u>(1,805,753)</u>	<u>(664,963)</u>
-	-	-	1,713,828	-
-	-	-	-	-
-	-	-	1,713,828	-
<u>(35,651)</u>	<u>(837)</u>	<u>(39,846)</u>	<u>(91,925)</u>	<u>(664,963)</u>
<u>1,277,918</u>	<u>34,443</u>	<u>(213)</u>	<u>3,715,185</u>	<u>-</u>
<u>\$ 1,242,267</u>	<u>\$ 33,606</u>	<u>\$ (40,059)</u>	<u>\$ 3,623,260</u>	<u>\$ (664,963)</u>

CITY OF COSTA MESA, CALIFORNIA  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year ended June 30, 2022  
(Continued)  
(With Comparative Data for Prior Year)

Capital Projects

	Measure "M2"	Parking Districts	Golf Course Improvements	Park Development	Drainage Fees	Traffic Impact Fees
<b>Revenues:</b>						
Taxes	\$ -	\$ 16,927	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	1,278,940	348,736	437,946
Fines and forfeitures	-	-	-	-	-	-
Intergovernmental	4,420,073	-	-	-	-	-
Investment income (loss)	(105,712)	(3,453)	(13,547)	(100,791)	(57,057)	(143,171)
Rental income	-	-	163,021	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total revenues</b>	<b>4,314,361</b>	<b>13,474</b>	<b>149,474</b>	<b>1,178,149</b>	<b>291,679</b>	<b>294,775</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	-	-	-	-	-	-
Protection of persons and property	-	-	-	-	-	-
Community programs	-	-	-	206,815	-	-
Public services	3,084,199	-	-	2,007,353	145,850	127,222
<b>Debt service:</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total expenditures</b>	<b>3,084,199</b>	<b>-</b>	<b>-</b>	<b>2,214,168</b>	<b>145,850</b>	<b>127,222</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,230,162</b>	<b>13,474</b>	<b>149,474</b>	<b>(1,036,019)</b>	<b>145,829</b>	<b>167,553</b>
<b>Other financing sources (uses):</b>						
Transfer in	-	-	-	-	-	-
Transfer out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,230,162</b>	<b>13,474</b>	<b>149,474</b>	<b>(1,036,019)</b>	<b>145,829</b>	<b>167,553</b>
<b>Fund balances (deficit) at beginning of the year</b>	<b>3,271,637</b>	<b>122,596</b>	<b>388,983</b>	<b>4,651,456</b>	<b>2,096,392</b>	<b>5,490,214</b>
<b>Fund balances (deficit) at end of year</b>	<b>\$ 4,501,799</b>	<b>\$ 136,070</b>	<b>\$ 538,457</b>	<b>\$ 3,615,437</b>	<b>\$ 2,242,221</b>	<b>\$ 5,657,767</b>

Capital Projects			Debt Service		Totals	
Fire System Development Fees	Jack Hammett Sports Complex	Lions Park Capital Improvements	Public Financing Authority	Financing Authority	2022	2021
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 366,844	\$ 395,371
-	-	-	-	-	2,065,622	2,412,201
-	-	-	-	-	5,562	5,460
-	-	-	-	-	12,104,743	13,580,579
(15,857)	533	(170)	6	4	(967,460)	26,141
-	271,500	-	-	-	773,253	661,220
-	-	-	-	-	112,273	268,195
(15,857)	272,033	(170)	6	4	14,460,837	17,349,167
-	-	-	348,051	-	587,233	754,363
-	-	-	-	-	782,720	1,622,248
-	-	-	-	-	4,974,070	7,857,923
-	663,000	-	-	-	9,814,027	11,844,120
-	-	-	210,000	1,740,000	1,985,332	1,875,000
-	-	-	5,355	1,062,550	1,068,649	1,155,360
-	663,000	-	563,406	2,802,550	19,212,031	25,109,014
(15,857)	(390,967)	(170)	(563,400)	(2,802,546)	(4,751,194)	(7,759,847)
-	-	-	-	2,802,549	4,516,377	9,658,445
-	-	-	-	-	-	-
-	-	-	-	2,802,549	4,516,377	9,658,445
(15,857)	(390,967)	(170)	(563,400)	3	(234,817)	1,898,598
651,541	584,924	324,729	563,400	1	39,186,273	37,287,675
\$ 635,684	\$ 193,957	\$ 324,559	\$ -	\$ 4	\$ 38,951,456	\$ 39,186,273

CITY OF COSTA MESA, CALIFORNIA  
Gas Tax Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 5,219,123	\$ 4,937,524	\$ (281,599)	\$ 4,640,209
Investment income (loss)	55,000	(363,514)	(418,514)	(11,307)
Miscellaneous	-	32,358	32,358	71,583
Total revenues	<u>5,274,123</u>	<u>4,606,368</u>	<u>(667,755)</u>	<u>4,700,485</u>
Expenditures:				
Current:				
Public services	<u>17,011,136</u>	<u>3,505,880</u>	<u>13,505,256</u>	<u>2,925,039</u>
Total expenditures	<u>17,011,136</u>	<u>3,505,880</u>	<u>13,505,256</u>	<u>2,925,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,737,013)</u>	<u>1,100,488</u>	<u>12,837,501</u>	<u>1,775,446</u>
Net change in fund balance	(11,737,013)	1,100,488	12,837,501	1,775,446
Fund balance at beginning of year	<u>13,553,266</u>	<u>13,553,266</u>	-	<u>11,777,820</u>
Fund balance at end of year	<u>\$ 1,816,253</u>	<u>\$ 14,653,754</u>	<u>\$ 12,837,501</u>	<u>\$ 13,553,266</u>

CITY OF COSTA MESA, CALIFORNIA  
HOME Program Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 501,749	\$ 16,639	\$ (485,110)	\$ 41,261
Investment income (loss)	30,000	(37,271)	(67,271)	903
Miscellaneous	20,000	45,009	25,009	46,325
	<u>551,749</u>	<u>24,377</u>	<u>(527,372)</u>	<u>88,489</u>
Total revenues				
Expenditures:				
Current:				
Community programs	701,298	109,036	592,262	193,092
	<u>701,298</u>	<u>109,036</u>	<u>592,262</u>	<u>193,092</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	(149,549)	(84,659)	64,890	(104,603)
Net change in fund balance	(149,549)	(84,659)	64,890	(104,603)
Fund balance at beginning of year	1,572,049	1,572,049	-	1,676,652
Fund balance at end of year	<u>\$ 1,422,500</u>	<u>\$ 1,487,390</u>	<u>\$ 64,890</u>	<u>\$ 1,572,049</u>

CITY OF COSTA MESA, CALIFORNIA  
 Air Quality Improvement Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2022  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 146,900	\$ 108,658	\$ (38,242)	\$ 272,415
Investment income (loss)	3,005	(9,893)	(12,898)	(1,404)
Total revenues	<u>149,905</u>	<u>98,765</u>	<u>(51,140)</u>	<u>271,011</u>
Expenditures:				
Current:				
Public services	<u>606,421</u>	<u>218,184</u>	<u>388,237</u>	<u>137,450</u>
Total expenditures	<u>606,421</u>	<u>218,184</u>	<u>388,237</u>	<u>137,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(456,516)</u>	<u>(119,419)</u>	<u>337,097</u>	<u>133,561</u>
Net change in fund balance	(456,516)	(119,419)	337,097	133,561
Fund balance at beginning of year	<u>502,329</u>	<u>502,329</u>	-	<u>368,768</u>
Fund balance at end of year	<u>\$ 45,813</u>	<u>\$ 382,910</u>	<u>\$ 337,097</u>	<u>\$ 502,329</u>

CITY OF COSTA MESA, CALIFORNIA  
Community Development Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 1,121,215	\$ 594,255	\$ (526,960)	\$ 1,895,058
Investment income	-	152	152	-
Miscellaneous	-	7,500	7,500	-
	<u>1,121,215</u>	<u>601,907</u>	<u>(519,308)</u>	<u>1,895,058</u>
Total revenues				
Expenditures:				
Current:				
Community programs	<u>1,972,470</u>	<u>594,255</u>	<u>1,378,215</u>	<u>1,845,791</u>
	<u>1,972,470</u>	<u>594,255</u>	<u>1,378,215</u>	<u>1,845,791</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(851,255)</u>	<u>7,652</u>	<u>858,907</u>	<u>49,267</u>
Net change in fund balance	(851,255)	7,652	858,907	49,267
Fund balance at beginning of year	<u>87,152</u>	<u>87,152</u>	-	<u>37,885</u>
Fund balance (deficit) at end of year	<u>\$ (764,103)</u>	<u>\$ 94,804</u>	<u>\$ 858,907</u>	<u>\$ 87,152</u>

CITY OF COSTA MESA, CALIFORNIA  
Supplemental Law Enforcement Services Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 265,965	\$ 279,630	\$ 13,665	\$ 273,945
Investment income (loss)	-	(694)	(694)	62
Total revenues	<u>265,965</u>	<u>278,936</u>	<u>12,971</u>	<u>274,007</u>
Expenditures:				
Current:				
Protection of persons and property	<u>277,372</u>	<u>277,824</u>	<u>(452)</u>	<u>268,637</u>
Total expenditures	<u>277,372</u>	<u>277,824</u>	<u>(452)</u>	<u>268,637</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,407)</u>	<u>1,112</u>	<u>12,519</u>	<u>5,370</u>
Net change in fund balance	(11,407)	1,112	12,519	5,370
Fund balance at beginning of year	<u>16,777</u>	<u>16,777</u>	<u>-</u>	<u>11,407</u>
Fund balance at end of year	<u>\$ 5,370</u>	<u>\$ 17,889</u>	<u>\$ 12,519</u>	<u>\$ 16,777</u>

CITY OF COSTA MESA, CALIFORNIA  
Rental Rehabilitation Program Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ 1,000	\$ (6,851)	\$ (7,851)	\$ 19
Total revenues	<u>1,000</u>	<u>(6,851)</u>	<u>(7,851)</u>	<u>19</u>
Expenditures:				
Current:				
Community programs	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>
Total expenditures	<u>80,000</u>	<u>-</u>	<u>80,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(79,000)</u>	<u>(6,851)</u>	<u>72,149</u>	<u>19</u>
Net change in fund balance	(79,000)	(6,851)	72,149	19
Fund balance at beginning of year	<u>281,494</u>	<u>281,494</u>	<u>-</u>	<u>281,475</u>
Fund balance at end of year	<u>\$ 202,494</u>	<u>\$ 274,643</u>	<u>\$ 72,149</u>	<u>\$ 281,494</u>

CITY OF COSTA MESA, CALIFORNIA  
Narcotics Forfeiture Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Fines and forfeitures	\$ -	\$ 5,562	\$ 5,562	\$ 5,460
Investment income (loss)	1,000	(41,213)	(42,213)	415
Total revenues	<u>1,000</u>	<u>(35,651)</u>	<u>(36,651)</u>	<u>5,875</u>
Expenditures:				
Current:				
Protection of persons and property	468,250	-	468,250	129,039
Total expenditures	<u>468,250</u>	<u>-</u>	<u>468,250</u>	<u>129,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(467,250)</u>	<u>(35,651)</u>	<u>431,599</u>	<u>(123,164)</u>
Net change in fund balance	(467,250)	(35,651)	431,599	(123,164)
Fund balance at beginning of year	<u>1,277,918</u>	<u>1,277,918</u>	<u>-</u>	<u>1,401,082</u>
Fund balance at end of year	<u>\$ 810,668</u>	<u>\$ 1,242,267</u>	<u>\$ 431,599</u>	<u>\$ 1,277,918</u>

CITY OF COSTA MESA, CALIFORNIA  
 Local Law Enforcement Block Grant Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2022  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ -	\$ (837)	\$ (837)	\$ 1
Total revenues	-	(837)	(837)	1
Excess (deficiency) of revenues over (under) expenditures	-	(837)	(837)	1
Net change in fund balance	-	(837)	(837)	1
Fund balance at beginning of year	34,443	34,443	-	34,442
Fund balance at end of year	<u>\$ 34,443</u>	<u>\$ 33,606</u>	<u>\$ (837)</u>	<u>\$ 34,443</u>

CITY OF COSTA MESA, CALIFORNIA  
Office of Traffic Safety Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 250,875	\$ 130,022	\$ (120,853)	\$ 273,383
Total revenues	<u>250,875</u>	<u>130,022</u>	<u>(120,853)</u>	<u>273,383</u>
Expenditures:				
Current:				
Protection of persons and property	250,875	169,868	81,007	270,456
Total expenditures	<u>250,875</u>	<u>169,868</u>	<u>81,007</u>	<u>270,456</u>
Excess (deficiency) of revenues over (under) expenditures	-	(39,846)	(39,846)	2,927
Fund balance (deficit) at beginning of year	<u>(213)</u>	<u>(213)</u>	<u>-</u>	<u>(3,140)</u>
Fund balance (deficit) at end of year	<u>\$ (213)</u>	<u>\$ (40,059)</u>	<u>\$ (39,846)</u>	<u>\$ (213)</u>

CITY OF COSTA MESA, CALIFORNIA  
Housing Authority Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 381,141	\$ 349,917	\$ (31,224)	\$ 381,141
Intergovernmental	1,528,581	1,510,066	(18,515)	1,041,662
Investment income (loss)	23,400	(68,124)	(91,524)	(2,497)
Rental income	370,000	338,732	(31,268)	396,753
Miscellaneous	-	27,406	27,406	41,466
Total revenues	<u>2,303,122</u>	<u>2,157,997</u>	<u>(145,125)</u>	<u>1,858,525</u>
Expenditures:				
Current:				
Community programs	<u>5,616,215</u>	<u>3,963,750</u>	<u>1,652,465</u>	<u>3,574,792</u>
Total expenditures	<u>5,616,215</u>	<u>3,963,750</u>	<u>1,652,465</u>	<u>3,574,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,313,093)</u>	<u>(1,805,753)</u>	<u>1,507,340</u>	<u>(1,716,267)</u>
Other financing sources (uses):				
Transfers in	<u>1,713,828</u>	<u>1,713,828</u>	<u>-</u>	<u>1,790,836</u>
Total other financing sources (uses)	<u>1,713,828</u>	<u>1,713,828</u>	<u>-</u>	<u>1,790,836</u>
Net change in fund balance	(1,599,265)	(91,925)	1,507,340	74,569
Fund balance at beginning of year	<u>3,715,185</u>	<u>3,715,185</u>	<u>-</u>	<u>3,640,616</u>
Fund balance at end of year	<u>\$ 2,115,920</u>	<u>\$ 3,623,260</u>	<u>\$ 1,507,340</u>	<u>\$ 3,715,185</u>

CITY OF COSTA MESA, CALIFORNIA  
 Capital Improvements Fund - Major Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2022  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 546,129	\$ 546,129	\$ 5,048,416
Investment income (loss)	60,000	(603,855)	(663,855)	(1,744)
Miscellaneous	-	59,431	59,431	283,801
<b>Total revenues</b>	<b>60,000</b>	<b>1,705</b>	<b>(58,295)</b>	<b>5,330,473</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	251,359	-	251,359	-
Protection of persons and property	5,519,644	74,688	5,444,956	157,318
Community programs	92,962	84,589	8,373	14,242
Public services	14,506,432	3,693,683	10,812,749	7,247,016
<b>Total expenditures</b>	<b>20,370,397</b>	<b>3,852,960</b>	<b>16,517,437</b>	<b>7,418,576</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(20,310,397)</b>	<b>(3,851,255)</b>	<b>16,459,142</b>	<b>(2,088,103)</b>
<b>Other financing sources (uses):</b>				
Transfers in	9,195,505	8,533,467	(662,038)	7,787,926
<b>Total other financing sources (uses)</b>	<b>9,195,505</b>	<b>8,533,467</b>	<b>(662,038)</b>	<b>7,787,926</b>
<b>Net change in fund balance</b>	<b>(11,114,892)</b>	<b>4,682,212</b>	<b>15,797,104</b>	<b>5,699,823</b>
<b>Fund balance at beginning of year</b>	<b>17,187,179</b>	<b>17,187,179</b>	<b>-</b>	<b>11,487,356</b>
<b>Fund balance at end of year</b>	<b>\$ 6,072,287</b>	<b>\$ 21,869,391</b>	<b>\$ 15,797,104</b>	<b>\$ 17,187,179</b>

CITY OF COSTA MESA, CALIFORNIA  
Measure "M2" Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Intergovernmental	\$ 4,269,909	\$ 4,420,073	\$ 150,164	\$ 2,820,336
Investment income (loss)	40,000	(105,712)	(145,712)	19,408
Total revenues	<u>4,309,909</u>	<u>4,314,361</u>	<u>4,452</u>	<u>2,839,744</u>
Expenditures:				
Current:				
Public services	<u>9,428,531</u>	<u>3,084,199</u>	<u>6,344,332</u>	<u>4,862,070</u>
Total expenditures	<u>9,428,531</u>	<u>3,084,199</u>	<u>6,344,332</u>	<u>4,862,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,118,622)</u>	<u>1,230,162</u>	<u>6,348,784</u>	<u>(2,022,326)</u>
Net change in fund balance	(5,118,622)	1,230,162	6,348,784	(2,022,326)
Fund balance at beginning of year	<u>3,271,637</u>	<u>3,271,637</u>	<u>-</u>	<u>5,293,963</u>
Fund balance (deficit) at end of year	<u>\$ (1,846,985)</u>	<u>\$ 4,501,799</u>	<u>\$ 6,348,784</u>	<u>\$ 3,271,637</u>

CITY OF COSTA MESA, CALIFORNIA  
Parking Districts Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Taxes	\$ 15,811	\$ 16,927	\$ 1,116	\$ 14,230
Investment income (loss)	700	(3,453)	(4,153)	(77)
Total revenues	<u>16,511</u>	<u>13,474</u>	<u>(3,037)</u>	<u>14,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,511</u>	<u>13,474</u>	<u>(3,037)</u>	<u>14,153</u>
Net change in fund balance	16,511	13,474	(3,037)	14,153
Fund balance at beginning of year	<u>122,596</u>	<u>122,596</u>	<u>-</u>	<u>108,443</u>
Fund balance at end of year	<u>\$ 139,107</u>	<u>\$ 136,070</u>	<u>\$ (3,037)</u>	<u>\$ 122,596</u>

CITY OF COSTA MESA, CALIFORNIA  
 Golf Course Improvements Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2022  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ 1,500	\$ (13,547)	\$ (15,047)	\$ (434)
Rental income	110,000	163,021	53,021	163,716
Total revenues	<u>111,500</u>	<u>149,474</u>	<u>37,974</u>	<u>163,282</u>
Expenditures:				
Current:				
Public services	265,000	-	265,000	49,820
Total expenditures	<u>265,000</u>	<u>-</u>	<u>265,000</u>	<u>49,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(153,500)</u>	<u>149,474</u>	<u>302,974</u>	<u>113,462</u>
Net change in fund balance	(153,500)	149,474	302,974	113,462
Fund balance at beginning of year	<u>388,983</u>	<u>388,983</u>	<u>-</u>	<u>275,521</u>
Fund balance at end of year	<u>\$ 235,483</u>	<u>\$ 538,457</u>	<u>\$ 302,974</u>	<u>\$ 388,983</u>

CITY OF COSTA MESA, CALIFORNIA  
Park Development Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 708,869	\$ 1,278,940	\$ 570,071	\$ 766,372
Investment income (loss)	50,000	(100,791)	(150,791)	8,022
Miscellaneous	-	-	-	106,966
	<u>758,869</u>	<u>1,178,149</u>	<u>419,280</u>	<u>881,360</u>
Total revenues				
Expenditures:				
Current:				
Community programs	507,380	206,815	300,565	229,921
Public services	4,781,907	2,007,353	2,774,554	1,523,234
	<u>5,289,287</u>	<u>2,214,168</u>	<u>3,075,119</u>	<u>1,753,155</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(4,530,418)</u>	<u>(1,036,019)</u>	<u>3,494,399</u>	<u>(871,795)</u>
Net change in fund balance	(4,530,418)	(1,036,019)	3,494,399	(871,795)
Fund balance at beginning of year	<u>4,651,456</u>	<u>4,651,456</u>	<u>-</u>	<u>5,523,251</u>
Fund balance at end of year	<u>\$ 121,038</u>	<u>\$ 3,615,437</u>	<u>\$ 3,494,399</u>	<u>\$ 4,651,456</u>

CITY OF COSTA MESA, CALIFORNIA  
 Drainage Fees Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2022  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 426,411	\$ 348,736	\$ (77,675)	\$ 433,329
Investment income (loss)	20,000	(57,057)	(77,057)	2,101
Total revenues	<u>446,411</u>	<u>291,679</u>	<u>(154,732)</u>	<u>435,430</u>
Expenditures:				
Current:				
Public services	<u>2,465,863</u>	<u>145,850</u>	<u>2,320,013</u>	<u>593,407</u>
Total expenditures	<u>2,465,863</u>	<u>145,850</u>	<u>2,320,013</u>	<u>593,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,019,452)</u>	<u>145,829</u>	<u>2,165,281</u>	<u>(157,977)</u>
Net change in fund balance	(2,019,452)	145,829	2,165,281	(157,977)
Fund balance at beginning of year	<u>2,096,392</u>	<u>2,096,392</u>	-	<u>2,254,369</u>
Fund balance at end of year	<u>\$ 76,940</u>	<u>\$ 2,242,221</u>	<u>\$ 2,165,281</u>	<u>\$ 2,096,392</u>

CITY OF COSTA MESA, CALIFORNIA  
Traffic Impact Fees Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ 200,000	\$ 437,946	\$ 237,946	\$ 1,212,500
Investment income (loss)	30,000	(143,171)	(173,171)	(9,495)
Miscellaneous	-	-	-	1,855
	<u>230,000</u>	<u>294,775</u>	<u>64,775</u>	<u>1,204,860</u>
Total revenues				
Expenditures:				
Current:				
Public services	<u>2,749,116</u>	<u>127,222</u>	<u>2,621,894</u>	<u>404,706</u>
Total expenditures	<u>2,749,116</u>	<u>127,222</u>	<u>2,621,894</u>	<u>404,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,519,116)</u>	<u>167,553</u>	<u>2,686,669</u>	<u>800,154</u>
Net change in fund balance	(2,519,116)	167,553	2,686,669	800,154
Fund balance at beginning of year	<u>5,490,214</u>	<u>5,490,214</u>	-	<u>4,690,060</u>
Fund balance at end of year	<u>\$ 2,971,098</u>	<u>\$ 5,657,767</u>	<u>\$ 2,686,669</u>	<u>\$ 5,490,214</u>

CITY OF COSTA MESA, CALIFORNIA  
 Fire System Development Fees Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2022  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Investment income (loss)	700	(15,857)	(16,557)	44
Total revenues	700	(15,857)	(16,557)	44
Net change in fund balance	700	(15,857)	(16,557)	44
Fund balance at beginning of year	651,541	651,541	-	651,497
Fund balance at end of year	\$ 652,241	\$ 635,684	\$ (16,557)	\$ 651,541

CITY OF COSTA MESA, CALIFORNIA  
 Jack Hammett Sports Complex Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Year ended June 30, 2022  
 (With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income	\$ 3,000	\$ 533	\$ (2,467)	\$ 34
Rental income	150,750	271,500	120,750	100,751
Total revenues	<u>153,750</u>	<u>272,033</u>	<u>118,283</u>	<u>100,785</u>
Expenditures:				
Current:				
Public services	663,000	663,000	-	-
Total expenditures	<u>663,000</u>	<u>663,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(509,250)</u>	<u>(390,967)</u>	<u>118,283</u>	<u>100,785</u>
Net change in fund balance	(509,250)	(390,967)	118,283	100,785
Fund balance at beginning of year	<u>584,924</u>	<u>584,924</u>	<u>-</u>	<u>484,139</u>
Fund balance at end of year	<u>\$ 75,674</u>	<u>\$ 193,957</u>	<u>\$ 118,283</u>	<u>\$ 584,924</u>

CITY OF COSTA MESA, CALIFORNIA  
Lions Park Capital Improvements Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Revenues:				
Investment income (loss)	\$ 1,000	\$ (170)	\$ (1,170)	\$ 1,639
Total revenues	<u>1,000</u>	<u>(170)</u>	<u>(1,170)</u>	<u>1,639</u>
Expenditures:				
Current:				
Public services	<u>2,193,200</u>	<u>-</u>	<u>2,193,200</u>	<u>-</u>
Total expenditures	<u>2,193,200</u>	<u>-</u>	<u>2,193,200</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,192,200)</u>	<u>(170)</u>	<u>2,192,030</u>	<u>1,639</u>
Net change in fund balance	(2,192,200)	(170)	2,192,030	1,639
Fund balance at beginning of year	<u>324,729</u>	<u>324,729</u>	<u>-</u>	<u>323,090</u>
Fund balance (deficit) at end of year	<u>\$ (1,867,471)</u>	<u>\$ 324,559</u>	<u>\$ 2,192,030</u>	<u>\$ 324,729</u>

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods and services provided by one City department to another City department 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 replacements and upgrades to City computer equipment, systems, and supporting infrastructure.

CITY OF COSTA MESA, CALIFORNIA  
Internal Service Funds  
Combining Statement of Net Position  
June 30, 2022  
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2022	2021
<u>Assets:</u>					
Current assets:					
Cash and investments	\$ 7,235,650	\$ 15,950,600	\$ 8,106,815	\$ 31,293,065	\$ 28,163,084
Interest receivable	11,500	31,903	16,567	59,970	42,435
Prepaid items	3,522,055	197,004	-	3,719,059	1,656,272
Inventories	240,189	-	-	240,189	131,594
Total current assets	11,009,394	16,179,507	8,123,382	35,312,283	29,993,385
Capital assets:					
Construction in progress	-	-	1,412,635	1,412,635	693,456
Motorized equipment	14,777,717	-	-	14,777,717	14,512,571
Other equipment	3,458,071	-	187,799	3,645,870	3,349,326
Accumulated depreciation	(11,780,142)	-	(101,412)	(11,881,554)	(11,141,146)
Net capital assets	6,455,646	-	1,499,022	7,954,668	7,414,207
Total assets	17,465,040	16,179,507	9,622,404	43,266,951	37,407,592
<u>Liabilities:</u>					
Current liabilities:					
Accounts payable	336,010	81,165	383,996	801,171	648,180
Accrued liabilities	32,157	11,615	1,146	44,918	31,417
Notes payable	325,037	-	-	325,037	135,493
Claims payable	-	1,379,844	-	1,379,844	3,754,328
Total current liabilities	693,204	1,472,624	385,142	2,550,970	4,569,418
Long-term liabilities:					
Notes payable	3,061,525	-	-	3,061,525	1,336,909
Claims payable	-	12,919,598	-	12,919,598	13,700,196
Total long-term liabilities	3,061,525	12,919,598	-	15,981,123	15,037,105
Total liabilities	3,754,729	14,392,222	385,142	18,532,093	19,606,523
<u>Net Position:</u>					
Net investment in capital assets	3,069,084	-	1,499,022	4,568,106	7,414,207
Unrestricted (deficit)	10,641,227	1,787,285	7,738,240	20,166,752	10,386,862
Total net position (deficit)	\$ 13,710,311	\$ 1,787,285	\$ 9,237,262	\$ 24,734,858	\$ 17,801,069

CITY OF COSTA MESA, CALIFORNIA  
Internal Service Funds  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2022	2021
Operating revenues:					
Charges for services	\$ 2,629,810	\$ 4,842,324	\$ -	\$ 7,472,134	\$ 7,525,179
Total operating revenues	2,629,810	4,842,324	-	7,472,134	7,525,179
Operating expenses:					
Allocated administrative costs	1,171,325	758,504	950,960	2,880,789	2,006,201
Depreciation	1,214,607	-	33,804	1,248,411	1,216,665
Fuel and repair parts	1,230,211	-	-	1,230,211	1,015,493
Materials and supplies	-	-	65,073	65,073	-
Claims and premiums	-	3,023,082	-	3,023,082	5,716,404
Total operating expenses	3,616,143	3,781,586	1,049,837	8,447,566	9,954,763
Operating income (loss)	(986,333)	1,060,738	(1,049,837)	(975,432)	(2,429,584)
Nonoperating revenues (expenses):					
Investment income (loss)	(202,457)	(423,934)	(214,919)	(841,310)	(42,398)
Intergovernmental	-	-	-	-	25,670
Other nonoperating revenue	500,000	3,000	-	503,000	186,238
Gain (loss) on disposal of equipment	(1,319)	-	-	(1,319)	(163,258)
Total nonoperating revenues (expenses)	296,224	(420,934)	(214,919)	(339,629)	6,252
Income (loss) before transfers	(690,109)	639,804	(1,264,756)	(1,315,061)	(2,423,332)
Transfers in	3,567,549	1,800,000	2,881,301	8,248,850	9,232,194
Change in net position	2,877,440	2,439,804	1,616,545	6,933,789	6,808,862
Net position (deficit) at beginning of year	10,832,871	(652,519)	7,620,717	17,801,069	10,992,207
Net position (deficit) at end of year	\$ 13,710,311	\$ 1,787,285	\$ 9,237,262	\$ 24,734,858	\$ 17,801,069

CITY OF COSTA MESA, CALIFORNIA  
Internal Service Funds  
Combining Statement of Cash Flows  
Year ended June 30, 2022  
(With Comparative Data for Prior Year)

	Equipment Replacement	Self-Insurance Workers' Compensation/ General Liability/ Unemployment	Information Technology Replacement	Totals	
				2022	2021
Cash flows from operating activities:					
Cash received from customers and user departments	\$ 2,629,810	\$ 4,842,324	\$ -	\$ 7,472,134	\$ 7,531,206
Cash payments to suppliers for goods and services	(3,511,883)	(6,494,748)	(1,016,768)	(11,023,399)	(5,437,822)
Cash payments to employees for services	(1,162,819)	(522,686)	-	(1,685,505)	(1,597,124)
Net cash provided by (used for) operating activities	(2,044,892)	(2,175,110)	(1,016,768)	(5,236,770)	496,260
Cash flows from noncapital financing activities:					
Cash received from other funds	3,567,549	1,800,000	2,881,301	8,248,850	9,232,194
Intergovernmental revenue received	-	-	-	-	26,355
Net cash provided by (used for) noncapital financing activities	3,567,549	1,800,000	2,881,301	8,248,850	9,258,549
Cash flows from capital and related financing activities:					
Principal paid on capital debt	(135,493)	-	-	(135,493)	-
Proceeds from note payable	2,049,653	-	-	2,049,653	-
Proceeds from insurance settlement	500,000	3,000	-	503,000	-
Acquisition of capital assets	(1,071,012)	-	(369,402)	(1,440,414)	(1,216,361)
Net cash provided by (used for) capital and related financing activities	1,343,148	3,000	(369,402)	976,746	(1,216,361)
Cash flows from investing activities:					
Investment income (loss)	(207,927)	(430,962)	(219,956)	(858,845)	(9,952)
Net cash provided by (used for) investing activities	(207,927)	(430,962)	(219,956)	(858,845)	(9,952)
Net increase (decrease) in cash and cash equivalents	2,657,878	(803,072)	1,275,175	3,129,981	8,528,496
Cash and cash equivalents at beginning of year	4,577,772	16,753,672	6,831,640	28,163,084	19,634,588
Cash and cash equivalents at end of year	\$ 7,235,650	\$ 15,950,600	\$ 8,106,815	\$ 31,293,065	\$ 28,163,084
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (986,333)	\$ 1,060,738	\$ (1,049,837)	\$ (975,432)	\$ (2,429,584)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,214,607	-	33,804	1,248,411	1,216,665
(Increase) decrease in accounts receivable	-	-	-	-	6,027
(Increase) decrease in prepaid items	(2,049,653)	(13,134)	-	(2,062,787)	(183,870)
(Increase) decrease in inventories	(108,595)	-	-	(108,595)	(35,612)
Increase (decrease) in accounts payable	(123,424)	(73,362)	-	(196,786)	304,264
Increase (decrease) in accrued liabilities	8,506	5,730	(735)	13,501	18,842
Increase (decrease) in claims payable	-	(3,155,082)	-	(3,155,082)	1,599,528
Net cash provided by (used for) operating activities	\$ (2,044,892)	\$ (2,175,110)	\$ (1,016,768)	\$ (5,236,770)	\$ 496,260



ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
STATISTICAL SECTION



## STATISTICAL SECTION

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

### FINANCIAL TRENDS

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

TABLES 1 - 4

### REVENUE CAPACITY

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

TABLES 5 - 12

### DEBT CAPACITY

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.

TABLES 13 - 15

### DEMOGRAPHIC AND ECONOMIC INFORMATION

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

TABLES 16 - 17

### OPERATING INFORMATION

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.

TABLES 18 - 20

**TABLE 1**

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental Activities										
Net investment in capital assets	\$ 204,884,524	\$ 211,291,261	\$ 211,133,458	\$ 216,195,466	\$ 219,280,752	\$ 235,177,233	\$ 248,255,931	\$ 248,815,081	\$ 255,443,158	\$ 249,096,798
Restricted										
Protection of Persons and Property	2,329,840	1,441,906	552,573	1,022,546	217,303	150,169	872,898	1,628,892	1,329,350	1,333,365
Community programs	8,713,244	9,622,339	8,892,751	12,793,475	9,588,998	3,767,377	6,162,341	5,687,227	6,176,036	6,796,140
Public services	26,485,938	21,642,345	17,660,289	15,495,090	20,253,747	13,625,826	14,845,159	17,051,750	18,047,015	20,103,188
Unrestricted	43,798,620	51,403,839	(170,836,260)	(159,357,224)	(161,805,274)	(224,657,548)	(241,478,263)	(251,417,100)	(243,934,825)	(225,702,393)
Total governmental activities net position	\$ 286,212,166	\$ 295,401,690	\$ 67,402,811	\$ 86,149,353	\$ 87,535,526	\$ 28,063,057	\$ 28,658,066	\$ 21,765,850	\$ 37,060,734	\$ 51,627,098

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Expenses</b>										
Governmental Activities:										
General government	\$ 22,655,452	\$ 23,396,581	\$ 25,225,607	\$ 24,631,010	\$ 28,474,037	\$ 31,695,402	\$ 34,008,731	\$ 32,124,703	\$ 36,763,868	\$ 31,808,370
Protection of persons and property	63,383,715	62,634,432	64,184,047	63,956,413	70,786,483	86,777,544	86,440,751	96,625,585	88,643,852	98,324,072
Community programs	6,519,916	6,784,867	10,189,480	4,639,743	12,069,675	10,126,755	16,363,506	17,285,898	22,007,275	14,887,015
Public services	20,508,217	22,768,197	21,549,681	22,498,495	21,415,061	20,062,183	27,937,004	16,269,612	17,663,842	21,645,247
Redevelopment	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	1,726,008	1,273,152	1,210,723	1,081,605	974,233	1,082,361	1,138,694	1,083,190	986,593	929,979
Total primary government expenses	<u>114,793,308</u>	<u>116,857,229</u>	<u>122,359,538</u>	<u>116,807,266</u>	<u>133,719,489</u>	<u>149,744,245</u>	<u>165,888,686</u>	<u>163,388,988</u>	<u>166,065,430</u>	<u>167,594,683</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for services:										
Protection of persons and property	2,739,881	2,338,910	2,299,476	2,707,819	2,819,809	3,805,473	7,267,233	7,461,872	5,497,350	6,846,240
Community programs	5,856,107	6,229,677	7,498,348	8,232,995	7,577,878	9,536,570	8,207,122	4,816,413	5,243,843	6,220,199
Public services	2,646,611	2,680,625	3,089,801	3,721,366	3,232,506	5,046,984	6,179,653	7,096,062	6,372,272	8,896,422
Operating grants and contributions	8,443,327	8,534,673	8,562,955	4,907,815	4,487,089	7,727,382	9,339,283	10,576,719	32,519,129	14,404,940
Capital grants and contributions	5,140,960	6,148,876	5,143,592	3,370,260	7,114,471	4,755,573	9,142,040	6,251,484	8,267,623	5,528,637
Total primary government revenues	<u>24,826,886</u>	<u>25,932,761</u>	<u>26,594,172</u>	<u>22,940,255</u>	<u>25,231,753</u>	<u>30,871,982</u>	<u>40,135,331</u>	<u>36,202,550</u>	<u>57,900,217</u>	<u>41,896,438</u>
Total primary government net expense	<u>\$ (89,966,422)</u>	<u>\$ (90,924,468)</u>	<u>\$ (95,765,366)</u>	<u>\$ (93,867,011)</u>	<u>\$ (108,487,736)</u>	<u>\$ (118,872,263)</u>	<u>\$ (125,753,355)</u>	<u>\$ (127,186,438)</u>	<u>\$ (108,165,213)</u>	<u>\$ (125,698,245)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Property taxes	\$ 23,192,755	\$ 22,984,093	\$ 24,139,297	\$ 26,168,612	\$ 37,925,385	\$ 40,373,351	\$ 43,226,688	\$ 45,548,585	\$ 47,891,698	\$ 49,706,079
Sales and use taxes	46,743,795	50,329,310	52,117,128	58,524,162	57,591,889	56,971,636	62,689,811	55,866,831	63,738,411	77,165,533
Transient occupancy tax	7,257,695	7,676,090	7,995,154	8,622,505	8,924,854	8,819,617	8,595,417	6,587,224	4,282,802	8,366,278
Franchise taxes	4,818,972	4,891,465	4,885,925	5,060,402	4,593,631	4,965,515	5,042,551	4,822,964	4,895,574	5,318,541
Business tax	917,633	916,285	954,408	973,521	918,928	919,450	1,093,154	1,663,100	1,227,843	1,468,202
Other intergovernmental unrestricted	8,814,644	9,229,059	5,660,305	11,209,989	51,340	60,031	55,343	91,674	84,182	130,289
Investment income (loss)	640,159	1,772,900	1,692,528	1,871,216	496,650	256,438	4,264,987	4,075,623	(80,831)	(3,609,117)
Miscellaneous	181,943	495,154	949,533	913,351	1,333,610	1,903,266	1,380,413	1,638,221	1,420,418	1,718,804
Settlements	1,452,623	121,971	-	-	-	-	-	-	-	-
Extraordinary items:										
Gain on transfer of assets to Successor Agency	-	-	-	-	-	-	-	-	-	-
(Loss) on advance to Successor Agency	(11,888,159)	-	-	-	-	-	-	-	-	-
Total primary government Change in Net Position	<u>\$ (7,834,362)</u>	<u>\$ 7,491,859</u>	<u>\$ 2,628,912</u>	<u>\$ 19,476,747</u>	<u>\$ 3,348,551</u>	<u>\$ (4,602,959)</u>	<u>\$ 595,009</u>	<u>\$ (6,892,216)</u>	<u>\$ 15,294,884</u>	<u>\$ 14,566,364</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)**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Nonspendable	\$ 3,137,794	\$ 3,430,104	\$ 4,165,795	\$ 2,486,085	\$ 2,253,843	\$ 2,038,518	\$ 280,195	\$ 362,189	\$ 964,846	\$ 603,547
Restricted	-	-	-	-	-	-	-	-	1,778,220	3,061,154
Committed	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	16,125,000	23,625,000	25,125,000	25,125,000	25,125,000
Assigned	10,131,615	10,016,092	11,325,819	13,820,663	13,819,088	13,730,832	8,940,072	9,151,062	8,195,429	12,469,067
Unassigned	16,252,032	20,629,130	22,199,337	32,040,713	30,867,198	23,329,730	20,451,232	18,825,417	17,428,766	16,517,079
Total general fund	<u>\$ 45,646,441</u>	<u>\$ 50,200,326</u>	<u>\$ 53,815,951</u>	<u>\$ 64,472,461</u>	<u>\$ 63,065,129</u>	<u>\$ 55,224,080</u>	<u>\$ 53,296,499</u>	<u>\$ 53,463,668</u>	<u>\$ 53,492,261</u>	<u>\$ 57,775,847</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	29,302,059	25,097,114	20,914,771	19,309,083	28,056,898	30,108,463	21,753,832	25,676,330	25,200,380	26,636,885
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	9,162,682	11,741,220	19,147,805	23,738,380	27,619,480	25,415,708	24,337,823	25,474,636	31,173,285	34,939,313
Unassigned	(2,892,237)	(2,288,538)	(368,083)	(139,064)	(248,979)	(6,353)	(9,453)	(2,312,520)	(451,068)	(1,850,787)
Total all other governmental funds	<u>\$ 35,572,504</u>	<u>\$ 34,549,796</u>	<u>\$ 39,694,493</u>	<u>\$ 42,908,399</u>	<u>\$ 55,427,399</u>	<u>\$ 55,517,818</u>	<u>\$ 46,082,202</u>	<u>\$ 48,838,446</u>	<u>\$ 55,922,597</u>	<u>\$ 59,725,411</u>

Source: Fund Financial Statements

**TABLE 4**

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenues</b>										
Taxes	\$ 82,930,849	\$ 86,797,242	\$ 90,091,915	\$ 99,349,202	\$ 99,464,729	\$ 110,884,896	\$ 123,969,423	\$ 114,463,599	\$ 122,138,588	\$ 141,919,878
Licenses and permits	1,997,057	2,085,348	2,313,296	2,983,081	2,933,305	3,837,564	5,104,022	5,496,049	4,368,740	7,331,252
Fines and forfeits	4,483,240	3,614,144	1,367,190	1,609,134	1,352,682	1,612,230	2,468,993	2,067,884	1,061,346	1,176,357
Intergovernmental	19,213,168	21,769,293	22,010,125	17,612,288	23,205,265	10,558,481	16,646,740	15,006,292	39,855,634	18,077,452
Charges for services	4,320,932	4,721,191	6,117,030	6,668,445	5,909,112	9,553,421	9,990,454	9,489,827	7,309,872	9,030,556
Rental	2,987,055	3,021,585	3,113,662	3,336,053	3,289,222	3,404,676	3,479,527	3,566,255	4,773,662	4,815,577
Investment income (loss)	533,469	1,712,058	1,771,527	1,775,765	420,561	244,606	3,616,606	3,394,398	(37,016)	(2,767,803)
Return on equity	2,551,815	-	-	-	-	-	-	-	-	-
Settlements	1,452,623	121,971	-	-	-	-	-	-	-	-
Miscellaneous	892,970	1,177,245	2,206,428	1,679,917	2,170,215	2,081,739	3,226,941	2,161,633	1,410,996	1,545,970
Total revenues	<u>121,363,178</u>	<u>125,020,077</u>	<u>128,991,173</u>	<u>135,013,885</u>	<u>138,745,091</u>	<u>142,177,613</u>	<u>168,502,706</u>	<u>155,645,937</u>	<u>180,881,822</u>	<u>181,129,239</u>
<b>Expenditures</b>										
General government	21,982,783	23,893,450	24,699,226	25,102,067	26,518,266	29,048,355	29,219,530	30,808,182	31,851,632	33,567,585
Protection of persons and property	60,468,091	64,047,209	61,096,404	64,426,376	66,141,703	70,198,327	78,762,212	82,939,180	84,027,648	90,698,363
Community programs	6,166,791	6,442,241	8,821,298	8,019,356	9,410,168	10,888,393	13,265,742	14,297,137	18,578,311	16,267,400
Public services	16,781,751	22,863,385	21,860,252	19,836,633	21,680,495	42,305,565	50,429,478	20,506,675	27,033,542	20,962,292
Redevelopment	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	3,872,050	2,450,000	2,540,000	2,650,000	2,755,000	4,070,000	1,795,261	1,815,392	1,890,391	2,202,563
Interest	1,741,101	1,296,111	1,213,671	1,109,037	992,383	1,041,853	1,298,315	1,230,958	1,155,360	1,095,786
Bond issuance costs	-	-	-	-	-	344,858	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	2,302,225	-	-	-	-
Total expenditures	<u>111,012,567</u>	<u>120,992,396</u>	<u>120,230,851</u>	<u>121,143,469</u>	<u>127,498,015</u>	<u>160,199,576</u>	<u>174,770,538</u>	<u>151,597,524</u>	<u>164,536,884</u>	<u>164,793,989</u>
Excess of revenues over (under) expenditures	<u>10,350,611</u>	<u>4,027,681</u>	<u>8,760,322</u>	<u>13,870,416</u>	<u>11,247,076</u>	<u>(18,021,963)</u>	<u>(6,267,832)</u>	<u>4,048,413</u>	<u>16,344,938</u>	<u>16,335,250</u>
<b>Other financing sources (uses):</b>										
Transfers in	6,212,460	8,597,756	14,253,945	12,852,940	16,058,019	12,370,819	15,899,228	10,811,227	26,619,517	13,116,263
Transfers out	(6,212,460)	(9,094,260)	(14,253,945)	(12,852,940)	(19,658,019)	(18,063,009)	(21,148,507)	(11,936,227)	(35,851,711)	(21,365,113)
Extraordinary gain (loss)	(11,888,159)	-	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	29,735,000	153,914	-	-	-
Premium on debt issue	-	-	-	-	-	3,694,172	-	-	-	-
Payment to bond escrow agent	-	-	-	-	-	(14,530,520)	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(11,888,159)</u>	<u>(496,504)</u>	<u>-</u>	<u>-</u>	<u>(3,600,000)</u>	<u>13,206,462</u>	<u>(5,095,365)</u>	<u>(1,125,000)</u>	<u>(9,232,194)</u>	<u>(8,248,850)</u>
Net change in fund balances	<u>\$ (1,537,548)</u>	<u>\$ 3,531,177</u>	<u>\$ 8,760,322</u>	<u>\$ 13,870,416</u>	<u>\$ 7,647,076</u>	<u>\$ (4,815,501)</u>	<u>\$ (11,363,197)</u>	<u>\$ 2,923,413</u>	<u>\$ 7,112,744</u>	<u>\$ 8,086,400</u>
Debt service as a percentage of noncapital expenditures	5.40%	3.44%	3.37%	3.38%	3.18%	5.64%	2.21%	2.19%	2.10%	2.27%

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 Occupancy</u>	<u>Franchise</u>	<u>Business</u>	<u>Proposition 172</u>	<u>Total</u>
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
2016	57,593,561	26,168,612	8,622,505	5,060,402	973,521	930,601	99,349,202
2017	56,556,867	27,435,427	8,924,854	4,593,631	918,928	1,035,022	99,464,729
2018	54,656,183	40,458,402	8,819,617	4,965,515	919,450	1,065,729	110,884,896
2019	64,902,009	42,873,901	8,595,417	5,042,551	1,093,154	1,126,008	123,633,040
2020	55,866,831	45,548,585	6,587,224	4,822,964	1,663,100	1,102,506	115,591,210
2021	63,738,411	47,891,698	4,282,802	4,895,574	1,227,843	1,151,953	123,188,281
2022	77,165,533	49,706,079	8,366,278	5,318,541	1,468,199	1,467,173	143,491,803

Source: Required Supplementary Information

**TABLE 6**

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

	Calendar Years									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Apparel stores	\$ 604,936	\$ 681,348	\$ 715,097	\$ 727,073	\$ 754,197	\$ 714,478	\$ 814,593	\$ 835,594	\$ 569,776	\$ 1,031,162
General merchandise	591,832	599,163	615,702	618,702	582,500	565,635	534,747	512,500	315,884	515,117
Food stores	94,377	87,225	88,872	103,225	90,941	88,385	90,178	91,470	92,557	91,147
Eating and drinking establishments	387,667	421,830	443,384	469,465	496,041	515,683	535,744	556,504	405,696	589,711
Building materials	150,604	180,198	193,248	205,343	224,225	236,497	242,750	251,846	251,117	314,137
Auto dealers and supplies	613,669	670,976	753,804	858,187	924,641	1,006,804	1,153,396	1,230,062	1,149,598	1,380,887
Service stations	269,067	263,352	245,432	215,707	190,969	200,170	235,572	232,911	161,495	242,199
Other retail stores	961,488	972,383	1,025,424	1,047,009	1,050,063	1,116,930	1,178,337	1,165,897	943,056	1,320,071
All other outlets	839,005	914,501	1,015,134	1,112,851	1,206,829	1,157,415	1,269,997	1,402,675	1,447,700	1,697,098
	<u>\$ 4,512,645</u>	<u>\$ 4,790,976</u>	<u>\$ 5,096,097</u>	<u>\$ 5,357,562</u>	<u>\$ 5,520,406</u>	<u>\$ 5,601,997</u>	<u>\$ 6,055,314</u>	<u>\$ 6,279,459</u>	<u>\$ 5,336,879</u>	<u>\$ 7,181,529</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%

Source: State of California Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office 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>	2021			2012		
	<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>
All other outlets	\$ 1,697,098	1	23.63%	\$ 839,005	2	18.59%
Auto dealers and supplies	1,380,887	2	19.23%	\$ 613,669	3	13.60%
Other retail stores	1,320,071	3	18.38%	\$ 961,488	1	21.31%
Apparel stores	1,031,162	4	14.36%	\$ 604,936	5	13.41%
Eating and drinking establishment:	589,711	5	8.21%	\$ 387,667	6	8.59%
General merchandise	515,117	6	7.17%	\$ 591,832	4	13.11%
Building materials	314,137	7	4.37%	\$ 150,604	8	3.34%
Service stations	242,199	8	3.37%	\$ 269,067	7	5.96%
Food stores	91,147	9	1.27%	\$ 94,377	9	2.09%

Source: State of California Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office 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 Local Rate</u>	<u>Orange County Rate</u>	<u>State of California Rate</u>	<u>Total Sales Tax Rate</u>
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
2016	1.00	0.50	6.50	8.00
2017	1.25	0.50	6.00	7.75
2018	1.25	0.50	6.00	7.75
2019	1.25	0.50	6.00	7.75
2020	1.25	0.50	6.00	7.75
2021	1.25	0.50	6.00	7.75
2022	1.25	0.50	6.00	7.75

Source: State of California Board of Equalization

**TABLE 9**

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collected for Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy (1)
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%
2016	24,960,369	24,222,713	97.04%	227,104	24,449,817	97.95%
2017	26,330,538	25,640,344	97.38%	216,963	25,857,308	98.20%
2018	27,825,846	27,272,459	98.01%	198,624	27,471,083	98.73%
2019	29,820,941	29,186,740	97.87%	196,710	29,383,450	98.53%
2020	31,300,931	30,714,805	98.13%	214,204	30,929,009	98.81%
2021	32,769,949	32,203,394	98.27%	294,030	32,497,424	99.17%
2022	33,917,865	33,032,650	97.39%	298,304	33,330,954	98.27%

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

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

Source: Orange County Assessor 2021/2022 Combined Tax Rolls

**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)**

Fiscal Years	Residential Property	Commercial Property	Industrial Property	Miscellaneous Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value <sup>(1)</sup>	Taxable Assessed Value as a Percentage of Actual Taxable Value
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%
2016	10,456,976,124	3,766,616,981	1,190,970,066	1,118,171,362	16,532,734,533	0.15038%	16,532,734,533	100.00%
2017	11,033,602,522	3,918,807,590	1,336,961,702	1,180,683,099	17,470,054,913	0.15014%	17,470,054,913	100.00%
2018	11,685,011,850	4,096,390,455	1,500,236,782	1,222,877,713	18,504,516,800	0.15009%	18,504,516,800	100.00%
2019	12,557,043,739	4,473,583,090	1,646,413,988	1,223,132,784	19,900,173,601	0.15002%	19,900,173,601	100.00%
2020	13,389,240,208	4,687,990,535	1,744,806,502	1,290,509,110	21,112,546,355	0.14848%	21,112,546,355	100.00%
2021	14,143,690,438	4,858,631,950	1,822,103,130	1,295,199,231	22,119,624,749	0.14856%	22,119,624,749	100.00%
2022	14,753,436,539	4,866,777,961	1,875,392,912	1,244,087,188	22,739,694,600	0.14824%	22,739,694,600	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 value 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 the property sold. The assessed valuation data shown above, represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above. Therefore, the estimated actual taxable value equals the total taxable assessed value.

Source: HdL Coren & Cone, Orange County Assessor 2012/2013 - 2021/2022 Combined Tax Rolls.

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

Fiscal Year	City Direct Rates				Overlapping Rates		
	Basic Rate	Redevelopment Debt Service <sup>(2)</sup>	Redevelopment Program	Total Direct Rate <sup>(1)</sup>	County of Orange Debt	School District Debt	Special Districts Debt
2013	0.14879	-	-	0.17288	0.36649	0.48300	0.00535
2014	0.14879	-	-	0.15040	0.36649	0.48300	0.00535
2015	0.14879	-	-	0.15035	0.36649	0.48300	0.00515
2016	0.14879	-	-	0.15038	0.36649	0.48300	0.00515
2017	0.14879	-	-	0.15014	0.36649	0.48300	0.00515
2018	0.14879	-	-	0.15009	0.36649	0.48300	0.00515
2019	0.14879	-	-	0.15002	0.36649	0.48300	0.00515
2020	0.14879	-	-	0.14848	0.36649	0.48300	0.00515
2021	0.14879	-	-	0.14856	0.36649	0.48300	0.00515
2022	0.14879	-	-	0.14824	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.

Source: HdL Coren & Cone, Orange County Assessor 2012/2013 - 2021/2022 Combined Tax Rolls.

**TABLE 12**

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

<u>Taxpayer</u>	<u>2021-2022</u>			<u>2012-2013</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>
The Irvine Company LLC	\$ 731,189	1	1.86%	\$ 322,678		1.30%
Trust Costa Mesa Courtyards LLC	575,242	2	1.46%	399,345		1.61%
Triangle Center LLC	562,796	3	1.43%			
Behringer Harvard Pacifica Project	528,679	4	1.34%			
South Coast Plaza	514,634	5	1.31%	402,934		1.62%
1901 Newport LLC Royal Street	425,033	6	1.08%	313,203		1.26%
PR II MCC South Coast Property Owner	397,617	7	1.01%			
United Dominion Realty LP	314,529	8	0.80%	201,691		0.81%
Automobile CLUB of Southern CA	255,994	9	0.65%	203,229		0.82%
Advanced Group	248,984	10	0.63%			
WWG TSQ Owner LLC				249,351		1.00%
Marjack LLC Irvine Company LLC				217,091		0.87%
RREEF America Reit II Corporation				380,517		1.53%
Casden Lakes LP				180,141		0.72%
Total	<u>\$ 4,554,697</u>		<u>11.56%</u>	<u>\$ 2,870,180</u>		<u>11.55%</u>

Source: HdL Coren & Cone, Orange County Assessor 2021/2022 & 2012/2013 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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General bonded debt outstanding										
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Redevelopment bonds (1)	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Percentage of taxable assessed value	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Per capita	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Amounts set aside to repay general debt	-	-	-	-	-	-	-	-	-	-
Total net debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal debt limit (3.75% of Assessed Value)	585,780,638	607,508,126	637,377,201	669,713,004	705,606,516	743,516,945	796,252,660	842,737,426	881,515,407	907,985,504
Legal debt margin	585,780,638	607,508,126	637,377,201	669,713,004	705,606,516	743,516,945	796,252,660	842,737,426	881,515,407	907,985,504
Legal debt margin as a percentage of the debt limit	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

<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.

Source: City of Costa Mesa Finance Department and Orange County Assessor 2021/2022 combined tax rolls

**TABLE 14**

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

Fiscal Year Ended June 30,	General Bonded Debt			Other Governmental Activities Debt						
	Redevelopment Bond <sup>(1)</sup>	Percentage of Total Taxable Assessed Value	Per Capita	Revenue Bonds <sup>(2)</sup>	Certificates of Participation	Loan Payable	Lease Purchase Financing	Total Primary Government	Percentage of Personal Income	Per Capita
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	-	0.0000%	-	8,140,000	23,875,000	-	611,729	32,626,729	0.89%	999.53
2014	-	0.0000%	-	7,005,000	22,560,000	-	415,395	29,980,395	0.79%	886.84
2015	-	0.0000%	-	5,830,000	21,195,000	-	-	27,025,000	0.73%	832.10
2016	-	0.0000%	-	4,600,000	19,775,000	-	-	24,375,000	0.64%	732.66
2017	-	0.0000%	-	3,325,000	18,295,000	-	-	21,620,000	0.57%	649.85
2018	-	0.0000%	-	34,103,345	-	-	-	34,103,345	0.77%	991.21
2019	-	0.0000%	-	32,170,580	-	143,653	-	32,314,233	0.78%	906.39
2020	-	0.0000%	-	30,222,813	-	128,261	-	30,351,074	0.69%	788.54
2021	-	0.0000%	-	28,200,046	-	112,870	1,472,402	29,785,318	0.64%	721.65
2022	-	0.0000%	-	26,102,279	-	97,479	1,336,909	27,536,667	0.55%	613.11

<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.

<sup>(2)</sup> Amount includes the unamortized Bond Premium.

Source: City of Costa Mesa Finance Department

**CITY OF COSTA MESA, CALIFORNIA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2022**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>(2)</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Overlapping Debt</b>			
Newport Mesa Unified School District	\$ 232,782,840	26.219%	\$ 61,033,333
Coast Community College District	945,799,424	13.302%	125,810,239
Santa Ana Unified School District	339,341,119	3.317%	11,255,945
Rancho Santiago Community College District	196,772,728	1.442%	2,837,463
Rancho Santiago Community College District SFID No. 1	162,125,000	2.695%	4,369,269
Metropolitan Water District	4,052,114	3.340%	135,341
Total Overlapping Debt	1,880,873,225		205,441,590
<b>City Direct Debt</b>			
Costa Mesa Public Financing Authority 2006 Revenue Refunding Bonds/ Costa Mesa Community Facilities District No. 91-1	\$ -	100%	\$ -
City of Costa Mesa General Fund Obligations <sup>(1)</sup>	26,102,279	100%	26,102,279
Loan Payable	97,478	100%	97,478
Total Direct Debt	26,199,757		26,199,757
<b>Total Direct and Overlapping Debt</b>			<b>\$ 231,641,347</b>

<sup>(1)</sup> See Note 8 in Finance Statement for more information about the City's direct debt. The amount included the unamortized Bond Premium \$2,992,279

<sup>(2)</sup> Overlapping governments are those that coincide with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: HdL Coren & Cone, Orange County Assessor and Auditor Combined 2021/22 Lien Data Tax Rolls.

**TABLE 16**

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

Year	Population <sup>(2)</sup>	Personal Income (thousands of dollars)	Per Capita Personal Income <sup>(1)</sup>	Median Age <sup>(1)</sup>	School Enrollment <sup>(3)</sup>	Orange County Unemployment Rate <sup>(4)</sup>
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%
2016	114,603	3,722,083	32,478	34	21,392	4.40%
2017	114,044	3,794,132	33,269	34	20,801	3.80%
2018	115,296	3,966,839	34,406	35	20,853	3.30%
2019	115,830	4,129,505	35,651	35	20,316	3.00%
2020	114,778	4,417,883	38,490	35	20,008	13.60%
2021	112,780	4,654,963	41,274	35	20,173	6.50%
2022	111,394	5,003,062	44,913	36	17,962	5.40%

Source: (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.

**TABLE 17**

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

<u>Employer</u>	<u>2021-2022</u>			<u>2012-2013</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	6.23%			
Experian Information Solutions, Inc.	3,700	2	5.76%	3,700		5.73%
Coast Community College District	2,900	3	4.52%	2,900		4.49%
Orange Coast College	1,900	4	2.96%	1,900		2.94%
Automobile Club of Southern California	1,200	5	1.87%			
Deloitte & Touche LLP	700	7	1.09%			
Anduril Industries	650	7	1.01%			
Vans	550	8	0.86%			
Sure Haven, Inc.	550	9	0.86%			
Vanguard University	319	10	0.50%			

Source: City of Costa Mesa Department of Economic Development, Dunn & Bradstreet, State of California Employment Development Department

**TABLE 18**

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

Function/Program	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>General Government</b>										
Number of residents served via public services programs	1,500	1,000	1,500	785	750	700	700	700	700	1,042
Accounts payable checks issued	9,561	9,506	9,764	9,182	9,031	8,734	8,857	8,604	7,269	7,079
Total printshop photocopies produced	1,554,927	1,691,606	1,806,965	1,619,784	1,749,460	1,996,486	1,699,007	1,116,892	1,250,000	1,250,000
<b>Protection of persons and property</b>										
<b>Police protection</b>										
Emergency calls	1,160	1,180	1,330	N/A	1,000	1,029	882	876	847	1,027
Calls responded to within 5 minutes	80%	82%	77%	N/A	66%	72%	75%	72%	76%	96%
Assigned theft cases	1,900	1,000	400	900	1,200	N/A	N/A	N/A	N/A	2,171
Percentage of theft cases cleared	25%	40%	40%	40%	60%	74%	64%	52%	31%	59%
Assigned burglary cases	1,460	800	350	400	200	N/A	N/A	N/A	N/A	897
Percentage of burglary cases cleared	25%	40%	40%	40%	70%	69%	64%	50%	38%	54%
Case and arrest reports processed	21,921	18,133	15,128	14,584	19,310	19,319	18,382	19,079	18,794	22,135
<b>Fire protection</b>										
Number of calls for service	10,000	11,300	11,100	12,955	12,721	12,936	10,572	10,637	10,073	11,249
Fire related responses	200	218	214	238	271	218	261	245	246	222
Emergency medical aid responses	7,000	7,818	7,250	9,366	9,374	9,603	9,639	9,454	8,960	10,055
<b>Community Programs</b>										
Number of program participants at the Downtown Recreation Center	42,411	31,018	31,521	33,446	34,939	38,247	42,000	28,000	21,150	21,150
Over-the-counter plan checks reviewed within five working days	338	337	225	240	240	522	630	630	630	N/A
Inspection requests with 24 hours	14,345	17,460	22,560	29,100	31,040	29,585	29,100	18,966	28,012	35,000
Complaint response within two working days	90%	90%	90%	90%	90%	90%	90%	90%	90%	100%
<b>Public services</b>										
Number of trees trimmed annually	7,882	8,140	7,700	7,750	6,250	6,250	6,250	8,750	5,291	3,317
Number of catch basins cleaned annually	1,165	1,165	1,165	1,165	1,115	1,100	1,100	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>2013 (1)</u>	<u>2014</u>	<u>2015 (2)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Government										
City council	6.0	6.0	6.0	6.0	6.0	6.0	8.0	10.5	10.5	10.5
City Manager's office	22.00	29.75	38.41	33.30	37.59	39.74	41.60	36.48	37.00	37.88
Financial services	27.21	27.21	20.21	21.71	21.50	22.25	22.50	22.00	23.00	23.00
Information technology	-	-	10.50	12.50	12.94	13.16	12.16	13.70	15.50	17.50
Administrative services	-	-	-	-	-	-	-	-	-	-
Development services	27.59	27.00	37.25	43.50	46.23	45.95	44.80	48.79	51.64	52.64
Park and community services	-	-	53.43	70.70	74.00	80.54	87.23	96.71	95.67	96.73
Protection of persons and property										
Police protection	235.60	237.68	236.41	232.63	234.46	235.60	233.76	235.17	235.86	236.36
Fire protection	95.44	95.75	84.75	87.25	87.50	94.00	94.00	95.00	96.25	97.25
Public services	114.99	124.43	83.37	81.77	84.82	77.47	72.05	76.70	76.50	80.00
	<u>528.83</u>	<u>547.82</u>	<u>570.33</u>	<u>589.36</u>	<u>605.04</u>	<u>614.71</u>	<u>616.10</u>	<u>635.05</u>	<u>641.92</u>	<u>651.86</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 City Manager's Office 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 the Finance Department.  
 and Park & Community Services Department was separated from Public Service Department.

Source: City of Costa Mesa Finance Department

**TABLE 20**

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

Function/Program	Fiscal Years									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	529.0	529.0	529.0	529.0	535.6	535.6	535.6	540.0	522.0
Streetlights	6,674	6,674	6,674	6,674	6,674	6,674	6,881	6,869	6,869	6,882
Traffic signals	123	123	124	124	124	125	126	127	128	131
Parks and recreation										
Acres of open space	1,957	1,957	1,957	1,957	1,957	1,957	1,957	2,067	2,067	2,067
Park sites	30	30	31	31	31	31	31	32	32	30
Baseball/softball diamonds	5	5	6	6	6	6	6	6	6	6
Soccer/football fields	10	10	10	10	10	10	10	6	6	6
Community centers	3	3	4	4	3	3	3	4	4	3
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	64.7	45.5

Source: City of Costa Mesa Finance Department

